



美因基因
mega genomics

Mega Genomics Limited
美因基因有限公司 *

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6667

Interim Report
2023

** For identification purpose only*

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Definitions

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Company”, “our Company”, or “the Company”	Mega Genomics Limited (美因基因有限公司*), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	the directors of our Company
“Global Offering”	the global offering of the Shares in connection with the Listing
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mega Genomics Beijing”	Mega Genomics (Beijing) Co., Ltd. (美因健康科技(北京)有限公司), a limited liability company established under the laws of the PRC
“Listing”	the listing of the Shares on the Main Board on the Listing Date
“Listing Date”	22 June 2022, on which dealings in the Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

* For identification purposes only

Definitions

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 10 June 2022
“Renminbi” or “RMB”	the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme approved and adopted by the Board on 19 November 2021, the principal terms of which are set out in the section headed “ Statutory and General Information – D. Restricted Share Unit Scheme” in Appendix IV of the Prospectus
“RSU(s)”	restricted share unit(s) awarded to a participant under the RSU Scheme
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

In this report, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “continuing connected transaction,” “controlling shareholder,” “core connected person,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Yu Rong
Ms. Lin Lin (*Chairperson*)
Mr. Huang Yufeng (*Chief Executive Officer*)
Ms. Jiang Jing

Non-executive Director

Ms. Guo Meiling

Independent Non-executive Directors

Dr. Zhang Ying
Mr. Jia Qingfeng
Dr. Xie Dan

AUDIT COMMITTEE

Mr. Jia Qingfeng (*Chairperson*)
Ms. Guo Meiling
Dr. Zhang Ying

REMUNERATION COMMITTEE

Dr. Zhang Ying (*Chairperson*)
Ms. Guo Meiling
Mr. Jia Qingfeng

NOMINATION COMMITTEE

Ms. Lin Lin (*Chairperson*)
Dr. Zhang Ying
Mr. Jia Qingfeng

COMPANY SECRETARY

Ms. Ng Wai Kam

AUTHORIZED REPRESENTATIVES

Ms. Lin Lin
Ms. Ng Wai Kam

HONG KONG LEGAL ADVISORS

Paul Hastings
22/F Bank of China Tower
1 Garden Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISOR

China Securities (International) Corporate Finance
Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands



Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

401 Health Work
North Garden Road
Haidian District
Beijing
PRC

PRINCIPAL BANK

Standard Chartered Bank (HK) Limited
Bank of Communications Co., Ltd., Beijing Branch

STOCK CODE

6667

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F
Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

COMPANY'S WEBSITE

www.megagenomics.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

Business Review and Outlook

Business Review

Overview

As a leading genetic testing platform company in China, we focus on consumer genetic testing and cancer screening services. Since our establishment in 2016 and up to 30 June 2023, we accumulatively performed over 17 million genetic tests, with an average of over 180,000 tests performed per month for the six months ended 30 June 2023.

According to Frost & Sullivan, we are the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered as of 31 December 2021, and we were the largest genetic testing platform for cancer screening in China as measured by the number of tests administered in 2020.

In the first half of 2023, we pursued a more positive marketing strategy, accelerated the expansion of sales channels, enriched our product matrix, and continuously optimize the product structure of our genetic testing services, achieving a year-on-year steady growth in the Company's business.

Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Prospectus dated 10 June 2022.

Our Products

Our products are either independently developed by our in-house research and development team or jointly developed via cooperation with our third-party partners.

As of 30 June 2023, we had 97 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that cover a wide range of prices, and 86 of them were comprised of our self-developed services. Our current selective testing services that are more well-received by the market include:

GENERAL testing services

- Brain Health Assessment Package – a service that assesses the risk of developing various related diseases, including Alzheimer's disease.
- Alimentation Capability Assessment Package – a service that assesses the risk of developing hyperhomocysteinemia.
- Parkinson's Disease Risk Assessment – a service that assesses the risk of developing Parkinson's disease.
- Full-scale Cancer Risk Assessment Package – a service that assesses the risk of developing cancer of various types.
- Cardiovascular and Cerebrovascular Disease Risk Assessment Package – a service that assesses the risk of developing seven common cardiovascular and cerebrovascular diseases.

ADVANCED testing services

- Hereditary Breast Cancer/Ovarian Cancer Genetic Testing – a service that assesses the risk of developing breast cancer and ovarian cancer.
- Septin9 Colorectal Cancer Screening Test – a service that provides preliminary assessment of whether a person has potentially developed colorectal cancer.
- RNF180/Septin9 Gastric Cancer Screening Test – a service that provides preliminary assessment of whether a person has potentially developed gastric cancer.
- Telomere Length Genetic Testing – a service that provides preliminary assessment of cell age and aging rate of a person.

Business Review and Outlook

EXECUTIVE testing services

- Personal Whole Genome Test Plus – a service that assesses the risk of developing multiple types of diseases and provides interpretation for various individual traits and medication advice for certain common diseases.
- Whole Exome Sequencing Package for Adult – a service that assesses (i) the risk of developing multiple high-risk diseases, hereditary cancers, recessive genetic diseases and types of complex diseases; and (ii) multiple drugs, dietary nutrition items, and exercise and fitness items.

In addition to our existing service portfolio, we have been developing ten in vitro diagnostics (“**IVD**”) pipeline products.

Among them, three kits are consumer genetic testing products in our pipeline, including (i) folate metabolic capacity assessment testing kits, which can be used to assess the risk of developing multiple cardiovascular and cerebrovascular diseases; (ii) ApoE gene testing kits, which can be used to assess the risk of developing Alzheimer’s disease; and (iii) BRCA1/BRCA2 gene mutation testing kits, which can be used to assess the risk of developing hereditary breast cancer.

The other seven kits are disease screening products in our pipeline, including (i) Alzheimer’s disease screening kits; (ii) colorectal cancer screening kits; (iii) gastric cancer screening kits; (iv) lung nodule auxiliary diagnostic kits; (v) cervical cancer screening kits; (vi) fecal occult blood testing kit; and (vii) transferrin testing kits. Our disease screening pipeline covers major diseases with high prevalence that currently lack effective screening methods.

ApoE gene testing kits

Our self-developed ApoE testing kits use extraction-free blood nucleic acid technology and quantitative polymerase chain reaction (“**qPCR**”) platform to detect ApoE gene mutations and assess the risk of Alzheimer’s disease. We expect this product to generate synergistic effects with our Alzheimer’s disease screening products. The ApoE gene testing kits screen ApoE $\epsilon 4$ carriers, which is the target population that we recommend for periodic testing for Alzheimer’s disease.

Our self-developed extraction-free blood nucleic acid technology can effectively save testing costs (eliminating nucleic acid extraction reagents and equipment) and time costs (eliminating the one-hour nucleic acid extraction process). The product has obtained the registration inspection report in May 2022 and is currently in a multi-center clinical trial of approximately 1,200 cases with three hospitals in different regions of China (Tiantan Hospital, etc.) and is expected to obtain the registration certificate in the first half of 2024.

Folate metabolic capacity assessment testing kits

Our self-developed folate metabolic capacity assessment testing kits use extraction-free blood nucleic acid technology and qPCR platform to detect the MTHFR gene and assess the metabolic capacity of folate in order to guide pregnant women to supplement folate and prevent neonatal defects, including neural tube defects. It can also assess the risk of hyperhomocysteinemia, stroke and other cardiovascular and cerebrovascular diseases.

Our self-developed extraction-free blood nucleic acid technology can effectively save testing costs (eliminating nucleic acid extraction reagents and equipment) and time costs (eliminating the one-hour nucleic acid extraction process). The product has obtained the registration inspection report in May 2022 and is currently in a multi-center clinical trial of approximately 1,200 cases with three hospitals in different regions of China (Zhejiang Provincial People’s Hospital, etc.) and is expected to obtain the registration certificate in the first half of 2024.

Business Review and Outlook

Alzheimer's disease screening kits

Our Alzheimer's disease screening kits are plasma-based miRNA markers testing. The global genetic testing market does not have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan. We are developing this product in collaboration with Tiantan Hospital and conducting multi-center clinical validation with multiple hospitals in different regions of China. We are using no less than 1,500 samples and machine learning algorithms to determine the suitability of the selected biomarkers.

We expect to develop two types of testing kits using each of multiplex RT-qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as Laboratory Developed Tests ("LDTs").

The RT-qPCR kits are expected to include two to three biomarkers, and we expect to obtain the registration certificate in 2025.

Colorectal cancer screening kits

Our product candidates for colorectal cancer screening are plasma-based DNA methylation markers testing.

We are developing this product in collaboration with the 7th Medical Center of Chinese PLA General Hospital. As of 30 June 2023, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China and using no less than 1,500 samples to determine the suitability of the selected biomarkers. We have tested thousands of samples, and with the biometric analysis and machine learning algorithm, we have screened markers with favorable sensitivity and specificity.

We expect to develop two types of testing kits using each of qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT.

The qPCR kits are expected to include three biomarkers, and we expect to obtain the registration certificate by 2024.

Gastric cancer screening kits

Our product candidates for gastric cancer screening are plasma-based DNA methylation markers testing.

We are developing this product in collaboration with the 7th Medical Center of Chinese PLA General Hospital. As of 30 June 2023, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China and using no less than 1,500 samples to determine the suitability of the selected biomarkers. We have tested thousands of samples, and with the biometric analysis and machine learning algorithm, we have screened markers with favorable sensitivity and specificity.

We expect to develop two types of testing kits using each of qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT.

The qPCR kits are expected to include three biomarkers, and we expect to obtain the registration certificate by 2024.

Business Review and Outlook

BRCA1/BRCA2 gene mutation testing kits

We have completed the reagent formulation for our self-developed BRCA1/BRCA2 gene mutation testing kits. With the multiplex PCR library preparation sequencing technology, we have achieved a lower cost and initially established a database containing tens of thousands of mutation loci.

Lung nodule (benign or malignant) auxiliary diagnostic kits and cervical cancer screening kits are at the early development stage.

We developed colloidal gold-based fecal occult blood testing kits and transferrin testing kits to detect gastrointestinal bleeding for the auxiliary diagnosis of colorectal and gastric cancers. As of 30 June 2023, the two IVD kits have obtained registration test reports and completed clinical evaluations. As of the date of this report, the Company has been notified and has received the product registration certificates for fecal occult blood testing kits and transferrin testing kits approved by the Shanghai Medical Products Administration.

In addition, we have also developed cfDNA extraction and sulfide kits and oral swab samples, which are expected to obtain product filing certificates in the second half of 2023.

Research and Development (“R&D”)

Strong research and development capabilities is vital to our business.

Since our founding in 2016, our research and development has been a major force in the expansion of our testing technology platforms and testing services offerings. We use a market-oriented approach to our research and development strategy. Our R&D team contributes to the development of our Company’s growth strategy by tracking industry developments, market demand and competition, and by identifying services and products with significant market potential for commercialization. In the first half of 2023, our R&D expenses increased by more than 60% compared with the same period of 2022.

Intellectual property and qualification

As of 30 June 2023, three invention patents and two design patents had been granted to us, and four invention patents were under application. In addition, we registered 41 software copyrights and 58 trademarks. We have also been recognised for our innovation, including recognition as a National High-tech Enterprise, Zhongguancun High-tech Enterprise, and Beijing “Specialization, Expertise, Distinction, Innovation” small and mid-size enterprise.

In-house research and development team

We have a strong in-house R&D team, and the team has extensive experience in the genetic testing industry. Approximately 65% of our research and development team members possess a master degree or above in relevant fields from institutions such as the Chinese Academy of Sciences, China Agricultural University and New York University.

Collaboration with third parties

In addition to our in-house R&D team, we also conduct our research and development efforts through collaboration with top physicians and medical experts in China.

Under our collaboration agreements, medical experts work with us during the research and development stage and help with the implementation of clinical trials through recruitment of participating hospitals and trial sample collection. Such collaboration is expected to expedite the process of multi-center clinical trials with large samples and increase the reliability of our products.

Such medical experts would also provide necessary expert opinions during the registration process.

Business Review and Outlook

In addition, we expect the authority and reputation of these experts to help with the registration and promotion of our products. We have the technical know-how for the co-developed products and have joint ownership over relevant intellectual property rights.

We are entitled to submit IVD registration applications for these products and we will be the sole registrant of the IVD registration certificates once approved.

We also established R&D collaborations with industry-leading service providers, mainly CROs, at different phases of our IVD product registration to ensure our quality management system, manufacturing and clinical trials of IVD product candidates are in line with the National Medical Products Administration of China's regulatory requirements for product registration. Our collaboration with these companies does not grant them any interest in our intellectual property rights. We do not rely on any particular service provider.

As of 30 June 2023, we have established cooperative relationships with the following companies:

Huaguang Innovation (Beijing) Technology Service Co., Ltd. (“Huaguang”)

It is a top-level third-party certification company for the medical device quality management system with experience in product certification and quality management system certification.

Through collaboration with Huaguang, we established a quality management system that satisfies IVD registration standards and receives guidance in the product registration process to ensure full compliance with applicable regulations and quality management system assessment.

Guangzhou Osmunda Medical Device Technology, Inc. (“Osmunda”)

It is the leading CDMO service provider in China with four domestic CDMO bases, and has production lines for active devices, passive devices, and IVD reagents. It also has independent inspection and testing centers, physics laboratories, chemical laboratories, PCR laboratories, microbiological inspection clean areas and preparation rooms. We collaborate with Osmunda for contract-commissioned production that complies with relevant regulations.

Beijing Tigermed-Jyton Medical Tech. Co. Ltd. (泰格捷通(北京)醫藥科技有限公司) (“Tigermed-Jyton”)

It is a top clinical trial CRO company in China. Our collaboration with Tigermed-Jyton is designed to ensure clinical trial compliance.



Business Review and Outlook

Testing Technology Platforms

Our testing technology platforms and technologies include endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing, whole exome sequencing and whole genome sequencing technologies), whole-genome microarray platform and blood nucleic acid extraction-free technology. We possess the full range of genetic and molecular diagnostics technologies that support our commercialized testing and R&D applications.

Our R&D team has innovated constantly and developed a number of new risk assessment genetic tests covering various specialty areas, including alimentation, brain health, Parkinson's disease, ankylosing spondylitis, comprehensive assessment of immunity, cancer risk assessment, cardiovascular and cerebrovascular diseases, digestive system diseases, telomere and pharmacogenetic testing.

Our research and development efforts focus on the registration of IVD test kits. At present, we have obtained registration certificates for our fecal occult blood testing kits and transferrin testing kits. ApoE gene testing kits and folate metabolic capacity assessment testing kits are in the IVD registration and filing stage. The following products are under development stage, including Alzheimer's screening kits, colorectal cancer screening kits, gastric cancer screening kits, and BRCA1/BRCA2 gene mutation testing kits. Two other products are at the early development stage, including benign and malignant lung nodule auxiliary diagnosis kits, and cervical cancer screening kits.

Production Capacity

In order to carry out our broad-spectrum testing process and to satisfy our consumers' needs, we have developed an advanced and integrated system of technology platforms, including endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing and exon/whole genome sequencing technologies) and whole-genome microarray platform. Our tests are conducted in our independent testing laboratory. Our high-throughput testing platform, with an average daily throughput of 50,000 samples, offers the advantages of high throughput and automation, and the ability to deliver multi-scenario genetic testing solutions with cost efficiencies.

Production Facility

We have one laboratory located in Beijing, China, with a gross floor area of approximately 880 sq.m. Our laboratory has obtained External Quality Assessment Certificate for various testing services as well as the PRC Practice License of Medical Institution. Our laboratory has the required registrations and licenses to perform PCR amplification for clinical use and obtained the laboratory accreditation certificate from the China National Accreditation Service for Conformity Assessment in 2022.

Business Review and Outlook

Business

During the Reporting Period, the Company achieved revenue of RMB98.9 million, with a year-on-year increase of 1.3%; and net profit of RMB35.1 million, with a year-on-year increase of 97.3%, which was mainly due to the year-on-year steady increase in revenue as a result of the Company pursuing a more positive marketing strategy, accelerating the expansion of sales channels, enriching its product matrix, and optimizing the product structure of its genetic testing services, as well as the good collection and the reversal of provision for trade receivables during the Reporting Period.

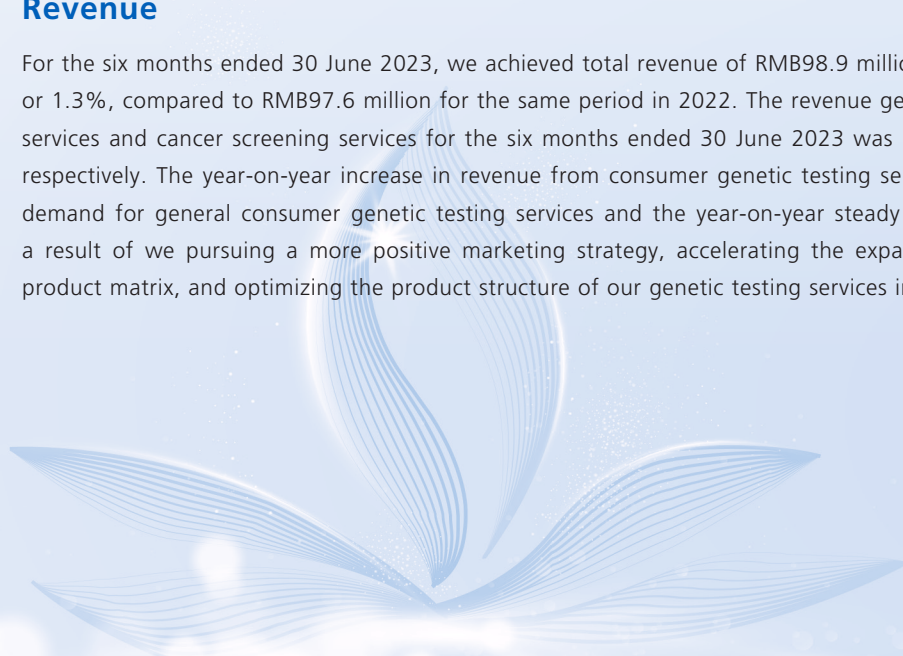
As of 30 June 2023, we covered over 1,770 healthcare institutions in more than 340 cities in China, and health checkup centers accounted for approximately 53% of our institutional customers in terms of total number. Our sales and marketing network allows us to deliver genetic testing services to a large portion of the Chinese population. In addition, we cooperate with various e-commerce and online healthcare platforms to expand and enhance our sales and marketing network.

Financial Highlights

	For the six months ended 30 June		Year-on-year change
	2023	2022	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Revenue	98,879	97,617	1.3%
Consumer genetic testing services	57,011	45,573	25.1%
Cancer screening services	41,868	52,044	(19.6%)
Gross profit	65,299	64,416	1.4%
Gross profit margin	66.0%	66.0%	0.04 percentage points
Net profit	35,117	17,800	97.3%
Net profit margin	35.5%	18.2%	17.3 percentage points

Revenue

For the six months ended 30 June 2023, we achieved total revenue of RMB98.9 million, with an increase of RMB1.3 million, or 1.3%, compared to RMB97.6 million for the same period in 2022. The revenue generated from consumer genetic testing services and cancer screening services for the six months ended 30 June 2023 was RMB57.0 million and RMB41.9 million, respectively. The year-on-year increase in revenue from consumer genetic testing services was mainly due to the increased demand for general consumer genetic testing services and the year-on-year steady growth in the Company's business as a result of we pursuing a more positive marketing strategy, accelerating the expansion of sales channels, enriching our product matrix, and optimizing the product structure of our genetic testing services in the first half of 2023.



Business Review and Outlook

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, we recorded a consolidated gross profit of RMB65.3 million, with an increase of 1.4% year-on-year, of which RMB33.3 million and RMB32.0 million of gross profit were attributable to consumer genetic testing services and cancer screening services, respectively. The 41.1% year-on-year increase in gross profit from consumer genetic testing services was driven by the optimization of our product and service portfolio and our ability to effectively control costs.

For the six months ended 30 June 2023, our consolidated gross profit margin was 66.0%. The gross profit margin for our cancer screening services was 76.4% for the six months ended 30 June 2023, with a 2.1 percentage points year-on-year decrease, primarily because we adjusted the price strategy to promote cancer screening services, while costs such as labor and rent were relatively stable. The gross profit margin for consumer genetic testing services was 58.4% with an increase of 6.6 percentage points on a year-on-year basis, due to an optimized product and service portfolio and our ability to effectively control costs.

Prospects and Outlook

Further exploiting the consumer genetic testing market in China

According to Frost & Sullivan, the penetration of the consumer genetic testing market in China is expected to grow from 0.8% to 11.6% from 2020 to 2030. During this process, more standards regarding consumer genetic testing industry will be established and the prevention and treatment guidelines or expert consensus for common diseases will be formed gradually. We believe it is critical to expedite the establishment of industry standards.

We will strengthen our partnerships with industry leaders to establish industry standards through cooperations with key opinion leaders. This includes organizing academic meetings, collaborating with experts in scientific research, and conducting retrospective data analysis, etc. We will also strengthen our efforts to accelerate the education of medical institutions and increase market penetration more quickly by popularizing industry standards.

Meanwhile, in order to continuously consolidate our leading position in the consumer genetic testing market, we constantly upgrade and launch new products to meet the huge domestic consumer genetic market demand.

Further exploiting the cancer screening test market in China

We plan to further increase the penetration of cancer screening. The current market is basically aware of cancer screening, especially in the field of digestive tract tumors, blood methylation screening for intestinal cancer has gradually and widely reached consumers and has achieved good response. We will further strengthen the automation level of production to reduce the production cost and accelerate the research and development and application of blood methylation products for digestive tract tumors to improve the sensitivity and specificity of screening. This is to make the blood methylation screening for intestinal cancer have better socio-economic value.

We will continue diversifying our cancer screening product lines, and market our screening products of fecal occult blood soon. Lower-cost screening will expand the recipient base and increase awareness of intestinal cancer screening among our customers.

Business Review and Outlook

Expanding our R&D strength and enriching our product matrix

We will vigorously expand our research and development strength. In line with our research and development efforts, we plan to recruit more professionals to strengthen our internal research and development team and supplement our internal research and development strength by collaborating with renowned domestic and international academic and medical institutions.

In addition to our product pipeline, we plan to develop a wider range of screening products that are low-cost and suitable for in-home testing. We believe that diversifying our product portfolio will help us strengthen our industry leadership position, significantly enhance operational efficiency and improve profitability. In addition, our fecal occult blood intestinal cancer screening and transferrin screening products have been granted with the Registration Certificate for Medical Device and be marketed in the second half of 2023.

Making selective geographic expansion and acquisition opportunities

We plan to build a manufacturing laboratory to enhance geographic coverage, improve reporting cycles and reduce operating costs. We will optimize the production process, adopt a new production system for the new laboratory, and substantially shorten the product reporting time, to further improve customer experience.

We also plan to make prudent investments to complement our internal growth. We plan to acquire product candidates with significant market potential or technological frontiers when appropriate to complement our existing product portfolio and create synergies with our research and development, manufacturing, and channel systems.



Management Discussion and Analysis

The following table sets forth our unaudited condensed consolidated statements of profit or loss for the periods indicated, together with the changes from the six months ended 30 June 2022 to the same period in 2023, presented as a percentage:

	For the six months ended 30 June		Year-on-year change %
	2023	2022	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Revenue	98,879	97,617	1.3%
Cost of sales	(33,580)	(33,201)	1.1%
Gross profit	65,299	64,416	1.4%
Other income and gains	7,753	3,820	103.0%
Selling and distribution expenses	(16,523)	(15,783)	4.7%
Administrative expenses	(24,157)	(14,751)	63.8%
Reversal of impairment losses/(Impairment losses) on trade receivables, net	10,411	(203)	N/A
Other expenses	(215)	(1,138)	(81.1%)
Listing expenses	–	(15,174)	(100.0%)
Finance costs	(266)	(406)	(34.5%)
Profit before tax	42,302	20,781	103.6%
Income tax expenses	(7,185)	(2,981)	141.0%
Profit for the period	35,117	17,800	97.3%

Management Discussion and Analysis

Revenue

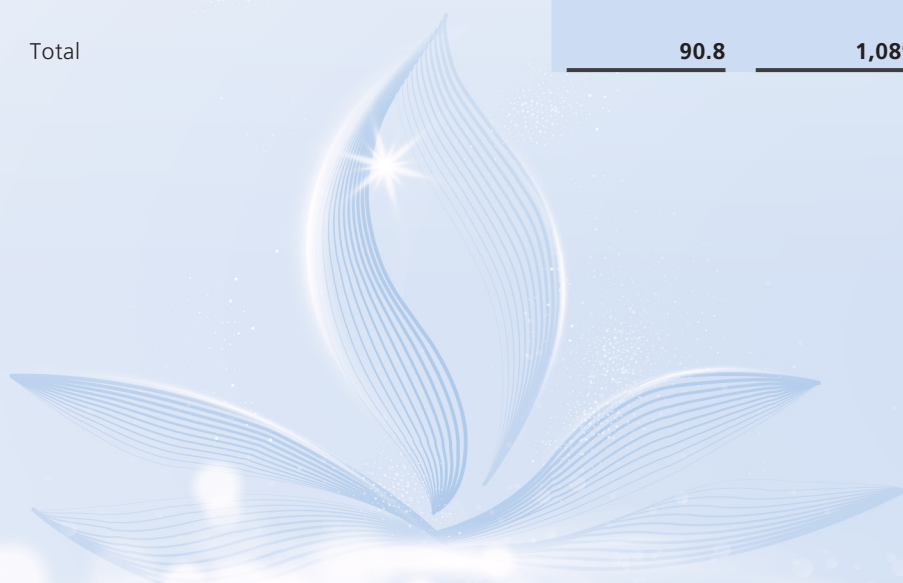
We organize our main business into two segments, consumer genetic testing services and cancer screening services.

The table below sets forth our revenue by operating segment for the periods presented (presented in figures and as a percentage of total revenue).

	For the six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Consumer genetic testing services	57,011	57.7%	45,573	46.7%
Cancer screening services	41,868	42.3%	52,044	53.3%
Total	98,879	100.0%	97,617	100.0%

The following table shows the average price and number of tests we performed during the periods indicated, broken down by type of testing services.

	For the six months ended 30 June			
	2023		2022	
	Average price RMB	Testing volume (in thousand)	Average price RMB	Testing volume (in thousand)
Consumer genetic testing services				
General consumer genetic testing services	60.4	943	59.5	516
COVID-19 testing services	15.3	3	6.5	2,293
Cancer screening services	292.8	143	337.9	154
Total	90.8	1,089	32.9	2,963



Management Discussion and Analysis

- Consumer genetic testing services. For the six months ended 30 June 2023, our revenue from consumer genetic testing services was RMB57.0 million, with an increase of 25.1% year on year. The increase was due to the year-on-year steady growth in the Company's business as a result of we pursuing a more positive marketing strategy, accelerating the expansion of sales channels, enriching our product matrix, and optimizing the product structure of our genetic testing services.
- Cancer screening services. For the six months ended 30 June 2023, our revenue from cancer screening services was RMB41.9 million, with a decrease of 19.6% year on year. The decrease in the revenue from cancer screening services was due to the Company's adjusted price strategy to promote cancer screening services.

Cost of Sales

Our cost of sales consists primarily of raw material costs, testing service costs, staff costs, and the cost of printing and delivering test reports. Others consist primarily of rent, clusters, property utilities, etc. The following table sets forth a breakdown of cost of sales by nature for the periods indicated (presented in figures and as a percentage of cost of sales).

	For the six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Raw materials	17,193	51.2%	17,756	53.5%
Testing services	4,342	12.9%	3,197	9.6%
Staff costs	5,748	17.1%	5,742	17.3%
Depreciation and amortization	3,610	10.8%	2,799	8.4%
Printing and delivery costs	1,279	3.8%	1,020	3.1%
Others	1,408	4.2%	2,687	8.1%
Total	33,580	100.0%	33,201	100.0%

Our cost of sales increased by 1.1% from RMB33.2 million for the six months ended 30 June 2022 to RMB33.6 million for the same period in 2023. The increase was mainly due to an increase in revenue.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022 and 2023, our gross profit was RMB64.4 million and RMB65.3 million, respectively, and our gross profit margin remained stable at 66.0%. The following table sets forth a breakdown of gross profit and gross profit margin by operating segment for the periods indicated (presented in figures and as a percentage of total gross profit).

	For the six months ended 30 June			
	2023		2022	
	Segmental gross profit RMB'000 (Unaudited)	%	Segmental gross profit RMB'000 (Unaudited)	%
Consumer genetic testing services	33,292	51.0%	23,587	36.6%
Cancer screening services	32,007	49.0%	40,829	63.4%
Total	65,299	100.0%	64,416	100.0%

	For the six months ended 30 June	
	2023	2022
	Segmental gross margin	Segmental gross margin
Consumer genetic testing services	58.4%	51.8%
Cancer screening services	76.4%	78.5%
Total	66.0%	66.0%



Management Discussion and Analysis

- Our gross profit from consumer genetic testing services increased from RMB23.6 million for the six months ended 30 June 2022 to RMB33.3 million for the same period in 2023, and the gross profit margin increased from 51.8% for the six months ended 30 June 2022 to 58.4% for the same period in 2023. The increase was mainly due to the change in the Company's product structure and our ability to effectively control costs;
- The gross profit of our cancer screening services decreased from RMB40.8 million for the six months ended 30 June 2022 to RMB32.0 million for the same period in 2023. The decrease was mainly because we adjusted the price strategy to promote cancer screening services, while costs such as labor and rent were relatively stable.

Other Income and Gains

Our other income and gains increased by 103.0% from RMB3.8 million for the six months ended 30 June 2022 to RMB7.8 million for the same period in 2023. The increase was mainly due to the government grants we received and the increase in our interest income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.7% from RMB15.8 million for the six months ended 30 June 2022 to RMB16.5 million for the same period in 2023, which was mainly due to our continued investment in marketing and some of the RSUs expenses granted by the Company on 29 December 2022 were recognised as selling expenses during the Reporting Period.

Administrative Expenses

Our administrative expenses increased by 63.8% from RMB14.8 million for the six months ended 30 June 2022 to RMB24.2 million for the same period in 2023, mainly due to the increase in the number of R&D personnel and the corresponding increase in R&D inputs depending on our R&D process, and some of the RSUs expenses granted by the Company on 29 December 2022 were recognised as administrative expenses during the Reporting Period.

Reversal of Impairment Losses/(Impairment Losses) on Trade Receivables, Net

For the six months ended 30 June 2022, our impairment losses on trade receivables amounted to RMB0.2 million while for the six months ended 30 June 2023, our reversal of impairment losses on trade receivables amounted to RMB10.4 million, which was mainly due to the Company's good collection and the reversal of provision for trade receivables of the Company during the Reporting Period.

Management Discussion and Analysis

Other Expenses

For the six months ended 30 June 2022 and 2023, our other expenses were RMB1.1 million and RMB0.2 million, respectively. The decrease in other expenses was mainly due to the decrease in equipment leasing business.

Finance Costs

Our finance costs decreased by 34.5% from RMB0.4 million for the six months ended 30 June 2022 to RMB0.3 million for the same period in 2023. The decrease was mainly due to the decrease in lease liabilities that were not fulfilled over time under the new lease standards.

Income Tax Expenses

Our income tax expenses increased by 141.0% from RMB3.0 million for the six months ended 30 June 2022 to RMB7.2 million for the same period in 2023. The increase was mainly due to the increase in profit before tax.

Profit for the Period

Our profit for the period increased from RMB17.8 million for the six months ended 30 June 2022 to RMB35.1 million for the same period in 2023 due to the above reasons.

Cash and Cash Equivalents

For the six months ended 30 June 2023, our net cash generated from operating activities was RMB67.3 million. It was mainly due to the Company's increased efforts to collect accounts receivable, and accounts receivable collection was good.

For the six months ended 30 June 2023, our net cash flow used in investing activities was RMB18.2 million, which was mainly due to the acquisition of fixed assets and intangible assets by the Company.

For the six months ended 30 June 2023, our net cash flow used in finance activities was RMB19.6 million, which was mainly due to the payment of capital reduction by a subsidiary of the Company.

As a result of the above, our cash and cash equivalents, which were mainly held in RMB and HKD, increased by 7.7% from RMB399.8 million as of 31 December 2022 to RMB430.7 million as of 30 June 2023.



Management Discussion and Analysis

Liquidity and Capital Resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management.

We manage and maintain our liquidity through the use of internally generated cash flows from operations and proceeds from the Company's initial public offering on the Stock Exchange on 22 June 2022. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	67,323	(27,320)
Net cash used in investing activities	(18,238)	(62)
Net cash (used in)/generated from finance activities	(19,600)	163,582
Net increase in cash and cash equivalents	29,485	136,200
Cash and cash equivalents at the beginning of the period	399,831	239,096
Effect of foreign exchange rate changes, net	1,344	272
Cash and cash equivalents at the end of the period	430,660	375,568

Indebtedness

Lease liabilities

As of 31 December 2022 and 30 June 2023, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB11.0 million and RMB10.6 million respectively in relation to the corresponding current and non-current lease liabilities.

Save as lease liabilities, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans, unutilized banking facilities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of 30 June 2023.

Directors also confirm that, as of 30 June 2023, there was no material change in the Company's indebtedness since 31 December 2022.

Management Discussion and Analysis

Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at 30 June 2023 was 10.7%, representing a decrease of 1.7 percentage points compared to 12.4% as at 31 December 2022.

Foreign Exchange Risk

We have transactional currency exposures. Certain of our demand deposits, bank balances and proceeds are denominated in USD and HKD which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Key Financial Ratios

	For the six months ended 30 June	
	2023	2022
Gross profit margin ⁽¹⁾	66.0%	66.0%
Net profit margin ⁽²⁾	35.5%	18.2%
Current ratio ⁽³⁾	9.0	7.4

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the period.
- (2) Net profit margin equals profit divided by revenue for the period.
- (3) Current ratio equals current assets divided by current liabilities as of the end of the period.

Capital Expenditures

Our principal capital expenditures related primarily to the purchase of equipment and the establishment of an automatic laboratory. The following table sets forth our capital expenditures for the periods indicated.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of property, plant and equipment	12,674	821
Purchases of other intangible assets	70	137
Total	12,744	958

Management Discussion and Analysis

Contingent Liabilities

As of 30 June 2023, we had no material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of 30 June 2023, we did not hold any material investment.

In addition, save for the expansion plans as disclosed in the two sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

For the six months ended 30 June 2023, we did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Group Assets

As of 30 June 2023, we did not have any charged or pledged assets.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023.

Employee

As of 30 June 2023, we had 267 employees, most of whom were based in Beijing. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company level and department-level training to our employees on a quarterly basis in addition to on-the job training. Employees are also encouraged to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. We also provide training and development programs as well as external training courses to our employees from time to time for the sake of enhancing their technical skills and ensuring that they understand and comply with our policies and procedures.

The compensation of our employees is determined with reference to market conditions and the performance, qualifications and experience of individual employees. We offer competitive compensation packages, including salaries, discretionary bonuses and benefit plans, to retain employees based on the performance of us and individual employees. For the six months ended 30 June 2023, our staff costs was RMB29.2 million (the same period in 2022: RMB26.8 million).

RSU Scheme

The Board of the Company approved and adopted the RSU Scheme on 19 November 2021. On 29 December 2022, the Company granted to certain eligible participants (the “**Grantee(s)**”) of the Company a total of 27,272,000 RSUs pursuant to the RSU Scheme (the “**Grant**”). Please refer to the announcement of the Company dated 29 December 2022 for further details. The exercise price of the RSUs was HKD9.9 per share, and the grant price was determined with reference to the closing price of HKD10.5 on the date of Grant of the shares on 29 December 2022. As at 28 December 2022, the closing price of the RSUs on the day before the date of Grant and vesting was HKD13.12. A summary of the principal terms of the RSU Scheme of the Company is as follows:

Management Discussion and Analysis

Summary of terms

The following is a summary of the principal terms of the RSU Scheme:

(a) Purpose

The purpose of the RSU Scheme is to align the interests of eligible persons with those of our Group through ownership of the shares, dividends and other distributions paid on the shares and/or the increase in value of the shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of our Group.

(b) Scope the participants

Participants of the RSU Scheme include (i) any full-time and part-time employee, director or officer of any member of our Group including (without limitation) executive, non-executive and independent non-executive directors in the employment of or holding office therein; (ii) any person or entity (including but not limited to consultants engaged by our Group to render consulting or advisory services to us) that provides research, development, consultancy and other technical or operational or administrative support to us; and (iii) any other persons including former employees who, in the sole opinion of the RSU Committee, have contributed or will contribute to any member of our Group.

(c) Term

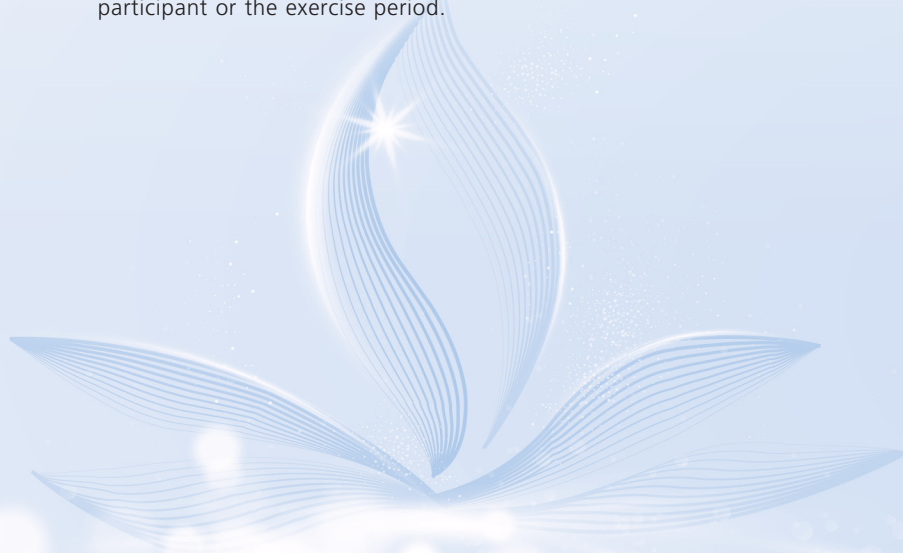
The RSU Scheme shall be valid and effective for the period of ten years commencing on the Listing Date, after which period no further RSUs will be granted. As of 30 June 2023, the remaining term of the RSU Scheme is 9 years.

(d) The maximum number of the shares

As disclosed in the Prospectus, on 1 June 2022, the Company allotted and issued 27,272,000 Shares, representing all Shares underlying the RSUs that may be delivered under the RSU Scheme, representing 11.4% of the total issued share capital of the Company as of the date of this report. On 29 December 2022, the Company granted RSUs in an aggregate of 27,272,000 Shares, representing 100% of the RSU Mandate, to certain eligible participants.

(e) Individual limit and exercise period

Subject to the Listing Rules, the RSU Scheme does not specify a maximum limit on the rights granted to each participant or the exercise period.



Management Discussion and Analysis

(f) Vesting schedule of RSUs granted

- (1) one-third of the RSUs granted will become vested immediately upon the Grant;
- (2) one-third of the RSUs granted will become vested on the first anniversary of the date of Grant; and
- (3) the remaining one-third of the RSUs granted will be vested on the second anniversary of the date of Grant.

(g) Basis for determining the exercise price of RSUs

The consideration (if any) paid by the selected participant to the trustee for accepting the grant of RSUs to that participant shall be determined at the sole discretion of the RSU committee.

During the Reporting Period, details of the RSU Scheme and the changes are as follows:

Name of Grantee	Grant date	Number of RSUs					As of 30 June 2023	Vesting period of RSUs	Exercise period of RSUs	Exercise price per share of RSUs (HKD)
		As of 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period				
Lin Lin	29 December 2022	13,636,000	-	-	-	-	13,636,000	29 December 2022 to 29 December 2024 ⁽¹⁾	29 December 2022 to 21 June 2032	9.9
Guo Meiling	29 December 2022	4,545,000	-	-	-	-	4,545,000	29 December 2022 to 29 December 2024 ⁽¹⁾	29 December 2022 to 21 June 2032	9.9
Huang Yufeng	29 December 2022	500,000	-	-	-	-	500,000	29 December 2022 to 29 December 2024 ⁽¹⁾	29 December 2022 to 21 June 2032	9.9
Jiang Jing	29 December 2022	500,000	-	-	-	-	500,000	29 December 2022 to 29 December 2024 ⁽¹⁾	29 December 2022 to 21 June 2032	9.9
Other employees of the Group	29 December 2022	8,091,000	-	-	-	-	8,091,000	29 December 2022 to 29 December 2024 ⁽²⁾	29 December 2022 to 21 June 2032	9.9
Total		27,272,000	-	-	-	-	27,272,000			

Management Discussion and Analysis

Notes:

1. Each Grantee under the RSU Scheme may vest and exercise RSUs in three tranches as follows:
 - (a) one-third of the RSUs granted will become vested immediately upon the Grant;
 - (b) one-third of the RSUs granted will become vested on the first anniversary of the date of Grant; and
 - (c) the remaining one-third of the RSUs granted will be vested on the second anniversary of the date of Grant.
2. Other Grantees of RSUs granted under the under the RSU Scheme (other employees of the Group) may vest and exercise the RSUs in three tranches as follows:
 - (a) one-third of the RSUs granted will become vested immediately upon the Grant;
 - (b) one-third of the RSUs granted will become vested on the first anniversary of the date of Grant; and
 - (c) the remaining one-third of the RSUs granted will be vested on the second anniversary of the date of Grant.
3. During the Reporting Period, no RSUs lapsed and expired and the Group did not cancel any RSUs.
4. Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

The Scheme Rules of the 2022 RSU Scheme has stipulated the lapse and cancellation of the RSU Scheme under different circumstances, and for the purpose of adequately protecting the interests of the Company, the Remuneration Committee of the Company considers that the Grantees are not required to achieve specific performance targets for exercising the RSUs.

According to the RSU Scheme, the Company has fully granted all RSUs and no RSUs will be granted.

Material Events After the Reporting Period

As at the date of this report, there were no material events after 30 June 2023 that might have a material impact on our operations and financial results.

Rounding

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.



Other Information

Changes in Directors, Senior Management and Company Secretary

Changes in the composition of Directors and Board Committees

During the Reporting Period, there was no change in the composition of our Board Committees.

Changes in Directors' information

During the Reporting Period, there was no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Changes in Senior Management and Company Secretary

As of the date of this report, Ms. Li Yan has tendered her resignation as head of human resources of the Company, and has tendered her resignation as a joint company secretary of the Company with effect from 21 July 2023 due to personal reasons.

Disclosure of Interests – Interests and Short Positions of Directors and Chief Executives of the Company in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2023, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares or underlying Shares of our Company

Name of Director	Nature of Interest	Number of interested shares	Approximate percentage of shareholding interest (%)
Dr. Yu Rong	Interest in controlled corporations ⁽¹⁾	22,795,135	9.53%
	Interest of a party to an agreement ⁽²⁾	22,000,000	9.20%
Ms. Guo Meiling	Interest in controlled corporations ⁽²⁾	22,000,000	9.20%
	Beneficial interests ⁽³⁾	4,545,000	1.90%
Ms. Lin Lin	Interest in controlled corporations ⁽⁴⁾	9,975,311	4.17%
	Beneficial interests ⁽³⁾	13,636,000	5.70%
Ms. Jiang Jing	Beneficial interests ⁽³⁾	500,000	0.21%
Mr. Huang Yufeng	Interest in controlled corporations ⁽⁵⁾	3,463,131	1.45%
	Beneficial interests ⁽³⁾	500,000	0.21%

Other Information

Notes:

- (1) As of 30 June 2023, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu Rong. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei Yi Jian Equity Investment Fund (limited Partnership) (珠海中衛易健股權投資基金(有限合夥)), its limited partner, the general partner of which was Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中孵創業投資管理有限公司), which was ultimately controlled by Dr. Yu Rong and (ii) 1% by Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中孵創業投資管理有限公司) as its general partner. As such, Dr. Yu Rong is deemed to be interested in the Shares held by each of YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) under the SFO.
- (2) As of 30 June 2023, Infinite Galaxy Health Limited was wholly owned by Ms. Guo Meiling. As such, Ms. Guo Meiling is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On 11 August 2021, Dr. Yu Rong, Ms. Guo Meiling and Infinite Galaxy Health Limited, among others, entered into a voting rights entrustment deed, pursuant to which Infinite Galaxy Health Limited, a Shareholder wholly owned by Ms. Guo Meiling, irrevocably entrusts Dr. Yu Rong to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu Rong is deemed to be interested in which Ms. Guo Meiling is ultimately interested (through holding 100% interests of Infinite Galaxy Health Limited) under the SFO.
- (3) As of 30 June 2023, among the RSUs, 19,181,000 RSUs have been granted to certain Directors, with details as follows:
 - 13,636,000 RSUs have been granted to Ms. Lin Lin.
 - 4,545,000 RSUs have been granted to Ms. Guo Meiling.
 - 500,000 RSUs have been granted to Mr. Huang Yufeng.
 - 500,000 RSUs have been granted to Ms. Jiang Jing.
- (4) As of 30 June 2023, LINLIN DJK HOLDING LTD. was wholly owned by Ms. Lin Lin. As such, Ms. Lin Lin is deemed to be interested in the Shares held by LINLIN DJK HOLDING LTD. under the SFO.
- (5) As of 30 June 2023, Main Sunflower Technology Limited was held as to 54.84% by Mr. Huang Yufeng. As such, Mr. Huang Yufeng is deemed to be interested in the Shares held by Main Sunflower Technology Limited under the SFO.
- (6) As at 30 June 2023, the number of issued shares of the Company was 239,233,800 shares.

Interests in the Shares or Underlying Shares of the Company's Associated Corporations

Mega Genomics Beijing

Name of Director	Capacity/Nature of Interest	Number of shares/ underlying shares	Approximate percentage of shareholding interest (%)
Dr. Yu Rong	Interest in controlled corporations ⁽¹⁾	1,383,000	12.73% ⁽²⁾
Ms. Guo Meiling	Beneficial interests	1,335,048	12.29% ⁽²⁾

Note:

- (1) As of 30 June 2023, Dr. Yu Rong controlled Zhuhai Zhongwei Yi Jian Equity Investment Fund (Limited Partnership) and Beijing Yinwei Technology Center (LP). As such, Dr. Yu Rong controls the interests in which Zhuhai Zhongwei Yi Jian Equity Investment Fund (Limited Partnership) and Beijing Yinwei Technology Center (LP) are interested under the SFO.
- (2) The Company wishes to clarify that in the table on page 98 of the annual report of the Company for the year of 2022, the approximate percentage of Dr. Yu Rong's shareholding interest in Mega Genomics Beijing should read "12.73%" and Ms. Guo Meiling's shareholding interest in Mega Genomics Beijing should read "12.29%".

Other Information

Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Company

As at 30 June 2023, to the best knowledge of our Directors, the following persons/entities (other than the Directors or chief executive of the Company) had an interest or short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and kept in the register in shares and short positions of the Company under section 336 of the SFO:

Name	Nature of interest	Number of Shares Interested	Approximate percentage of shareholding interest (%)
Mei Nian Investment Limited	Beneficial owner ⁽¹⁾	37,258,932	15.57%
Meinian Onehealth	Interest in controlled corporations ⁽¹⁾	37,258,932	15.57%
Mega Marvelous Limited	Nominee of another person ⁽²⁾	27,272,000	11.40%
KASTLE LIMITED	Trustee ⁽²⁾	27,272,000	11.40%
YURONG TECHNOLOGY LIMITED	Beneficial owner ⁽³⁾	14,555,731	6.08%
Infinite Galaxy Health Limited	Beneficial owner ⁽⁴⁾	22,000,000	9.20%
Tianjin Shiji Yuneng Enterprise Management Partnership (LP)	Beneficial owner ⁽⁵⁾	12,096,203	5.06%
Beijing Hehe Hengye Technology Co., Ltd.	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.06%
Beijing Shiji Yuneng Technology Co., Ltd.	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.06%
Mr. Niu Zhencai	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.06%

Notes:

- (1) As of 30 June 2023, Mei Nian Investment Limited was held as to 100% by Meinian OneHealth. As such, Meinian OneHealth is deemed to be interested in which Mei Nian Investment Limited is interested under the SFO.
- (2) As of 30 June 2023, Mega Marvelous Limited was held as to 100% by KASTLE LIMITED, an independent trustee appointed under the terms of the RSU Scheme which, through Mega Marvelous Limited, holds the Shares underlying the RSUs for the benefit of eligible participants of the RSU Scheme.
- (3) As of 30 June 2023, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu Rong. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei Yi Jian Equity Investment Fund (limited Partnership) (珠海中衛易健股權投資基金(有限合夥)), its limited partner, the general partner of which was Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中鵬創業投資管理有限公司), which was ultimately controlled by Dr. Yu Rong and (ii) 1% by Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中鵬創業投資管理有限公司) as its general partner. As such, Dr. Yu Rong is deemed to be interested in which each of YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is interested under the SFO.
- (4) As of 30 June 2023, Infinite Galaxy Health Limited was wholly owned by Ms. Guo Meiling. As such, Ms. Guo Meiling is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On 11 August 2021, Dr. Yu Rong, Ms. Guo Meiling, Ms. Guo Meiling's son and Infinite Galaxy Health Limited, entered into a voting rights entrustment deed, pursuant to which Infinite Galaxy Health Limited, a Shareholder wholly owned by Ms. Guo Meiling, irrevocably entrusts Dr. Yu Rong to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu Rong is deemed to be interested in which Ms. Guo Meiling is interested under the SFO.

Other Information

- (5) As of 30 June 2023, Tianjin Shiji Yuneng Enterprise Management Partnership (LP) was held as to (i) 99.90% by Beijing Hehe Hengye Technology Co., Ltd. (北京和合恒業科技有限公司), its limited partner; and (ii) 0.10% by Beijing Shiji Yuneng Technology Co., Ltd. (北京世紀宇能科技有限公司), its general partner. Beijing Hehe Hengye Technology Co., Ltd. was a limited liability company held as to approximately 99.87% by Beijing Shiji Yuneng Technology Co., Ltd., which was held as to 99.90% by Niu Zhencai (牛振才) and 0.10% by Qiu Xiaobing (邱效冰), both of whom are Independent Third Parties. As such, each of Beijing Hehe Hengye Technology Co., Ltd., Beijing Shiji Yuneng Technology Co., Ltd. and Niu Zhencai is deemed to be interested in the total number of Shares held by Tianjin Shiji Yuneng Enterprise Management Partnership (LP).
- (6) As at 30 June 2023, the number of issued shares of the Company was 239,233,800 shares.

Save as disclosed above, as at 30 June 2023, our Directors are not aware of any person or corporation who has an interest or short position in the Shares or underlying Shares of our Company which would be recorded in the register of our Company required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the period for the six months ended 30 June 2023 and up to the date of this report.

Use of Proceeds from the Global Offering

The Company was listed on the Main Board on 22 June 2022. The new shares were issued at HK\$18 per share and a total of 11,961,800 ordinary Shares are offered with a total nominal value of HK\$215.3 million. The net proceeds raised during the Global Offering, net of underwriting commissions and other expenses paid and payable by the Company in connection with the Global Offering, amounted to approximately HK\$153.4 million. Since the Listing Date and up to 30 June 2023, there has been no change in the intended use of the net proceeds previously disclosed in the Prospectus.

The table below sets forth the use of net proceeds from the Global Offering:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of net proceeds from the Global Offering in HK\$ million	Actual amount used as at 30 June 2023 in HK\$ million	Unutilized net proceeds as at 30 June 2023 in HK\$ million	Schedule of unutilized balances
Sales and Marketing	30	46.0	6.2	39.8	By 30 June 2025
Research and Development	25	38.4	11.9	26.5	By 30 June 2025
Testing Capability and Capacity	20	30.7	7.5	23.2	By 30 June 2025
Investment and Acquisitions	15	23.0	–	23.0	By 30 June 2025
Working Capital and Other Purposes	10	15.3	–	15.3	By 30 June 2025
Total	100	153.4	25.6	127.8	

Other Information

Compliance with the Corporate Governance Code

The Company is committed to maintaining and implementing stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the view that, for the six months ended 30 June 2023 and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code for the six months ended 30 June 2023 and up to the date of this report.

Audit Committee and Review of Financial Information

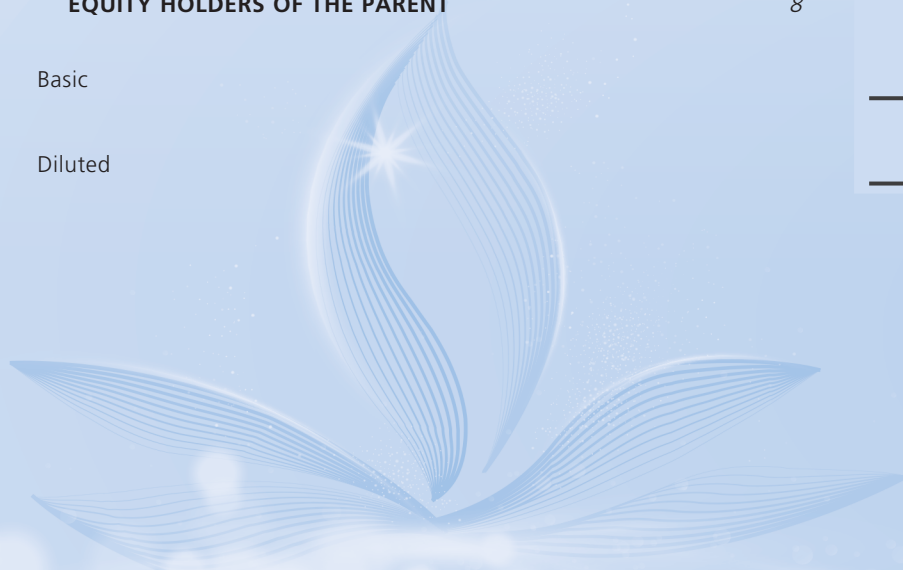
The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As of the date of this report, the Audit Committee consists of three members, namely Mr. Jia Qingfeng, Ms. Guo Meiling and Dr. Zhang Ying. Mr. Jia Qingfeng, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process.

The Audit Committee has reviewed this interim report and the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Group. Based on such review, the Audit Committee considered that the unaudited interim report was prepared in accordance with HKAS 34, and the Company has made appropriate disclosures thereof.

Unaudited Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	98,879	97,617
Cost of sales		(33,580)	(33,201)
Gross profit		65,299	64,416
Other income and gains	4	7,753	3,820
Selling and distribution expenses		(16,523)	(15,783)
Administrative expenses		(24,157)	(14,751)
Reversal of impairment losses/(Impairment losses) on trade receivables, net		10,411	(203)
Other expenses		(215)	(1,138)
Listing expenses		–	(15,174)
Finance costs		(266)	(406)
PROFIT BEFORE TAX	5	42,302	20,781
Income tax expense	6	(7,185)	(2,981)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,117	17,800
Attributable to: Owners of the parent		35,117	17,800
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.16	RMB0.09
Diluted		RMB0.16	RMB0.09



Unaudited Interim Condensed Consolidated Statements of Financial Position

30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		35,954	36,922
Advance payments for property, plant and equipment		12,447	2,876
Right-of-use assets		10,038	9,990
Intangible assets		831	834
Financial assets at fair value through profit and loss		30,030	30,030
Deferred tax assets		4,071	5,967
Total non-current assets		93,371	86,619
CURRENT ASSETS			
Inventories		3,247	3,508
Trade receivables	9	173,887	184,823
Prepayments, other receivables and other assets		34,011	30,918
Cash and cash equivalents		430,660	399,831
Total current assets		641,805	619,080
CURRENT LIABILITIES			
Trade payables	10	44,145	34,757
Other payables and accruals		19,140	39,286
Lease liabilities		4,896	6,480
Tax payable		2,255	123
Deferred income		600	600
Total current liabilities		71,036	81,246
NET CURRENT ASSETS		570,769	537,834
TOTAL ASSETS LESS CURRENT LIABILITIES		664,140	624,453

Unaudited Interim Condensed Consolidated Statements of Financial Position

30 June 2023

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	5,742	4,506
Deferred income	1,650	1,950
Total non-current liabilities	<u>7,392</u>	<u>6,456</u>
Net assets	<u>656,748</u>	<u>617,997</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	155	155
Other reserves	656,593	617,842
Total equity	<u>656,748</u>	<u>617,997</u>



Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023 (audited)	155	394,493	116,796	4,928	6,375	95,250	617,997
Profit and total comprehensive income for the period	-	-	-	-	-	35,117	35,117
Share-based payment arrangement	-	-	-	3,634	-	-	3,634
At 30 June 2023 (unaudited)	155	394,493	116,796	8,562	6,375	130,367	656,748
At 1 January 2022 (audited)	129	228,688	346,436	-	6,375	112,868	694,496
Profit and total comprehensive income for the period	-	-	-	-	-	17,800	17,800
Issue of shares for the RSU Scheme	18	-	-	(18)	-	-	-
Issue of shares for the initial public offering	8	184,147	-	-	-	-	184,155
Share issue expenses	-	(18,324)	-	-	-	-	(18,324)
Capital reduction of a subsidiary	-	-	(229,640)	-	-	-	(229,640)
At 30 June 2022 (unaudited)	155	394,511	116,796	(18)	6,375	130,668	648,487

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	<i>Notes</i>	2023 (Unaudited) RMB\$'000	2022 (Unaudited) RMB\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		42,302	20,781
Adjustments for:			
Finance costs		266	406
Bank interest income	4	(361)	(793)
Depreciation of property, plant and equipment	5	4,071	4,286
Depreciation of right-of-use assets	5	3,438	3,395
Covid-19-related rent concessions from lessors		–	(159)
Amortisation of intangible assets	5	73	75
(Reversal of impairment losses)/Impairment losses on trade receivables, net	5	(10,411)	203
Recognition of deferred income		(300)	(300)
Foreign exchange differences, net		(1,344)	(272)
Share-based payment expense		3,634	–
Investment income from financial assets at fair value through profit or loss	4	(2,506)	(896)
		38,862	26,726
Decrease/(increase) in trade receivables		21,347	(53,163)
(Increase)/decrease in prepayments, other receivables and other assets		(589)	2,108
Decrease/(increase) in inventories		261	(888)
Increase in trade payables		9,388	2,328
(Decrease)/increase in other payables and accruals		(1,290)	2,735
		67,979	(20,154)
Cash generated from operations		(1,017)	(7,959)
Income tax paid		361	793
Interest received		67,323	(27,320)
Net cash flows from/(used in) operating activities		67,323	(27,320)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,674)	(821)
Purchases of intangible assets		(70)	(137)
Advance payment to investment		(8,000)	–
Purchases of financial assets at fair value through profit or loss		(557,700)	(358,320)
Proceeds from disposal of financial assets at fair value through profit or loss		560,206	359,216
Net cash flows used in investing activities		(18,238)	(62)

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB\$'000	2022 (Unaudited) RMB\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	184,155
Share issue expenses	–	(18,324)
Principal portion of lease payments	(3,834)	(1,843)
Interest paid	(266)	(406)
Payment for capital reduction of a subsidiary	(15,500)	–
	<hr/>	<hr/>
Net cash flows (used in)/from financing activities	(19,600)	163,582
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,485	136,200
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	399,831	239,096
Effect of foreign exchange rate changes, net	1,344	272
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	430,660	375,568
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	430,660	375,568
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statements of cash flows	430,660	375,568
	<hr/>	<hr/>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group did not apply the initial recognition exception and the amendments do not have any impact on the Group's financial statements.
- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has assessed impact of the amendments on the financial statements. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Revenue from contracts with customers</i>	98,879	97,617

Revenue from contracts with customers**(a) Disaggregated revenue information**

	For the six months ended 30 June	
	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000
Type of goods or services		
Consumer genetic testing services	57,011	45,573
Cancer screening testing services	41,868	52,044
	98,879	97,617
Timing of revenue recognition		
Goods or service transferred at a point in time	98,879	97,617

Geographical markets

All of the Group's revenues were generated from customers located in Mainland China during the reporting periods.



Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Genetic testing services

The performance obligation of genetic testing services is satisfied upon delivery of testing reports and payment is generally due within three to six months from the date of billing, except for certain customers, where payment in advance is required. The performance obligation of sale of relevant medical materials is satisfied upon receipt of materials by customers and payment is generally due within three to six months from the date of billing, except for certain customers, where payment in advance is required.

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Other income and gains		
Rental income	142	1,274
Bank interest income	361	793
Government grants	3,340	569
Investment income from financial assets at fair value through profit or loss	2,506	896
Foreign exchange differences, net	1,344	272
Others	60	16
	7,753	3,820

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of services provided	33,580	33,201
Depreciation of property, plant and equipment	4,071	4,286
Depreciation of right-of-use assets	3,438	3,395
Amortisation of intangible assets	73	75
Research and development costs	12,402	7,742
Listing expenses	–	15,174
(Reversal of impairment losses)/Impairment losses on trade receivables, net	(10,411)	203

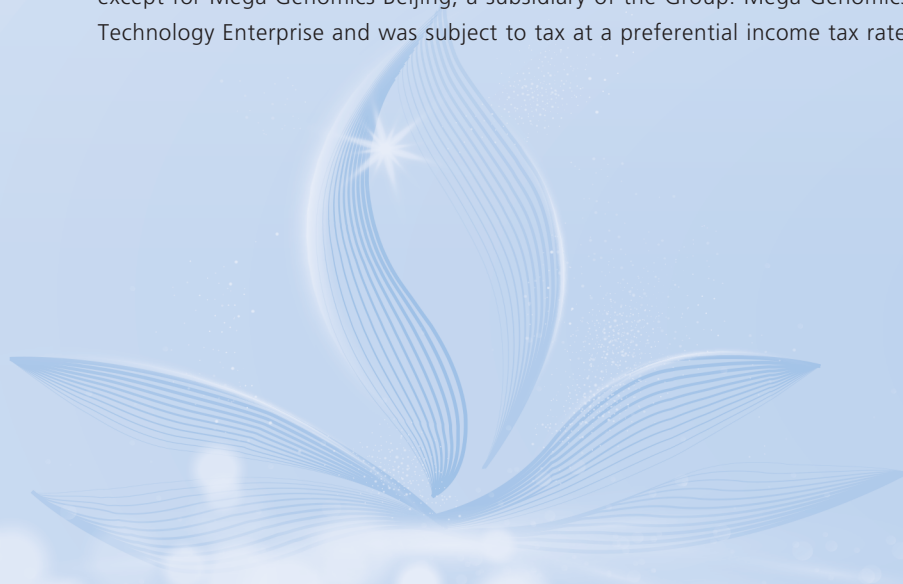
6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the reporting periods.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for Mega Genomics Beijing, a subsidiary of the Group. Mega Genomics Beijing is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% during the reporting periods.



Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

6. INCOME TAX EXPENSE (continued)

The income tax expense of the Group is analysed as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax	5,289	4,001
Deferred tax	1,896	(1,020)
Total tax charge for the period	7,185	2,981

7. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the reporting period (six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 221,052,467 (2022: 200,594,786) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares held under the RSU Scheme.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount presented for the period ended 30 June 2023 is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	35,117	17,801
	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	221,052,467	200,594,786
Effect of dilution – weighted average number of ordinary shares: Restricted share unit scheme	1,365,736	–
	222,418,203	200,594,786



Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

9. TRADE RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	201,935	223,282
Impairment	(28,048)	(38,459)
	173,887	184,823

The Group's trading terms with its customers are mainly on credit. The credit terms granted generally ranged from three to six months, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables were amounts due from related parties of RMB144,666,000 as at 30 June 2023 (2022: RMB162,266,000), which are repayable on credit terms similar to those offered to the customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	47,246	48,703
3 to 6 months	32,578	24,383
6 to 12 months	40,114	29,273
1 to 2 years	50,010	79,608
Over 2 years	3,939	2,856
	173,887	184,823

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting periods, based on the transaction date, is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	19,434	12,592
3 to 6 months	12,437	8,406
6 to 12 months	6,006	9,847
Over 12 months	6,268	3,912
	44,145	34,757

The trade payables are non-interest-bearing and are normally settled within six months.

Included in the Group's trade payables were amounts due to related parties of RMB297,000 as at 30 June 2023 (2022: RMB195,000) with credit terms similar to those offered by the related parties to their customers.

11. COMMITMENTS

As at the end of the Reporting Period, the Group did not have significant commitments.



Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

12. RELATED PARTY TRANSACTIONS

Details of the Group's related parties are as follows:

Company	Relationship with the Company
Dr. Yu Rong	Shareholder and director
Meinian Onehealth healthcare Holdings Co., Ltd. ("Meinian Onehealth")	Shareholder
Suzhou Ruihua Investment Partnership (LP)	Shareholder

(a) The Group had the following transactions with related parties during the Relevant Periods:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Services provided to:		
Meinian Onehealth and its subsidiaries	57,556	35,269
Companies controlled by Dr. Yu Rong	4,944	9,996
	62,500	45,265
Services provided by:		
Meinian Onehealth and its subsidiaries	1,277	648
Property management services provided by:		
Companies controlled by Dr. Yu Rong	873	865

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

12. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables		
Meinian Onehealth and its subsidiaries	82,778	95,395
Companies controlled by Dr. Yu Rong	61,888	66,871
	144,666	162,266
Other receivables		
Companies controlled by Dr. Yu Rong	5,698	7,699
Prepayments		
Companies controlled by Dr. Yu Rong	1,082	1,056
Trade payable		
Meinian Onehealth and its subsidiaries	228	–
Companies controlled by Dr. Yu Rong	69	195
	297	195
Contract liabilities		
Meinian Onehealth and its subsidiaries	2,605	3,189
Companies controlled by Dr. Yu Rong	143	–
	2,748	3,189
Lease liabilities		
Companies controlled by Dr. Yu Rong	10,639	10,986
Other payable		
Suzhou Ruihua Investment Partnership (LP)	–	15,500

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

12. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	1,248	1,332
Share-based payment expense	24	–
Pension scheme contributions	412	429
Total compensation paid to key management personnel	1,684	1,761

13. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and current portion of lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 30 June 2023 were assessed to be insignificant.

The fair value of the unlisted equity investment at fair value through profit or loss has been estimated using observable inputs such as recently executed transaction prices in securities of the issuer. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, which is price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a sales measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to measure the fair value of the unlisted equity investment. Management believes that the estimated fair values resulting from the valuation technique, which were recorded in the consolidated statement of financial position, and the related changes in fair values, which were recorded in profit or loss, are reasonable, and that they were the most appropriate value at the end of the reporting period.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

13. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:**As at 30 June 2023**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	30,030	–	30,030

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	30,030	–	30,030

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2022: Nil).

14. EVENTS AFTER THE REPORTING PERIOD

No other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period.