



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

* For identification purpose only

2024
INTERIM REPORT



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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 C1 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
“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
“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
“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

* For identification purposes only

Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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*)
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 (*resigned on 28 June 2024*)
Mr. Ng Ka Chi (*appointed on 28 June 2024*)

AUTHORIZED REPRESENTATIVES

Ms. Lin Lin
Ms. Ng Wai Kam (*resigned on 28 June 2024*)
Mr. Ng Ka Chi (*appointed on 28 June 2024*)

HONG KONG LEGAL ADVISORS

DeHeng Law Offices (Hong Kong) LLP
28/F, Henley Building
5 Queen's Road Central
Central
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

REGISTERED OFFICE

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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

06667

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 2024, we had performed over 21 million genetic tests in total, with an average of over 400,000 tests performed per months for the six months ended 30 June 2024.

According to Frost & Sullivan, we were the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered as of 31 December 2021. We were the largest genetic testing platform for cancer screening in China as measured by the number of tests administered in 2020. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the prospectus of the Company dated 10 June 2022 (the “**Prospectus**”).

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 2024, we had 107 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that covered a wide range of prices, 90 of which 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.

Business Review and Outlook

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.

EXECUTIVE testing services

- Personal Whole Genome Test Pro – 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 eight in vitro diagnostics (“**IVD**”) pipeline products.

Among which, 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 five 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; and (v) cervical cancer screening kits. Our disease screening pipeline covers major diseases with high prevalence that currently lack effective screening methods.

Business Review and Outlook

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 ϵ 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. Currently, it has completed the clinical trial and has been submitted to the NMPA for registration acceptance. It is expected to obtain the registration certificate in the second 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. Currently, it has completed the clinical trial, has been submitted to the NMPA for registration acceptance and has passed the quality management system assessment of the NMPA. It is expected to obtain the registration certificate in the second half of 2024.

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 each using the 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 it is expected to obtain the registration certificate by 2025.

Business Review and Outlook

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 2024, 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 each using the qPCR and NGS technologies.

The NGS kits will include dozens to hundreds of biomarkers, and are provided as LDTs with both sensitivity and specificity higher than 90%.

The qPCR kits include three biomarkers, which has completed late-stage development and is in the IVD registration and filing stage and we expect to obtain the registration certificate by 2025.

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 2024, 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 each using the qPCR and NGS technologies.

The NGS kits include more than one hundred biomarkers and are provided as LDTs with both sensitivity and specificity higher than 90%.

The qPCR kits include three biomarkers which has completed late-stage development and is in the IVD registration and filing stage, and it is expected to obtain the registration certificate by 2025.

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.

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

In addition, 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 2024, we have obtained the product registration certificates for our fecal occult blood testing kits and transferrin testing kits approved by the Shanghai Medical Products Administration and have achieved mass production.

We have also developed cfDNA extraction and sulfide kits and oral swab samples, for which, we have obtained the filing certificates and achieved mass production as of 30 June 2024.

Research and Development (“R&D”)

Our strong R&D capabilities is vital to our business.

Since our founding in 2016, our R&D 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 R&D strategy. Our R&D team contributes to the development of our growth strategies by tracking industry developments, market demand and competition, and by identifying services and products with significant market potential for commercialization.

Intellectual property and qualification

As of 30 June 2024, three invention patents, one utility model patent and two design patents had been granted to us. In addition, we have registered 50 software copyrights and 58 trademarks. We have also been recognized for our innovation, including recognition as a National High-tech Enterprise, Zhongguancun High-tech Enterprise, Beijing “Specialization, Expertise, Distinction, Innovation” small and medium-sized enterprise and Beijing Natural Science Foundation Trust Unit, and was awarded the Davos Entrepreneur Innovation Award.

In-house R&D team

We have a strong in-house R&D team, which has extensive experience in the genetic testing industry. Among which, approximately 65% of our R&D 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.

Business Review and Outlook

Collaboration with third parties

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

Under our collaboration agreements, medical experts work with us during the R&D 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.

In addition, we expect the authority and reputation of these medical 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 will be the sole registrant of the IVD registration certificates once approved.

We have also established R&D collaborations with industry-leading service providers, mainly contract research organizations (CRO(s)), 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 2024, we have established cooperative relationships with the following companies:

Huagang Innovation (Beijing) Technology Service Co., Ltd. ("Huagang")

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 Huagang, we have established a quality management system that satisfies IVD registration standards and received 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 a leading contract development manufacturing organization (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.

Business Review and Outlook

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.

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 and other genetic testing products.

Our R&D efforts focus on the registration of IVD test kits. At present, our fecal occult blood testing kits and transferrin testing kits have obtained the NMPA registration certificates and achieved mass production, and our oral swab samples and cfDNA extraction and sulfide kits have obtained the NMPA filing certificates and achieved mass production. Our ApoE gene testing kits, folate metabolic capacity assessment testing kits, colorectal cancer screening kits and gastric cancer screening kits are in the IVD registration and filing stage. The products under development include Alzheimer’s 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 exome/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 the 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 operating revenue of RMB107.3 million, a year-on-year increase of 8.5%; and net profit of RMB37.0 million, a year-on-year increase of 5.3%, which was mainly due to the fact that the Company continued to explore new sales scenarios and channels in a proactive manner and fully tapped into potential sales opportunities and expanded diversified sales channels through conducting in-depth market researches, so as to enhance the flexibility and diversity of the sales models of products. At the same time, the Company continued to innovate in the field of product design, enrich product matrix and optimize product structure, so as to promote the stable growth in revenue. In addition, the Company adhered to the operating philosophy of continuous improvement, continued to adjust personnel structure and improve production and operational efficiency, which facilitated the continuous improvement of our performance.

As of 30 June 2024, we cooperated with almost 1,900 healthcare institutions in more than 340 cities in China, among which, the health checkup centers accounted for approximately 52% of our total number of institutional customers. 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		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	Year-on-year change
Revenue	107,291	98,879	8.5%
Consumer genetic testing services	104,419	57,011	83.2%
Cancer screening services	2,872	41,868	(93.1%)
Gross profit	69,618	65,299	6.6%
Gross profit margin	64.9%	66.0%	(1.1 percentage points)
Net profit	36,969	35,117	5.3%
Net profit margin	34.5%	35.5%	(1 percentage points)

Revenue

For the six months ended 30 June 2024, we achieved total revenue of RMB107.3 million, representing an increase of RMB8.4 million or 8.5% as compared to RMB98.9 million for the same period in 2023. Of which, the revenue generated from consumer genetic testing services and cancer screening services for the six months ended 30 June 2024 amounted to RMB104.4 million and RMB2.9 million, respectively. The year-on-year increase in revenue from consumer genetic testing services was mainly due to the fact that the Company continued to explore new sales scenarios and channels in a proactive manner and fully tapped into potential sales opportunities and expanded diversified sales channels through in-depth market researches, so as to enhance the flexibility and diversity of the sales models of products. At the same time, the Company continued to innovate in the field of product design, enrich product matrix and optimize product structure, so as to promote the stable growth in revenue.

Business Review and Outlook

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, our consolidated gross profit amounted to RMB69.6 million, representing a year-on-year increase of 6.6%, of which RMB68.0 million and RMB1.6 million of gross profit were attributable to consumer genetic testing services and cancer screening services, respectively. The 104.2% year-on-year increase in gross profit from consumer genetic testing services was because of our proactive exploration of sales scenarios and channels, expansion of diversified sales channels, continuous enrichment of product matrix, optimization of product structure and our ability to control costs effectively.

For the six months ended 30 June 2024, our consolidated gross profit margin was 64.9%. For the six months ended 30 June 2023, the gross profit margin for our cancer screening services was 57.5%, representing a year-on-year decrease of 18.9 percentage points, primarily because we optimized and adjusted the product structure and pricing strategies of cancer screening services, while wages, rents and other costs remained relatively stable. The gross profit margin for our consumer genetic testing services increased by 6.7 percentage points year-on-year, driven by the optimization of our product and service portfolio and our ability to control costs effectively.

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 industry standards regarding the consumer genetic testing industry will be gradually established and the prevention and treatment guidelines or expert consensus for common diseases will be formed gradually. We believe that it is critical to expedite the establishment of industry standards.

We will strengthen our partnerships with industry leaders to establish industry standards through cooperation 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 upgrade and launch new products constantly to meet the huge domestic demand in the consumer genetic market.

Business Review and Outlook

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. In particular, 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 R&D and application of blood methylation products for digestive tract tumors to improve the sensitivity and specificity of screening, so as to make the blood methylation screening for intestinal cancer have better socio-economic value.

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

Expanding our R&D strength and enriching our product matrix

We will vigorously expand our R&D strength. In line with our R&D efforts, we plan to recruit more professionals to strengthen our internal R&D team and supplement our internal R&D 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 leading position in the industry, significantly enhance our operational efficiency and improve our profitability. In addition, our fecal occult blood intestinal cancer screening and transferrin screening products have been granted the Registration Certificate for Medical Device and have achieved mass production.

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 as and when appropriate, so as to complement our existing product portfolio and create synergies with our R&D, 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 2023 to the same period in 2024, presented as a percentage:

	For the six months ended 30 June		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	Year-on-year change %
Revenue	107,291	98,879	8.5%
Cost of sales	(37,673)	(33,580)	12.2%
Gross profit	69,618	65,299	6.6%
Other income and gains	3,438	7,753	(55.7%)
Selling and distribution expenses	(13,609)	(16,523)	(17.6%)
Administrative expenses	(17,511)	(24,157)	(27.5%)
Reversal of impairment loss of trade receivables, net	2,686	10,411	(74.2%)
Other expenses	(643)	(215)	199.1%
Finance costs	(937)	(266)	252.3%
Profit before tax	43,042	42,302	1.7%
Income tax expenses	(6,073)	(7,185)	(15.5%)
Profit for the period	36,969	35,117	5.3%

Management Discussion and Analysis

Revenue

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

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Consumer genetic testing services	104,419	97.3%	57,011	57.7%
Cancer screening services	2,872	2.7%	41,868	42.3%
Total	107,291	100.0%	98,879	100.0%

The table below sets forth the average price and the number of tests we performed by the type of testing services for the periods indicated.

	For the six months ended 30 June			
	2024		2023	
	Average price (RMB)	Testing volume (in thousand)	Average price (RMB)	Testing volume (in thousand)
Consumer genetic testing services	42.9	2,436	60.3	946
Cancer screening services	287.2	10	292.8	143
Total	43.9	2,446	90.8	1,089

Management Discussion and Analysis

- Consumer genetic testing services. For the six months ended 30 June 2024, our revenue from consumer genetic testing services amounted to RMB104.4 million, representing a year-on-year increase of 83.2%, which was because of the Company's proactive exploration of sales scenarios and channels and expansion of diversified sales channels. At the same time, the Company enriches product matrix continuously and optimizes product structure, resulting in the year-on-year increase in revenue of consumer genetic testing services.
- Cancer screening services. For the six months ended 30 June 2024, our revenue from cancer screening services amounted to RMB2.9 million, representing a year-on-year decrease of 93.1%, which was because the Company adjusted its pricing strategies while optimizing and adjusting the product structure of cancer screening services during the Reporting Period, resulting in the occasional reduction of the revenue of 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 table below 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			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Raw materials	23,154	61.5%	17,193	51.2%
Testing services	1,916	5.1%	4,342	12.9%
Staff costs	5,060	13.4%	5,748	17.1%
Depreciation and amortization	3,396	9.0%	3,610	10.8%
Printing and delivery costs	1,194	3.2%	1,279	3.8%
Others	2,952	7.8%	1,408	4.2%
Total	37,673	100.0%	33,580	100.0%

Our cost of sales increased by 12.2% from RMB33.6 million for the six months ended 30 June 2023 to RMB37.7 million for the same period in 2024. Such increase was primarily attributable to the increase in revenue.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023 and 2024, our gross profit amounted to RMB65.3 million and RMB69.6 million, respectively. The gross profit margin was 66.0% and 64.9%, respectively. The table below 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			
	2024		2023	
	Segmental gross profit RMB'000 (Unaudited)	%	Segmental gross profit RMB'000 (Unaudited)	%
Consumer genetic testing services	67,966	97.6%	33,292	51.0%
Cancer screening services	1,652	2.4%	32,007	49.0%
Total	69,618	100.0%	65,299	100.0%

	For the six months ended 30 June	
	2024 Segmental gross profit margin	2023 Segmental gross profit margin
Consumer genetic testing services	65.1%	58.4%
Cancer screening services	57.5%	76.4%
Total	64.9%	66.0%

Management Discussion and Analysis

- Our gross profit from consumer genetic testing services increased from RMB33.3 million for the six months ended 30 June 2023 to RMB68.0 million for the same period in 2024. The gross profit margin increased from 58.4% for the six months ended 30 June 2023 to 65.1% for the same period in 2024. Such increase was mainly due to the Company's proactive exploration of sales scenarios and channels, expansion of diversified sales channels, continuous enrichment of product matrix, optimization of product structure and our ability to control costs effectively.
- Our gross profit from cancer screening services decreased from RMB32.0 million for the six months ended 30 June 2023 to RMB1.6 million for the same period in 2024. Such decrease was due to our optimization and adjustment of the product structure and pricing strategies of cancer screening services, while wages, rents and other costs remained relatively stable.

Other Income and Gains

Our other income and gains decreased by 55.7% from RMB7.8 million for the six months ended 30 June 2023 to RMB3.4 million for the same period in 2024. Such decrease was mainly due to decline in government grants as compared with the first half of 2023.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 17.6% from RMB16.5 million for the six months ended 30 June 2023 to RMB13.6 million for the same period in 2024, which was mainly due to the decrease in share-based payment expense as compared with the first half of 2023 and the adjustment of personnel structure during the Period.

Administrative Expenses

Our administrative expenses decreased by 27.5% from RMB24.2 million for the six months ended 30 June 2023 to RMB17.5 million for the same period in 2024, which was mainly due to the decrease in share-based payment expense as compared with the first half of 2023 and some of the R&D projects entered the clinical stage, resulting in the decrease in direct materials.

Reversal of Impairment Losses of Trade Receivables, Net

We had reversal of impairment of trade receivables of RMB10.4 million for the six months ended 30 June 2023, and reversal of impairment losses of trade receivables of RMB2.7 million for the six months ended 30 June 2024, which was mainly due to the fact that the Company continued to collect trade receivables proactively.

Management Discussion and Analysis

Other Expenses

For the six months ended 30 June 2023 and 2024, our other expenses were RMB0.2 million and RMB0.6 million, respectively. The increase in other expenses was mainly due to the increase in our external donations during the Reporting Period.

Finance Costs

Our finance costs increased by 252.3% from RMB0.3 million for the six months ended 30 June 2023 to RMB0.9 million for the same period in 2024. Such increase was mainly due to the increase in interest of the bank borrowings.

Income Tax Expenses

Our income tax expenses decreased by 15.5% from RMB7.2 million for the six months ended 30 June 2023 to RMB6.1 million for the same period in 2024. Such decrease was mainly due to the reduction in non-deductible expense for tax as compared with the same period of 2023.

Profit for the Period

As a result of the above, our profit for the period increased from RMB35.1 million for the six months ended 30 June 2023 to RMB37.0 million for the same period in 2024.

Cash and Cash Equivalents

For the six months ended 30 June 2024, our net cash generated from operating activities was RMB15.0 million, primarily attributable to the Company's increased efforts to collect accounts receivable, coupled with good accounts receivable collection.

For the six months ended 30 June 2024, our net cash flow generated from investing activities was RMB4.2 million, primarily attributable to the receipt of investment income by the Company.

For the six months ended 30 June 2024, our net cash flow used in financing activities was RMB28.4 million, primarily attributable to the repurchase of shares by the Company.

As a result of the above, our cash and cash equivalents, which were mainly held in RMB and HKD, decreased by 1.8% from RMB518.3 million as of 31 December 2023 to RMB508.9 million as of 30 June 2024.

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash generated from operating activities	14,973	67,323
Net cash generated from/(used in) investing activities	4,236	(18,238)
Net cash used in financing activities	(28,444)	(19,600)
Net (decrease)/increase in cash and cash equivalents	(9,235)	29,485
Cash and cash equivalents at the beginning of the period	518,289	399,831
Effect of foreign exchange rate changes, net	(122)	1,344
Cash and cash equivalents at the end of the period	508,932	430,660

Indebtedness

Lease Liabilities

As of 31 December 2023 and 30 June 2024, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB25.9 million and RMB19.7 million respectively in relation to the corresponding current and non-current lease liabilities.

As of 30 June 2024, the Company had outstanding bank loans of RMB21.7 million (2023: RMB22.6 million) and the effective interest rate is 5-year LPR+0.1 (2023: 5-year LPR+0.1) per annum. Among which, RMB2.0 million will mature within one year and RMB19.7 million will mature after one year.

Save as disclosed above, 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 2024.

Our Directors have also confirmed that, as of 30 June 2024, there was no material change in the Company's indebtedness since 31 December 2023.

Management Discussion and Analysis

Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at 30 June 2024 was 20.4%, representing an increase of 1.4 percentage points compared to 19.0% as at 31 December 2023.

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	
	2024	2023
Gross profit margin ⁽¹⁾	64.9%	66.0%
Net profit margin ⁽²⁾	34.5%	35.5%
Current ratio ⁽³⁾	5.4	9.0

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the period.
- (2) Net profit margin equals net 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 table below sets forth our capital expenditures for the periods indicated.

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchases of property, plant and equipment	619	12,674
Purchases of other intangible assets	14	70
Total	633	12,744

Management Discussion and Analysis

Contingent Liabilities

As of 30 June 2024, we had no material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of 30 June 2024, we did not hold any significant 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 2024, we did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Group Assets

As of 30 June 2024, the Group has secured certain property, plant and equipment of RMB34.7 million (30 June 2023: nil) to obtain loans amounting to RMB23.6 million.

Save as disclosed above, the Company did not have any pledged or charged assets.

The Company would like to rectify that the description about pledge of group assets herein shall prevail in case of any discrepancy with the description about it set out on page 21 of the 2024 interim results announcement of the Company.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024.

Employees

As of 30 June 2024, we had 214 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.

The Company adopted a restricted share unit scheme (the “**RSU Scheme**”) on 19 November 2021. On 29 December 2022, the Company granted a total of 27,272,000 RSUs to certain eligible participants of the Company under the RSU Scheme, the principal terms and details of which are set out in the section headed “Appendix IV – Statutory and General Information – D. Restricted Share Unit Scheme” of the Prospectus and the announcement of the Company dated 29 December 2022.

Management Discussion and Analysis

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. A summary of the principal terms of the RSU Scheme of the Company is as follows:

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 2024, 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	As of 1 January 2024	Granted during the Reporting Period	Vested during the Reporting Period	Number of RSUs		As of 30 June 2024	Vesting period of RSUs	Exercise period of RSUs	Exercise price per share of RSUs (HKD)
					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 were lapsed and expired and the Group has not cancelled 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

Save as disclosed above, as of the date of this report, there were no material events after 30 June 2024 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

On 17 January 2024, the board of the Company announced that Mr. Huang Yufeng ceased to act as a director and chief executive officer of the Company. For details, please refer to the announcement of the Company dated 17 January 2024.

Save as disclosed above, during the Reporting Period, there was no change in the composition of our Board Committees.

Changes in Directors' information

From May 2024, Mr. Jia Qingfeng tendered his resignation as the general manager of Beijing Fenghua Management Consulting Co., Ltd. (北京豐華管理諮詢有限公司), a company principally providing financial consultancy services to technology companies, where he was responsible for reviewing financial statements and budgets, formulating financial plans and overseeing all financial matters of the company.

Since 20 May 2024 to date, Mr. Jia Qingfeng has served as the chief financial officer and vice general manager of Yunhai Chain Holdings Co., Ltd. (雲海鏈控股股份有限公司), an innovative technological company principally engaging in research and development as well as application of digital technology focusing on blockchain and privacy computing, where he is responsible for financial management and operation as well as investment financing of the group.

Save as the above, there is no changes 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

With effect from 17 January 2024, Mr. Huang Yufeng ceased to act as the chief executive officer of the Company and Ms. Jiang Jing has assumed the responsibilities of chief executive officer during the vacancy of chief executive officer of the Company.

Ms. Ng Wai Kam (伍偉琴) has resigned as the company secretary and the authorised representative of the Company due to her personal reasons, and Mr. Ng Ka Chi (吳嘉智) has been appointed as the company secretary and the authorised representative of the Company with effect from 28 June 2024.

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 of 30 June 2024, 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⁾	21,995,135	9.31%
	Interest of a party to an agreement ⁽²⁾	22,000,000	9.31%
Ms. Guo Meiling	Interest in controlled corporations ⁽²⁾	22,000,000	9.31%
	Beneficial interests ⁽³⁾	4,545,000	1.92%
Ms. Lin Lin	Interest in controlled corporations ⁽⁴⁾	9,975,311	4.22%
	Beneficial interests ⁽³⁾	13,636,000	5.77%
Ms. Jiang Jing	Beneficial interests ⁽³⁾	500,000	0.21%

Other Information

Notes:

- (1) As of 30 June 2024, 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 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 2024, 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 2024, 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 2024, 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 at 30 June 2024, the number of issued shares of the Company was 236,323,600 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%
Ms. Guo Meiling	Beneficial interests	1,335,048	12.29%

Note:

- (1) As of 30 June 2024, 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.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 30 June 2024, 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	11.54%
KASTLE LIMITED	Trustee ⁽²⁾	27,272,000	11.54%
YURONG TECHNOLOGY LIMITED	Beneficial owner ⁽³⁾	14,555,731	6.16%
Infinite Galaxy Health Limited	Beneficial owner ⁽⁴⁾	22,000,000	9.31%
Tianjin Shiji Yuneng Enterprise Management Partnership (LP)	Beneficial owner ⁽⁵⁾	12,096,203	5.12%
Beijing Hehe Hengye Technology Co., Ltd.	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.12%
Beijing Shiji Yuneng Technology Co., Ltd.	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.12%
Mr. Niu Zhencai	Interest in controlled corporations ⁽⁵⁾	12,096,203	5.12%

Notes:

- (1) As of 30 June 2024, 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 2024, 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 2024, 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 2024, 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 2024, 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 2024, the number of issued shares of the Company was 236,323,600 shares.

Save as disclosed above, as of 30 June 2024, 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

During the Reporting Period, the Company has repurchased a total of 2,163,800 Shares of the Company on the Stock Exchange at an aggregate consideration of HK\$22,388,414.8.

Details of such repurchase are set out as follows:

Month	Total number of repurchased shares	Price per share		Total consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2024	90,000	9.20	7.96	769,418.7
February 2024	914,200	11.90	8.14	10,126,552.7
April 2024	80,000	9.50	8.40	740,920.1
May 2024	149,800	9.90	9.50	1,468,994.4
June 2024	929,800	10.30	9.50	9,282,528.9
Total	2,163,800			22,388,414.8

As of 30 June 2024, the Company has cancelled 1,445,400 shares of the above repurchased shares, and the remaining 718,400 repurchased shares have not been cancelled yet.

The repurchase was effected for enhancing the net assets and earnings per share and in accordance with the repurchase mandate granted to the Board in the 2024 annual general meeting of the Company.

Save as disclosed above, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities as of 30 June 2024.

Other Information

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 2024, there has been no change or delay 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	Actual amount used as at 30 June 2024	Unutilized net proceeds as at 30 June 2024	Schedule of unutilized balances
	%	HK\$ million	HK\$ million	HK\$ million	
Sales and Marketing	30	46.0	12.4	33.6	By 30 June 2025
Research and Development	25	38.4	29.5	8.9	By 30 June 2025
Testing Capability and Capacity	20	30.7	20.1	10.6	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	62.0	91.4	

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting 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 system of the Board to all shareholders.

The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Board is of the view that, during the six months ended 30 June 2024 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 Model Code as set out in Appendix C3 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 during the six months ended 30 June 2024 and up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Board has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance 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 the Group's unaudited interim financial information for the six months ended 30 June 2024 and this interim report. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

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

For the six months ended 30 June 2024

		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	107,291	98,879
Cost of sales		<u>(37,673)</u>	<u>(33,580)</u>
Gross profit		69,618	65,299
Other income and gains	4	3,438	7,753
Selling and distribution expenses		(13,609)	(16,523)
Administrative expenses		(17,511)	(24,157)
Reversal of impairment losses of trade receivables, net		2,686	10,411
Other expenses		(643)	(215)
Finance cost		<u>(937)</u>	<u>(266)</u>
PROFIT BEFORE TAX	5	43,042	42,302
Income tax expense	6	<u>(6,073)</u>	<u>(7,185)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>36,969</u>	<u>35,117</u>
Attributable to:			
Owners of the parent		<u>36,969</u>	<u>35,117</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>RMB0.18</u>	<u>RMB0.16</u>
Diluted		<u>RMB0.18</u>	<u>RMB0.16</u>

Unaudited Interim Condensed Consolidated Statements of Financial Position

30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		64,210	67,399
Right-of-use assets		23,343	26,650
Intangible assets		852	919
Financial assets at fair value through profit and loss		29,600	29,600
Deferred tax assets		3,127	4,196
		<hr/>	<hr/>
Total non-current assets		121,132	128,764
CURRENT ASSETS			
Inventories		1,207	4,409
Trade receivables	9	150,385	115,877
Prepayments, other receivables and other assets		50,412	29,203
Cash and cash equivalents		508,932	518,289
		<hr/>	<hr/>
Total current assets		710,936	667,778
CURRENT LIABILITIES			
Trade payables	10	48,254	39,541
Other payables and accruals		74,862	61,065
Interest-bearing bank and other borrowings		1,953	1,912
Lease liabilities		2,101	10,616
Tax payable		3,239	597
Deferred income		600	600
		<hr/>	<hr/>
Total current liabilities		131,009	114,331
NET CURRENT ASSETS			
		<hr/>	<hr/>
		579,927	553,447
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		701,059	682,211

Unaudited Interim Condensed Consolidated Statements of Financial Position

30 June 2024

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	19,736	20,723
Lease liabilities	17,634	15,311
Deferred income	1,050	1,350
	<u>38,420</u>	<u>37,384</u>
Total non-current liabilities	<u>38,420</u>	<u>37,384</u>
Net assets	<u>662,639</u>	<u>644,827</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	153	154
Treasury shares	(6,502)	(1,567)
Other reserves	668,988	646,240
	<u>662,639</u>	<u>644,827</u>
Total equity	<u>662,639</u>	<u>644,827</u>

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023 (audited)	154	(1,567)	385,565	116,796	12,216	6,375	125,288	644,827
Profit and total comprehensive income for the period	-	-	-	-	-	-	36,969	36,969
Repurchase of shares*	-	(20,369)	-	-	-	-	-	(20,369)
Cancellation of treasury shares*	(1)	15,434	(15,433)	-	-	-	-	-
Share-based payment arrangement	-	-	-	-	1,212	-	-	1,212
At 30 June 2024 (unaudited)	153	(6,502)	370,132	116,796	13,428	6,375	162,257	662,639

* During the period, the Company repurchased 2,163,800 shares on the Hong Kong Stock Exchange for a total consideration of HK\$22,388,000 (equivalent to RMB20,369,000). Meanwhile, 1,665,600 shares were cancelled during the period.

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (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

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

		2024 (Unaudited) RMB\$'000	2023 (Unaudited) RMB\$'000
	<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		43,042	42,302
Adjustments for:			
Finance costs		937	266
Bank interest income	4	(653)	(361)
Depreciation of property, plant and equipment	5	3,808	4,071
Depreciation of right-of-use assets	5	3,307	3,438
Amortisation of intangible assets	5	81	73
Reversal of impairment losses of trade receivables, net	5	(2,686)	(10,411)
Recognition of deferred income		(300)	(300)
Foreign exchange differences, net		122	(1,344)
Share-based payment expense		1,212	3,634
Investment income from financial assets at fair value through profit or loss	4	(1,869)	(2,506)
		47,001	38,862
(Increase)/decrease in trade receivables		(31,822)	21,347
Increase in prepayments, other receivables and other assets		(24,209)	(589)
Decrease in inventories		3,202	261
Increase in trade payables		8,713	9,388
Increase/(decrease) in other payables and accruals		13,797	(1,290)
		16,682	67,979
Cash generated from operations		16,682	67,979
Income tax paid		(2,362)	(1,017)
Interest received		653	361
		14,973	67,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(619)	(12,674)
Purchases of intangible assets		(14)	(70)
Advance payments for investment to third parties		–	(8,000)
Refund of advance payments for investment to third parties		3,000	–
Purchases of financial assets at fair value through profit or loss		(560,000)	(557,700)
Proceeds from disposal of financial assets at fair value through profit or loss		561,869	560,206
		4,236	(18,238)
Net cash flows from/(used in) investing activities		4,236	(18,238)

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 (Unaudited) RMB\$'000	2023 (Unaudited) RMB\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	(6,192)	(3,834)
Interest paid	(937)	(266)
Repurchase of shares	(20,369)	–
Repayment of bank loans	(946)	–
Payment for capital reduction of a subsidiary	–	(15,500)
Net cash flows used in financing activities	<u>(28,444)</u>	<u>(19,600)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	<u>(9,235)</u>	<u>29,485</u>
Cash and cash equivalents at beginning of period	518,289	399,831
Effect of foreign exchange rate changes, net	(122)	1,344
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>508,932</u>	<u>430,660</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	<u>508,932</u>	430,660
Cash and cash equivalents as stated in the interim condensed consolidated statements of cash flows	<u>508,932</u>	430,660

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the " 2020 Amendments ")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the " 2022 Amendments ")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, 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 2024

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue from contracts with customers	<u>107,291</u>	<u>98,879</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2024	2023
	(Unaudited) RMB'000	(Unaudited) RMB'000
Type of goods or services		
Consumer genetic testing services	104,419	57,011
Cancer screening testing services	<u>2,872</u>	<u>41,868</u>
Total	<u>107,291</u>	<u>98,879</u>
Timing of revenue recognition		
Goods or service transferred at a point in time	<u>107,291</u>	<u>98,879</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

Geographical markets

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

(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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Other income and gains		
Rental income	503	142
Bank interest income	653	361
Government grants	349	3,340
Investment income from financial assets at fair value through profit or loss	1,869	2,506
Foreign exchange differences, net	–	1,344
Others	64	60
Total	3,438	7,753

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of services provided	37,673	33,580
Depreciation of property, plant and equipment	3,808	4,071
Depreciation of right-of-use assets	3,307	3,438
Amortisation of intangible assets	81	73
Research and development costs	9,934	12,402
Foreign exchange loss/(gain), net	122	(1,344)
Reversal of impairment losses of trade receivables, net	(2,686)	(10,411)

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.

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current tax	5,004	5,289
Deferred tax	1,069	1,896
Total tax charge for the period	6,073	7,185

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

7. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the reporting period (six months ended 30 June 2023: 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 209,637,209 (2023: 221,052,467) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares held under the restricted share unit scheme.

The calculation of the diluted earnings per share amount presented for the period ended 30 June 2024 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.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2024 in respect of a dilution as the impact of the restricted share unit scheme had an anti-dilutive effect on the basic earnings per share amount presented.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000

Earnings

Profit attributable to ordinary equity holders of the parent,
used in the basic and diluted earnings per share calculation

36,96935,117

	Number of shares	
	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)

Shares

Weighted average number of ordinary shares in issue during
the period used in the basic earnings per share calculation

209,637,209

221,052,467

Effect of dilution – weighted average number of ordinary shares:
Restricted share unit scheme

–1,365,736

Total

209,637,209222,418,203**9. TRADE RECEIVABLES**

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000

Trade receivables

172,183

140,361

Impairment

(21,798)(24,484)

Total

150,385115,877

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

9. TRADE RECEIVABLES (continued)

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 RMB97,321,000 as at 30 June 2024 (2023: RMB101,480,000), 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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	78,467	52,866
3 to 6 months	28,384	10,042
6 to 12 months	18,983	28,512
1 to 2 years	21,685	15,020
Over 2 years	2,866	9,437
Total	<u>150,385</u>	<u>115,877</u>

10. TRADE PAYABLES

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	17,721	13,322
3 to 6 months	3,899	5,241
6 to 12 months	11,496	10,580
Over 12 months	15,138	10,398
Total	<u>48,254</u>	<u>39,541</u>

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 RMB277,000 as at 30 June 2024 (2023: RMB735,000) with credit terms similar to those offered by the related parties to their customers.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

11. COMMITMENTS

As at the end of the reporting period, the Group did not have significant commitments.

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

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Services provided to:		
Meinian Onehealth and its subsidiaries	41,542	57,556
Companies controlled by Dr. Yu Rong	3,834	4,944
Total	45,376	62,500
Services provided by:		
Meinian Onehealth and its subsidiaries	25	1,277
Property management services provided by:		
Companies controlled by Dr. Yu Rong	668	873

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

12. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables		
Meinian Onehealth and its subsidiaries	48,704	60,188
Companies controlled by Dr. Yu Rong	<u>48,617</u>	<u>41,292</u>
Total	<u>97,321</u>	<u>101,480</u>
Other receivables		
Companies controlled by Dr. Yu Rong	<u>5,540</u>	<u>5,614</u>
Prepayments		
Companies controlled by Dr. Yu Rong	<u>820</u>	<u>848</u>
Trade payable		
Meinian Onehealth and its subsidiaries	174	489
Companies controlled by Dr. Yu Rong	<u>103</u>	<u>246</u>
Total	<u>277</u>	<u>735</u>
Contract liabilities		
Meinian Onehealth and its subsidiaries	53,250	44,384
Companies controlled by Dr. Yu Rong	<u>229</u>	<u>1,324</u>
Total	<u>53,479</u>	<u>45,708</u>
Lease liabilities		
Companies controlled by Dr. Yu Rong	<u>19,735</u>	<u>25,927</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

12. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	1,137	1,248
Share-based payment expense	52	24
Pension scheme contributions	357	412
Total compensation paid to key management personnel	1,546	1,684

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 2024 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 2024

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 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss	—	—	29,600	29,600

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss	—	—	29,600	29,600

The Group did not have any financial liabilities measured at fair value as at as at 30 June 2024 and 31 December 2023.

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 2023: 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.