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

Global Offering

Sole Sponsor

中信建投國際
CHINA SECURITIES INTERNATIONAL

Joint Global Coordinators

中信建投國際 CHINA SECURITIES INTERNATIONAL

CMS 招商證券國際

中泰國際 ZHONGTAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

中信建投國際 CHINA SECURITIES INTERNATIONAL

CMS 招商證券國際

中泰國際 ZHONGTAI INTERNATIONAL

富途證券

老虎證券 TIGER BROKERS

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

* *For identification purpose only*

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.

Mega Genomics Limited
美因基因有限公司*

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**11,961,800 Shares (subject to the Over-Allotment Option)**
Number of Hong Kong Offer Shares	**:**	**1,196,200 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**10,765,600 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$22.00 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal Value	**:**	**US$0.0001 per Share**
Stock Code	**:**	**6667**

Sole Sponsor

中信建投國際 CHINA SECURITIES INTERNATIONAL

Joint Global Coordinators

中信建投國際 CHINA SECURITIES INTERNATIONAL　CMS 招商證券國際　中泰國際 ZHONGTAI INTERNATIONAL

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富途證券　老虎證券 TIGER BROKERS　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED　國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V – Documents Delivered to the Registrar of Companies and on Display" to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission of Hong Kong nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Representative (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around June 15, 2022 (Hong Kong time) and, in any event, not later than June 16, 2022 (Hong Kong time). The Offer Price will be not more than HK$22.00 per Offer Share and is currently expected to be not less than HK$18.00 per Offer Share. If, for any reason, the Offer Price is not agreed by June 16, 2022 (Hong Kong time) between the Sole Representative (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$22.00 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK$22.00.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Representative (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.megagenomics.cn**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

* *For identification purpose only*

June 10, 2022

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
200	4,444.35	1,800	39,999.11	9,000	199,995.55	80,000	1,777,738.16
400	8,888.69	2,000	44,443.46	10,000	222,217.27	90,000	1,999,955.43
600	13,333.04	3,000	66,665.18	20,000	444,434.54	100,000	2,222,172.70
800	17,777.39	4,000	88,886.91	30,000	666,651.81	200,000	4,444,345.40
1,000	22,221.72	5,000	111,108.64	40,000	888,869.08	300,000	6,666,518.10
1,200	26,666.07	6,000	133,330.36	50,000	1,111,086.35	400,000	8,888,690.80
1,400	31,110.42	7,000	155,552.09	60,000	1,333,303.62	500,000	11,110,863.50
1,600	35,554.76	8,000	177,773.81	70,000	1,555,520.89	598,000*	13,288,592.74

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences ..... 9:00 a.m. on Friday, June 10, 2022

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways:[2] ..... 11:30 a.m. on Wednesday, June 15, 2022

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk**

Application lists for the Hong Kong Public Offering open[3] ..... 11:45 a.m. on Wednesday, June 15, 2022

Latest time for (a) completing payment for the **HK eIPO White Form** Applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Wednesday, June 15, 2022

Application lists close[3] ..... 12:00 noon on Wednesday, June 15, 2022

Expected Price Determination Date[5] ..... Wednesday, June 15, 2022

(1) Announcement of:

- the Offer Price;
- an indications of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on our website at **https://www.megagenomics.cn/** and the website of the Stock Exchange at **www.hkexnews.hk** on or before[9] ..... Tuesday, June 21, 2022

(2) Announcement of results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – Publication of Results" from[9] . . . . . Tuesday, June 21, 2022

(3) Announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **https://www.megagenomics.cn/**[6] and **www.hkexnews.hk** from[9] . . . . . Tuesday, June 21, 2022

Results of allocation for the Hong Kong Public Offering will be available at "IPO Results" function in the **IPO App** or **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from[9] . . . . . Tuesday, June 21, 2022

Dispatch of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . . Tuesday, June 21, 2022

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before[8][9] . . . . . Tuesday, June 21, 2022

Dealings in the Shares on the Stock Exchange expected to commence at[9] . . . . . 9:00 a.m. on Wednesday, June 22, 2022

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(1) All dates and times refer to Hong Kong local times and dates, except as otherwise stated.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 15, 2022, the application lists will not open and close on that day. See section headed "How to Apply for Hong Kong Offer Shares – C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists."

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to section headed "How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying By Giving Electronic Application Instructions To HKSCC Via CCASS."

(5) The Price Determination Date is expected to be on or about Wednesday, June 15, 2022 and, in any event, not later than Thursday, June 16, 2022. If, for any reason, the Offer Price is not agreed by Thursday, June 16, 2022, between the Sole Representative (for itself and on behalf of and the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the website forms part of this Prospectus.

(7) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Tuesday, June 21, 2022, **provided that** the Global Offering has become unconditional in all respects and none of the Underwriting Agreements have been terminated in accordance with its terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the Share certificates and prior to the Share certificates becoming valid do so entirely at their own risk.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

(9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, June 10, 2022 to Wednesday, June 22, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed "*Underwriting*" and "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares*" in this Prospectus for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares, and expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share Certificates.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Prospectus.

OVERVIEW

We are a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services. As of December 31, 2021, we performed over 12 million genetic tests since our establishment in 2016, with an average of over 246,000 tests performed per month in 2021. According to Frost & Sullivan, we are the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered. Also according to Frost & Sullivan, we were the largest genetic testing platform for cancer screening in China as measured by the number of tests administered in 2020.

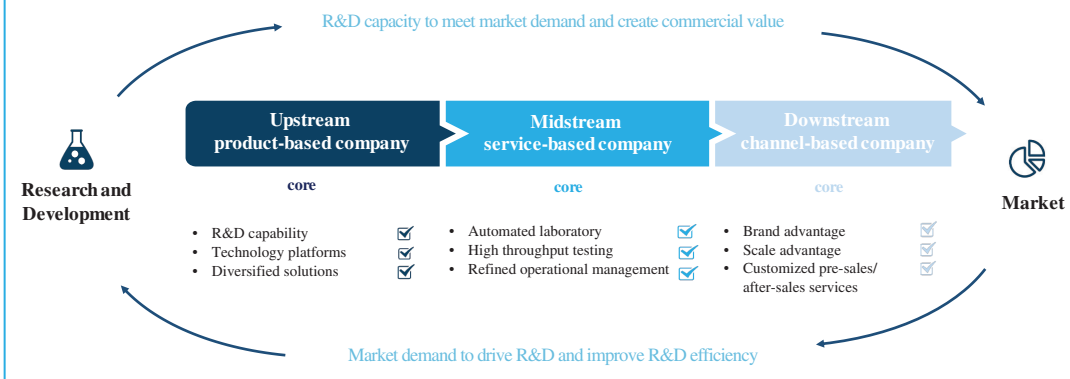
Our significant consumer base in China and automated facility enable us to proactively and efficiently meet the significant demands for genetic testing services in China. According to Frost & Sullivan, the market for genetic testing in China was RMB15.1 billion in 2020 and is expected to reach RMB48.7 billion in 2025 at a CAGR of 26.4% from 2020 to 2025, and is expected to further grow to RMB153.6 billion in 2030 at a CAGR of 25.8% from 2025 to 2030. The consumer genetic testing market is a subset of the genetic testing market in China and accounted for 3.1% of such market by revenue in 2020, according to Frost & Sullivan. Furthermore, the penetration rate of consumer genetic testing in 2020 was only 0.8% in China and 8.8% in the United States, which is calculated by dividing the accumulative number of consumer genetic testing users by the population of the country. Compared to the United States, China's significantly larger population and substantially lower penetration rate represent significant potential for market growth. The number of Chinese consumers who underwent genetic testing grew at a CAGR of 69.4% from 2016 to 2020 and is expected to exceed 167.2 million by 2030. In addition, the overall penetration rate of cancer screening in China is relatively low compared to more developed countries. In China, routine colorectal cancer screening is recommended for people between 40 and 74 years old, particularly those who live in urban areas, and this population reached 632.5 million in 2019; in the United States, routine colorectal cancer screening is recommended for people between 50 and 75 years old, and this population reached 93.0 million in 2019. In 2019, the penetration rate of colorectal cancer screening was 16.4% among the population recommended for colorectal cancer screening in China, which was significantly lower than 60.1% in the United States. Gastric cancer is a more common cancer type among the East Asian population. In China, routine gastric cancer screening is recommended for people who are 40 and older, and this population reached 690.1 million in 2019. In Japan, a country whose citizens share a number of demographic traits and dietary habits with people in China, routine gastric cancer screening is recommended for people who are 50 and older, and this population reached 59.7 million in 2019. Gastric cancer screening had a penetration rate of 21.6% among the population recommended for gastric cancer screening in China in 2019, while Japan had a penetration rate of 43.0% in 2019.

China's rapid improvement in health awareness, payment ability and medical insurance coverage are all factors for potential growth for an already significant market. The combined market size reached approximately RMB8.8 billion in 2020 for the top five cancer screening markets in China, including gastric cancer, colorectal cancer, lung cancer, breast cancer and liver cancer, according to Frost & Sullivan.

In 2020, our market share in China's consumer genetic testing market, as measured by the number of tests administered, exceeded 60%, which was more than ten times the number of tests administered by our closest competitor, according to Frost & Sullivan. Our market share was 34.2% in terms of revenue generated in 2020, which ranked first in China's consumer genetic testing market and was higher than the combined market shares of our five closest competitors. In the Track Record Period, we were the only company that achieved profitability in the consumer genetic testing industry in China according to Frost & Sullivan. In the cancer screening market, we were the only company whose cumulative number of tests administered exceeded 453,000 tests as of December 31, 2021, which were significantly above the industry average according to Frost & Sullivan. In addition, our ability to provide comprehensive services by leveraging our industry-leading technology platforms and to achieve economies of scale with large sample size enables us to improve our profitability level. According to Frost & Sullivan, our gross profit margin of cancer screening services recorded 80.5% in 2020, which was significantly higher than the industry average of 60.3% in the same field in China in 2020.

We are a genetic testing company in China with integrated capabilities that cover the full cycle of upstream, midstream and downstream segments. We adopt a platform-based business model that focuses on both product development and commercialization of our services and products. As a result, we generate synergies from our combination of development with commercialization that help to grow our business. This combination enables us to become a clear market leader with high growth, sustainable profitability and a scalable business model with significant entry barriers. The diagram below illustrates our platform-based operations.

Our platform-based business model covering the entire genetic testing value chain



The upstream segment of our business involves technologies developed by our in-house research and development team and cooperation with our third-party partners. Our research and development efforts currently focus on the development of LDT services and IVD products. A LDT is typically not a standalone product or device, but a self-developed procedure that uses testing kits developed in-house that are not registered with the NMPA. IVD products refer to reagents or testing kits that are registered with the NMPA and are regulated as medical devices. As of December 31, 2021, we had 91 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that cover a wide range of prices. Out of our 91 testing solutions, 80 of them were comprised of our self-developed LDT services and 11 of them were provided with IVD testing kits procured from Independent Third Parties. In addition to our existing service portfolio, we have been developing eight IVD product candidates in our pipeline. As of the Latest Practicable Date, we have yet to obtain NMPA registration for any of our IVD product candidates. We also introduce new testing solutions from time to time to meet emerging consumer demands. For example, we developed nucleic acid testing capability and offered COVID-19-related testing services in May 2020 in response to the outbreak of the COVID-19 pandemic.

Below is an introduction to our current selective testing services that are more well-received by the market:

GENERAL testing services

- **ApoE Gene Testing Package** – a service that assesses the risk of developing various related diseases, including Alzheimer's disease.

- **Folate Metabolic Capacity Assessment** – a service that assesses the risk of developing hyperhomocysteinemia.

- **Parkinson's Disease Risk Assessment** – a service that assesses the risk of developing Parkinson's disease.

- **Full-scale Cancer Risk Assessment Package** – a service that assesses the risk of developing cancer of various types.

- **Cardiovascular and Cerebrovascular Disease Risk Assessment Package** – a service that assesses the risk of developing seven common cardiovascular and cerebrovascular diseases.

ADVANCED testing services

- **Hereditary Breast Cancer/Ovarian Cancer Genetic Testing** – a service that assesses the risk of developing hereditary 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.

EXECUTIVE testing services

- **Personal Whole Genome Test Plus** – a service that assesses the risk of developing multiple types of diseases and provides interpretation for various individual traits and medication advice for certain common diseases.

- **Adult Whole Exome Sequencing Package** – 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.

We currently offer testing services through our self-developed LDT services and IVD testing kits procured from Independent Third Parties. We also actively develop and invest in our own IVD registration pipeline. By leveraging our understanding of the genetic testing market and potential access to multi-omics, quantitative and standardized phenotypic data, we are well positioned to develop and commercialize genetic testing services and products to meet market demands. As of the Latest Practicable Date, we had eight testing kits under development, and we expect to apply for certificates of Class III medical device for these IVD product candidates. We will not sell any of our IVD product candidates until such IVD product candidate obtains a certificate of Class III medical device issued by the NMPA.

- 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.

- 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.

The table below illustrates our current product pipeline.

Products in Development	Sample Type	Technology	Early-Stage Development[1]	Biomarker Selection[2]	Later-Stage Development[3]	IVD Registration Filing[4]	Expected to obtain IVD Registration Approval	Total Expected Costs of Commercialization (HK$'000)[8]	Incurred Costs of Commercialization (HK$'000)
ApoE gene testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	560
Folate metabolic capacity assessment testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	480
Alzheimer's disease screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing		▲	2H2024	37,770	1,140
Colorectal cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,700
Gastric cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,710
BRCA1/BRCA2 gene mutation diagnostic kits[7]	Blood	NGS	Ongoing	N/A[6]			2H2024	25,200	–
Cervical cancer screening kits[7]	Cervical exfoliated cells	NGS, qPCR	Ongoing				2H2024	34,770	–
Lung nodule (benign or malignant) auxiliary diagnostic kits[7]	Blood, CT scan	NGS, qPCR, CT image AI analysis software	Ongoing				2H2025	72,550	–

▲ As of the Latest Practicable Date, the global genetic testing market does not currently have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan.

Notes:

1. Early-Stage development encompasses feasibility study, method development, etc.
2. Biomarker selection includes biomarker candidate identification, clinical validation, etc.
3. Later-Stage development involves product optimization and finalization, efficacy and safety evaluation, etc.
4. IVD registration filing refers to pilot-scale production, registration inspection, clinical evaluation, NMPA review, etc.
5. Self developed kits.
6. Product development does not have this phase, not applicable.
7. Collaboration mode.
8. The total expected costs of commercialization include costs and expenses for research and development, clinical trials, IVD registration as well as sales and marketing activities.

The midstream segment of our business encompasses an advanced and comprehensive genetic testing technology platform, which includes endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing technology, whole exome/genome sequencing technology) and whole-genome microarray platform, that can perform a large number of tests in a cost-effective manner. Our current testing capacity is up to 50,000 tests per day, which is the largest in our industry, through our market leading level of process automation. Moreover, we are developing additional automated testing platforms to further reduce our production cost. We strive to maintain a professional quality control system to assure the stability and accuracy of our testing services – the consistency between our testing results and the industry gold standard is higher than 99.9%.

The downstream segment of our business encompasses an extensive sales and marketing network. As of December 31, 2021, we covered over 1,400 healthcare institutions in more than 340 cities in China, and health checkup centers account for approximately 57% of our institutional customers. Our sales and marketing network allows us to deliver genetic testing services to a large portion of the Chinese population. As of the Latest Practicable Date, our genetic testing services are not covered under any national medical insurance schemes in China. In addition, we cooperate with various e-commerce and online healthcare platforms to expand and enhance our sales and marketing network.

With our self-developed technologies, high-quality services and brand recognition, our financial performance improved steadily during the Track Record Period. We generated total revenue of RMB123.7 million, RMB203.2 million and RMB237.2 million in 2019, 2020 and 2021, respectively. Our business was also profitable in the Track Record Period and generated net profit of RMB29.7 million, RMB79.1 million and RMB79.0 million in 2019, 2020 and 2021, respectively.

We benefit from our management team's global vision, forward-looking approach and dedication to the development of our business. Moreover, our execution teams also contribute significantly to our growth, and they expect to continue to devote significant efforts to the optimization of our operational and financial performance as well as the achievement of our mission. We expect to introduce additional services and products in the future to further enhance our core competitiveness and to take advantage of the expected growth of the genetic testing market in China.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- China's largest genetic testing platform for consumer genetic testing and cancer screening

- Integrated business with operational efficiency and significant entry barriers

- Market demand driven research and development that drives growth
- Broad spectrum of genetic testing services and products that strengthens market position
- Experienced management team that empowers our development as an industry leader

OUR DEVELOPMENT STRATEGIES

We plan to execute the following development strategies to fulfill our mission:

- Strengthen our leading positions in consumer genetic testing and cancer screening in China
- Invest in research and development as well as product commercialization
- Develop our automated operational system and expand geographic coverage
- Deepen strategic initiatives to expand our business
- Cultivate and develop talent

CONSUMER GENETIC TESTING SERVICES

Our consumer genetic testing services focus on providing full spectrum of genetic testing services covering a variety of specialty areas, including nutrition and metabolism, cancer risk assessment, chronic disease susceptibility and pharmacogenetic testing. Such testing services help consumers understand their unique physical traits and make better decisions about their lifestyle, diet and medication. Our consumer genetic testing services also cover infectious disease testing, such as COVID-19-related testing and HPV testing. We believe that our continuous investments to improve our testing technology allows us to provide consumer genetic testing services with high accuracy and cost-effectiveness. The relatively low prices of our services allows us to reach a large number of consumers, which provides us with large sample size to validate and fine-tune our comparative analysis, which further helps us to improve our technology.

According to Frost & Sullivan, we were the largest consumer genetic testing platform in China in 2020, with 2.7 million tests administered, which accounted for 65.8% of all consumer genetic tests performed in China in the same year. Also according to Frost & Sullivan, our market share was 34.2% and ranked first in China's consumer genetic testing market in terms of revenue generated in 2020. Our consumer genetic testing services generated revenues of RMB106.6 million, RMB161.7 million and RMB135.5 million in 2019, 2020 and 2021, respectively. Below is an introduction of our major testing services.

ApoE Gene Testing

ApoE is a type of human apolipoproteins present in both serum and central nervous system. This protein has important physiological functions by participating in the body's blood lipid regulation, cholesterol balance and Neuroregeneration in the central nervous system. The ApoE gene, located on chromosome 19, directs the synthesis of ApoE and plays an important role in lipoprotein metabolism. Thus, the polymorphism of ApoE gene is an important molecular target in the assessment of the development and progression of cardiovascular and cerebrovascular diseases. Based on specific genotypes, our ApoE gene test assesses the risk of developing various cardiovascular and cerebrovascular diseases.

Folate Metabolic Capacity Assessment

Folate, also known as vitamin B9, is an essential element for the synthesis of nucleic acids, a substance necessary for cell growth and tissue repair, and is an indispensable nutrient during embryonic development. Folate cannot be synthesized in the human body and can only be acquired exogenously. Folate deficiency can increase the level of homocysteine, which in turn can increase the risk of other cardiovascular and cerebrovascular diseases, such as H-type hypertension, coronary heart disease and stroke. In addition to inadequate folate acid intake, folate deficiency may also be caused by poor folate utilization due to genetic defects. Specifically, the level of folate utilization capacity is highly correlated with the MTHFR gene and other related genes, and certain genotypes of these genes can lead to a reduction in the activity of the corresponding enzyme, resulting in a deficiency in folate metabolic capacity. In addition, mutations in folate metabolism-related sites are also associated with several other diseases such as psoriasis and meningioma. Overdose of folate could also lead to certain health issues.

Cancer Risk Assessment Tests

We offer risk assessment tests for a variety of cancers, including gastric cancer, colorectal cancer, liver cancer, breast cancer, thyroid cancer, prostate cancer, and pancreatic cancer. By testing susceptibility genes associated with a particular cancer, we assess the risk of developing that cancer. We also assess a person's overall risk of developing cancer by testing tumor suppressor genes. In addition to single cancer risk assessment services, we offer cancer risk assessment packages, which provides risk assessment for multiple common cancers in one test service. Our cancer risk assessment services enable consumers to learn whether they are more predisposed to develop cancer and whether they are more sensitive to environmental risk factors. Such assessment is expected to further help them to make informed decisions relating to early intervention and precise medicine options. As of the Latest Practicable Date, we offer the following cancer risk assessment testing services: (i) P53 tumor suppressor gene testing; (ii) single cancer risk assessment testing; (iii) DNA repair capacity assessment; (iv) risk assessment package for most common cancers (male & female versions); and (v) full-scale cancer risk assessment package (male & female versions).

Other Disease Risk Assessment Tests

We offer risk assessment testing services for other severe or chronic diseases, such as gout, Parkinson's disease, ankylosing spondylitis, cardiovascular disease and gastrointestinal disease. By testing susceptibility genes associated with a particular disease, we assess the risk of developing that disease. These testing services alert our consumers with genetic predisposition to develop a certain disease to take health surveillance and early intervention measures. In addition to risk assessment, our test reports also provide suggestions on lifestyle to reduce the risk of getting a disease or to improve the quality of life.

Non-disease Related Consumer Genetic Testing

We provide genetic testing services that are not for disease risk assessment, but to help consumers choose a lifestyle and diet that better fit their genetic condition and health needs. The testing services under this category are free radical scavenging capacity assessment, alcohol metabolic capacity testing, comprehensive assessment of human immunity, vitamin absorption capacity assessment, exercise and fitness testing, and genetic testing for individualized medication.

COVID-19-Related Testing

In response to the COVID-19 pandemic, we developed a nucleic acid test for the COVID-19 virus based on the PCR technology of our molecular testing technology platform and began to offer COVID-19 testing services in May 2020. We are well-equipped to rapidly meet the testing demand that results from regional outbreak of COVID-19. As of the Latest Practicable Date, we completed approximately 3.4 million COVID-19 tests; including approximately 588,000 tests in 2020 and 952,000 tests in 2021. Our revenue generated from COVID-19-related testing services was RMB73.9 million and RMB41.5 million in 2020 and 2021, respectively. Our gross profit from COVID-19-related testing services was RMB50.8 million and RMB24.3 million in 2020 and 2021, respectively, which represented a gross profit margin of 68.7% and 58.7%, respectively. The decrease in gross profit margin was primarily attributable to the mandatory decrease in average unit price in accordance with government regulations. Due to the uncertainty of the COVID-19 pandemic, our revenue generated from COVID-19-related testing services may not be sustainable. For more information, see "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Our historical financial and operating results may not be indicative of our future performance".

HPV Testing

Persistent infection of high-risk strains of the human papillomavirus (HPV) is the leading cause for cervical cancer in women. Our test is mainly designed to determine the presence of HPV 16 or HPV 18 infection, but it is also able to detect and distinguish 23 common strains of HPV categorized from high- to low-risk. We currently procure the testing kits for this service from an Independent Third Party. We perform HPV testing independently in our laboratory via our qPCR platform, and our test report indicates whether the consumer is infected with various strains of HPV.

Hereditary Breast Cancer/Ovarian Cancer Genetic Testing (BRCA1/2 Genes)

According to Frost & Sullivan, in 2020, there were approximately 331,600 new cases of breast cancer in China with 79,600 breast cancer related deaths. The pathogenic mutation of BRCA1/2 genes significantly increases the risk of developing breast cancer and ovarian cancer. This test detects potential mutation of BRCA1/2 genes by conducting full exon sequencing of these genes on our NGS platform. Consumers can order this service through both our offline channels and online channels. The test report we issue informs a consumer her risk level of developing hereditary breast cancer and ovarian cancer. As of December 31, 2021, we were in the process of developing a testing kits product for BRCA1/BRCA2 gene mutation.

Personal Whole Genome Test Plus

This whole genome test, performed on our whole-genome microarray platform, is one of our executive testing services and can test over 700,000 loci in the human genome, which allows us to assess the risk of developing multiple types of diseases and to provide interpretation for various individual traits and medication advice for two categories of common diseases.

Whole Exome Sequencing Package for Adults

Whole exome sequencing package for adults is one of our executive testing services. It sequences over 180,000 key exonic regions in the human genome and assesses the risk of developing a number of high-risk diseases, hereditary cancers, recessive genetic diseases and various types of complex diseases. In addition, it can provide assessment for multiple drugs, items for dietary nutrition and items for exercise and fitness. Based on specific results and the individual's genetic make-up, we recommend customized health management solutions in our test report.

Whole Exome Sequencing Package for Children

This is also one of our executive testing services and sequences over 180,000 key exonic regions in the human genome and assess the risk of developing multiple genetic diseases for children (divided into five major categories: ACMG high-risk diseases, birth defects and neonatal diseases, childhood diseases including hereditary cancers, adolescent gonadal diseases and adult diseases). The test also provides suitability assessment for multiple drugs in multiple categories, and provides guidance on multiple personal traits and recommended exercises, and standard health management programs for children.

CANCER SCREENING SERVICES

Cancer remains a major challenge with significant unmet medical needs despite significant advancement in the understanding and treatment of cancer. According to Frost & Sullivan, China has the world's highest number of new cancer cases in 2020, which increased from 4.1 million cases in 2016 to 4.6 million cases in 2020, and is estimated to reach 5.8 million cases in 2030. However, due to the lack of effective cancer prevention solutions, the survival rate of cancer in China is significantly lower than that in many other countries with more developed cancer prevention mechanism. Our cancer screening solutions aim to detect cancer early at asymptomatic or precancerous stage when it has a relatively higher likelihood to be prevented or cured, while the price remains relatively low and more affordable by the general public.

According to Frost & Sullivan, we were the largest cancer screening platform in China as measured by the number of tests administered in 2020. We are acutely aware of the consumer demands for our products, and our research and development process is market demand oriented, so that our newly developed products can be quickly commercialized. Our cancer screening services generated revenues of RMB6.9 million, RMB41.5 million and RMB100.6 million in 2019, 2020 and 2021, respectively.

Septin9 Colorectal Cancer Screening Test

Colorectal cancer was the third most prevalent cancer type globally in 2020, and it was also the third most prevalent cancer type in China, with 453,400 new cases and 218,200 deaths, according to Frost & Sullivan. We currently procure testing kits for this service from an Independent Third Party, and testing kits are granted with registration certificates of Class III medical device by NMPA. Our Septin9 colorectal cancer screening is performed on blood samples, which are collected by healthcare professionals in health checkup centers or hospitals following our standard procedures. The test has demonstrated clinical results with a sensitivity of 76.6% and an overall specificity of 95.9%. The Septin9 colorectal cancer screening test is performed on our qPCR platform, which is equipped with specialized software to analyze results.

SDC2 Colorectal Cancer Screening Test

Our SDC2 colorectal cancer screening test enables users to collect stool sample at home and avoid invasive procedures while delivering high testing sensitivity and specificity. Stool samples collected by our consumers are picked up by our logistics service provider, and delivered to our laboratory for testing, generally within days after shipment from major cities in China. The SDC2 colorectal cancer screening test has demonstrated clinical results of a sensitivity of 84.2% and an overall specificity of 97.9%.

RNF180/Septin9 Gastric Cancer Screening Tests

Gastric cancer has the second highest incidence in China with 469,600 diagnosed cases in 2020 and the third highest mortality in China with 341,200 death cases in 2020. Due to its high incidence and mortality rates, there are significant demands for gastric cancer screening services and considerable growth potential for gastric cancer screening market. We launched a DNA methylation test for gastric cancer in March 2021. The test is performed with our qPCR platform on blood samples, which are collected by healthcare professionals in health checkup centers or hospitals following our standard procedures. We have received positive feedbacks for the test and have sold approximately 23,000 tests within three months after launch. By detecting the methylation level of RNF180 and Septin9 genes in peripheral blood, the test provides preliminary determination of whether a person has potentially developed gastric cancer.

OUR OPERATIONAL AND FINANCIAL DATA BY SERVICE TYPE

The tables below set forth our operational and financial data by service type:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
		(in thousand)	
Number of Tests Performed			
Cancer risk assessment	1,093	761	818
Chronic disease risk assessment	1,516	1,057	439
COVID-19-related testing services	–	588	952
Other consumer genetic testing services	82	276	439
Subtotal of consumer genetic testing services	**2,691**	**2,682**	**2,648**
Cancer screening services	**21**	**106**	**312**
Total	**2,712**	**2,788**	**2,960**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Cancer risk assessment	43,115	27,097	37,244
Chronic disease risk assessment	40,320	28,737	17,653
COVID-19-related testing services	–	73,903	41,461
Other consumer genetic testing services	23,136	31,972	39,111
Subtotal of consumer genetic testing services	**106,571**	**161,709**	**135,469**
Cancer screening services	**6,872**	**41,511**	**100,585**
Total	**113,443**	**203,220**	**236,054**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB	*RMB*	*RMB*
Average Unit Price[(1)]			
Cancer risk assessment	39.4	35.6	45.5
Chronic disease risk assessment	26.6	27.1	40.2
COVID-19-related testing services	–	125.7	43.5
Other consumer genetic testing services	285.6	115.8	89.0
Cancer screening services	327.2	391.6	322.4

Note:

(1) Average unit price is calculated by dividing the revenue by number of tests performed during the period indicated.

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Gross Profit			
Cancer risk assessment	25,359	17,093	25,088
Chronic disease risk assessment	30,152	21,520	13,197
COVID-19-related testing services	–	50,776	24,341
Other consumer genetic testing services	16,525	23,445	27,021
Subtotal of consumer genetic testing services	**72,036**	**112,834**	**89,647**
Cancer screening services	**4,171**	**33,407**	**76,095**
Total	**76,207**	**146,241**	**165,742**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
Gross Profit Margin			
Cancer risk assessment	58.8%	63.1%	67.4%
Chronic disease risk assessment	74.8%	74.9%	74.8%
COVID-19-related testing services	–	68.7%	58.7%
Other consumer genetic testing services	71.4%	73.3%	69.1%
Subtotal	**67.6%**	**69.8%**	**66.2%**
Cancer screening services	**60.7%**	**80.5%**	**75.7%**
Total	**67.2%**	**72.0%**	**70.2%**

While the total number of tests performed for consumer genetic testing services remained relatively stable during the Track Record Period, the number of tests performed for each of the four types of tests under consumer genetic testing services experienced fluctuations during the Track Record Period, mainly because we adjusted specific testing items provided under this type from time to time based on customer demands and our development strategy. At the same time, the composition of specific testing items could also change over time in response to consumer preferences.

The revenues, gross profits and gross profit margins for consumer genetic testing services experienced significant fluctuations during the same period, primarily due to the following reasons:

(i) *Cancer risk assessment*. The revenue and gross profit for cancer risk assessment decreased significantly in 2020 compared to 2019 due to the closure of health checkup centers as a result of the COVID-19 pandemic and consumers' reluctance to visit hospitals and health checkup centers in 2020. As the market gradually recovered from the COVID-19 pandemic, the revenue and gross profit for such services increased in 2021 compared to 2020. The gross profit margin for this type of testing remained relatively stable during the Track Record Period.

(ii) *Chronic disease risk assessment*. The revenue and gross profit for chronic disease risk assessment decreased significantly in 2020 compared to 2019 also due to the impact of the COVID-19 pandemic. The revenue and gross profit for this type of testing decreased in 2021 compared to 2020 due to decrease in customer demands for ApoE Gene Testing, Folate Metabolic Capacity Assessment and Cardiovascular and Cerebrovascular Disease Risk Assessment Package and our business development in response to these demands.

(iii) *COVID-19-related testing services*. Our revenue generated and gross profits derived from COVID-19-related testing services decreased significantly in 2021 as a result of government mandates to lower the price of COVID-19 diagnostic tests in 2021. Due to uncertainties related to the COVID-19 pandemic, our operational and financial data for COVID-19-related testing services may not be sustainable. For more information, see "Business – Consumer Genetic Testing Services – COVID-19-Related Testing" and "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Our historical financial and operating results may not be indicative of our future performance."

(iv) *Other consumer genetic testing services*. The revenue and gross profit for this type of testing increased over the Track Record Period, mainly due to increase in customer demands for certain services, such as HPV Testing and Free Radical Scavenging Capacity Assessment. The gross profit margin for this type of testing remained relatively stable during the Track Record Period. The decreasing trend in the average unit price for our other consumer genetic testing services during the Track Record Period was mainly because the revenue from our Personal Whole

Genome Test, a testing service with relatively higher unit price, as a percentage of our total revenue gradually decreased during the Track Record Period due to change in customer demand, and the revenue contribution from services with relatively lower unit price, such as Comprehensive Assessment of Human Immunity and HPV Testing, increased correspondingly.

Our cancer screening services provide convenient, accurate and non-invasive testing solutions that can detect cancer at asymptomatic or precancerous stages, and we currently focus on the testing of colorectal cancer and gastric cancer, two common cancer types among the Chinese population. The number of tests performed, revenue and gross profit for our cancer screening services experienced stable and consistent growth during the Track Record Period mainly due to our increased market education efforts and growing market acceptance for our Septin9 Non-invasive Colorectal Cancer Screening Test and RNF180/Septin9 Non-invasive Gastric Cancer Screening Test as well as our ability to control costs effectively. The average unit price and gross profit margin for cancer screening services increased in 2020 compared to 2019, mainly because the revenue from our Septin9 Non-invasive Colorectal Cancer Screening Test, a testing service with relatively higher unit price and gross profit margin, as a percentage of our total revenue increased in 2020. As we introduced RNF180/Septin9 Non-invasive Gastric Cancer Screening Test in 2021, the percentage of revenue from our Septin9 Non-invasive Colorectal Cancer Screening Test decreased, which resulted in a decrease in our average unit price and gross profit margin for cancer screening services in 2021 compared to 2020.

OUR TECHNOLOGIES

We possess the full range of genetic and molecular diagnostics technologies that support our commercialized testing and R&D applications. Our testing 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 have refined and customized our technology platforms to adapt to our operational requirements and developed technological solutions that have improved our operational efficiency and increased precision of our testing results.

RESEARCH AND DEVELOPMENT

Strong research and development capabilities is vital to our business. Through our research and development efforts, we self-developed and launched 80 types of genetic testing services out of our 91 commercialized testing solutions as of December 31, 2021. Our R&D efforts are focused on three areas: (i) optimizing our technology platforms, (ii) developing new genetic testing services and (iii) developing and registering IVD test kits. In addition to our in-house R&D team, we also carry our research and development efforts through collaboration with top physicians and medical experts in China and industry-leading service providers at different phases of the registration for our IVD product candidates.

SALES AND MARKETING

We have established a fully equipped in-house sales and marketing team to provide consumers with customized support. Our marketing team is divided into various promotional and supporting functions covering different geographic regions and different channels. As of December 31, 2021, our sales and marketing network covered over 1,400 health checkup centers, hospitals, clinics and other institutional customers in more than 340 cities in China. In addition to the offline sales channels, we also collaborate with large e-commerce platforms and online healthcare platforms in China.

TRANSPORTATION AND STORAGE

As of the Latest Practicable Date, we only had one laboratory located in Beijing. We are primarily responsible for the transportation of testing samples from our customers to our laboratory. We have contracts with an industry-leading logistics service provider to transport these testing samples. Under our contracts, the logistics service provider is responsible for maintaining the quality of the testing samples during transportation in accordance with our required protocols and the required transit time is usually one to three day. We established stringent protocols for our logistics system and we strictly enforce such protocols to ensure the quality of the samples. Before we accept a testing sample, we check whether the customers' information is well documented and the testing sample is properly handled and packaged. If the testing sample is not collected and transported in accordance with our protocols, we notify our customer and request a re-sampling. Please see "Business – Transportation and Storage" in this Prospectus for details.

OUR CUSTOMERS

We have a wide customer base that covers health checkup centers, hospitals and other institutions. As of December 31, 2021, health checkup centers accounted for approximately 57% of our total number of institutional customers. We benefit from a high level of loyalty and have strong working relationships with our customers. For the years ended December 31, 2019, 2020 and 2021, our five largest customers accounted for approximately 61.8%, 65.4% and 64.8% of our total revenue.

Our service agreements with health checkup centers and hospitals typically have terms that range from one to three years and set forth general rights and obligations of the parties. Under such agreements, customers are responsible for sample collection and sample delivery to our laboratory, and we are responsible for the performance of genetic testing as well as the issuance of testing report. We typically bill our customers based on the payment schedule and the volume of testing services pursuant to our agreements. We also provide discounts to certain customers who procure a large volume of testing services from us. Our pricing mechanisms for different types of customers are generally similar. To determine the appropriate credit periods and terms, we generally consider the credit histories of our customers before entering into service agreements and typically grant them credit terms that range from three to six months. During the Track Record Period, we extended our typical credit terms to be longer than six

months for certain customers based on commercial negotiations and the customer's credit history in order to expand our business. According to Frost & Sullivan, the average turnover days for receivables recovered from health checkup centers and hospital customers are generally longer than other customers. The terms and fee arrangement in our agreements with customers are usually reached through arm's length negotiations. In 2021, we started to participate in customers' bidding processes. As of the Latest Practicable Date, we submitted three tenders to public hospital customers. We won two of the bids and one was still in process as of the Latest Practicable Date. Our agreements with customers are usually renewable upon mutual agreement, and these agreements are typically subject to termination pursuant to mutual agreement by both parties or unremedied breach by one party.

Our business relies on, to a certain extent, certain customers who are related to us through Meinian OneHealth or Dr. Yu. With respect to connected transactions under the Listing Rules, for the years ended December 31, 2019, 2020 and 2021, our revenue generated from services provided to Meinian OneHealth together with its associates was approximately RMB60.1 million, RMB107.0 million and RMB94.7 million, which represented 48.6%, 52.6% and 39.9% of our total revenue, respectively. For the years ended December 31, 2019, 2020 and 2021, our revenue generated from services provided to Dr. Yu's associates was approximately RMB6.5 million, RMB7.1 million and RMB18.4 million, which represented 5.2%, 3.5% and 7.7% of our total revenue, respectively. Because of our long-term and strong relationships with related parties, bulk purchase from related parties and relatively lower customer acquisition cost, our sales to related parties tend to have a more favorable cost structure. We also extended credit periods of certain related parties determined based on these related parties business volume, credit history and our overall business relationship and development strategy as a whole. Our Directors are of the view that there is no significant recoverability risk for trade receivables due from related parties.

Based on the various independent due diligence work in relation to the recoverability of the Company's trade receivables and the Directors' view above, nothing has come to the Sole Sponsor's attention that would cast doubt on the material recoverability of the Company's trade receivables due from related parties as of December 31, 2021. For details, see "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Net Current Assets/Liabilities – Trade Receivables."

We charge service fees determined through arm's length negotiations based on various factors, such as procurement volume, market competition and our development plans. During the Track Record Period, our gross profit margins derived from testing services provided to related parties were slightly lower than the gross profit margins derived from such services provided to non-related parties, mainly because (i) our related parties are charged lower service fees for their higher amount of procurement, and (ii) the specific combinations of testing services that each customer purchased were different.

For the years ended December 31, 2019, 2020 and 2021, our revenue generated from transactions with our related parties under HKFRS was RMB63.2 million, RMB117.6 million and RMB102.1 million, respectively, which represented 51.1%, 57.9% and 43.1% of our total

revenue, respectively. For the years ended December 31, 2019, 2020 and 2021, our trade receivables due from related parties under HKFRS were RMB57.7 million, RMB70.2 million and RMB99.0 million, respectively. During the Track Record Period, the aging of trade receivables due from related parties was extended due to the impact of the COVID-19 pandemic as well as our strategic adjustment of credit periods of our customers. The extension of credit periods to our related parties has gone through prudent internal assessment and required approval procedures. We had made sufficient provisions to mitigate the uncertainties associated with unsettled amounts in accordance with the HKFRS. We also take various trade receivable management and collection measures to ensure the recovery of trade receivables. Please also refer to "Risk Factors – A significant portion of our revenue was generated from our related parties, who are related to us through Meinian OneHealth or Dr. Yu, during the Track Record Period and we expect a significant portion of our revenue to continue to be generated from these parties in the foreseeable future. We may not be able to resolve potential conflicts with such related parties on favorable terms for us."

OUR SUPPLIERS

We maintain stable and long-term relationships with our major suppliers and procure a variety of services and products, including reagents and consumables, logistic services and property leasing services. We consider several factors in the evaluation and selection of suppliers, including the supplier's background, reputation, and industry experience, and most importantly the quality and price of their services. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us. Some of them are subject to an onsite inspection conducted by us to evaluate the production processes and quality management, and test raw material and packaging material samples.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, three invention patents and two design patents had been granted to us, and four invention patents were under application. We also registered 33 software copyrights and 58 trademarks. We plan to submit additional invention patent applications for our self-developed technologies, including various cancer markers, methylation multiplex PCR library preparation sequencing technology, and miRNA multiplex qRT-PCR technology. As of the Latest Practicable Date, we self-owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

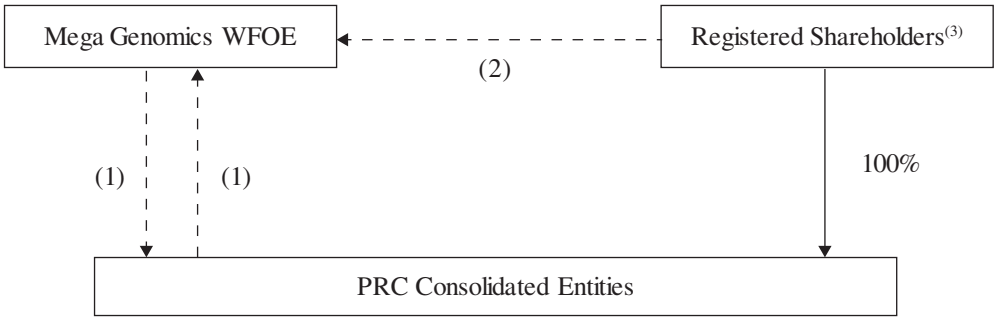
EMPLOYEES

As of the Latest Practicable Date, we had 374 employees in total. We regard talent as one of our greatest assets. Our management team has an average of over 10 years of work experience in the development or marketing of healthcare products and services. Approximately 90% of our management team members hold a master's degree or above.

CONTRACTUAL ARRANGEMENTS

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements have been entered into by Mega Genomics WFOE with Mega Genomics Beijing and the Registered Shareholders, whereby Mega Genomics WFOE acquired effective financial and operational control over the PRC Consolidated Entities and became entitled to all the economic benefits derived from their operations. We believe that the Contractual Arrangements are narrowly tailored, as they are used to enable us to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. For details, see the section headed "Contractual Arrangements" in this Prospectus.

The following simplified diagrams illustrate the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements:



"–" denotes legal and beneficial interest in the equity interest

"---" denotes the Contractual Arrangements

Notes:

(1) Mega Genomics WFOE provides comprehensive business support, technical services and consultancy to the PRC Consolidated Entities.

The PRC Consolidated Entities paid service fees to Mega Genomics WFOE in exchange for the services. See "Contractual Arrangements – Summary of the Contractual Arrangements – Exclusive Consultancy and Services Agreement".

(2) The Registered Shareholders executed an option agreement in favor of Mega Genomics WFOE, for the acquisition of 100% of the equity interests in and/or assets in Mega Genomics Beijing. See "Contractual Arrangements – Summary of the Contractual Arrangements – Exclusive Option Agreement".

The Registered Shareholders pledged as first charge all of their respective equity interests in Mega Genomics Beijing to Mega Genomics WFOE as collateral security to secure performance of their obligations and Mega Genomics Beijing's obligations under the Contractual Arrangements. See "Contractual Arrangements – Summary of the Contractual Arrangements – Equity Pledge Agreement".

The Registered Shareholders executed powers of attorney in favor of Mega Genomics WFOE. See "Contractual Arrangements – Summary of the Contractual Arrangements – Powers of Attorney".

(3) The Registered Shareholders are Meinian OneHealth, Tianjin Hongyin, Ms. Guo, Tianjin Meihong, Beijing Yinwei, Beijing Shiji, Qingdao Damei, Zhuhai Zhongwei, Tibet Tengyun, Maccura Biotechnology, Xiamen Fanding Jiayin, Ganzhou Zhangxin, Suzhou Ruihua, Tianjin Meizhiyin, Qingdao Huichuang, Zhang Yajun, Deng Zhenguo, Liu Yi, Hu Jianping, Shanghai Yifangda, Si Yali, Gong Yudong, Song Xinbo, Zhou Quan.

See "Contractual Arrangements" for details on our contractual arrangements.

OUR CONTROLLING SHAREHOLDERS

As of the date of this Prospectus, Dr. Yu holds approximately 10.03% of the issued share capital of our Company by virtue of his ultimate controlling interests in YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP). Ms. Guo, through Infinite Galaxy Health Limited, holds 9.68% of the issued share capital of our Company. Meinian OneHealth, through Mei Nian Investment Limited, holds approximately 16.39% of the issued share capital of our Company. Dr. Yu, Ms. Guo and Meinian OneHealth are collectively in control of approximately 36.10% of the voting rights of the issued share capital of our Company, and are expected to be in control of approximately 34.30% of our voting rights upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). Dr. Yu, Ms. Guo, Meinian OneHealth together with their respective holding companies, namely YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership, Infinite Galaxy Health Limited and Mei Nian Investment Limited will be regarded as a group of our Controlling Shareholders for the purpose of the Listing Rules. For further details, please see the section headed "Relationship with Our Controlling Shareholders" in this Prospectus. We have entered into certain transactions which would constitute continuing connected transactions for our Company with each of Dr. Yu and Meinian OneHealth. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Directors shall abstain from participating in and voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In addition, our independent non-executive Directors shall participate in the voting on such matters to ensure the interests of our Company and the Shareholders as a whole. In particular, the extension of credit periods to related parties shall be approved by the meeting of the Board. The three interested Directors who also hold positions in Meinian OneHealth and its close associates shall abstain from voting on the extension of credit periods to related parties, while the independent non-executive Directors shall participate in the voting on such matters. For details of such continuing connected transactions, please see the section headed "Connected Transactions" in this Prospectus.

During the Track Record Period, we generated revenue from transactions with certain customers who are related to us through Meinian OneHealth or Dr. Yu and their associates, and such transactions mainly consisted of the provision of genetic testing services. We generally have consistent pricing policy for our customers, and we charge service fees determined through arm's length negotiations based on various factors, such as volume, government policies, market competition, industry dynamics and our development plans. We maintain a standard pricing catalogue, and customers that procure a relatively higher amount of testing services are charged a lower service fee, usually between 10% to 30% lower than the standard price, subject to the parties' negotiations, regardless of whether these customers are our related parties or non-related parties. During the Track Record Period, we did not provide any sales rebate to any of our customers.

Our gross profit margin is generally comparable between related-party and non-related-party customers. For the year ended December 31, 2021, our gross profit margins derived from genetic testing services provided to related parties was 69.6%, which was slightly lower than the gross profit margins derived from such services provided to non-related parties of 70.7%, mainly because (i) our related parties are charged lower service fees for their higher amount of procurement, and (ii) the specific combinations of testing services that each customer purchased were different. For the year ended December 31, 2020, our gross profit margins derived from genetic testing services provided to related parties was 71.6%, which was slightly lower than the gross profit margins derived from such services provided to non-related parties of 72.5%, for the same reasons mentioned above. For the year ended December 31, 2019, our gross profit margins derived from genetic testing services provided to related parties was 68.4%, which was slightly higher than the gross profit margins derived from such services provided to non-related parties of 65.7%, mainly because our related parties purchased a larger portion of testing items that had relatively higher gross profit margins, such as Personal Whole Genome Test Plus and Cardiovascular and Cerebrovascular Disease Risk Assessment Package.

The credit period we grant to our customers is usually three to six months, regardless of whether the customer is our related party or non-related party. As part of our promotional efforts during the COVID-19 pandemic and in order to develop long-term cooperation with our strategic customers, we extended the credit period of certain customers in May 2021, including both related parties and non-related parties, for up to 12 months in addition to the initial credit period, and the determination of such extension was made based on commercial negotiations and the customer's credit history instead of a particular party's status as a related party.

For the years ended December 31, 2019, 2020 and 2021, our average trade receivables turnover days were 313 days, 226 days and 272 days, respectively. The decrease in average trade receivables turnover days from 2019 to 2020 was primarily because a significant portion of our revenue for 2020 was from COVID-19-related testing services, which generally required advance payment, and our total revenue also increased significantly from 2019 to 2020. The increase in average trade receivables turnover days in 2021 was primarily because we extended credit terms for some customers in order to expand our business as mentioned above. For the years ended December 31, 2019, 2020 and 2021, our trade receivables turnover days for related parties were 329 days, 199 days and 302 days, respectively, and our trade receivables turnover days for non-related parties were 296 days, 264 days and 248 days, respectively. Our trade receivables turnover days for related parties increased significantly from 2020 to 2021, mainly because (i) the trade receivable balance due from related parties at the end of 2021 was relatively high, as we extended the credit period of certain customers as part of our business promotion plans in 2021, which increased the numerator of the turnover ratio of 2021 compared to 2020; and (ii) the revenue from related parties decreased in 2021 compared to 2020, which decreased the denominator of the turnover ratio of 2021 compared to 2020. For more information, please see "Financial Information – Net Current Assets/Liabilities – Trade Receivables" in this Prospectus.

Our Directors are of the view that there is no material recoverability issue for trade receivables due from our Controlling Shareholders and their associates or Independent Third Party customers, on the following basis:

- Historically, we have not experienced any material difficulties in collecting trade receivables. As of April 30, 2022, 95.7% of our trade receivables outstanding as of December 31, 2019 were settled, and 82.7% of our trade receivables outstanding as of December 31, 2020 were settled, which we believe to be relatively high recovery rates.

- Our collection of trade receivables and payment cycle are generally in line with industry standards, as confirmed by Frost & Sullivan. In addition, we primarily provide services to credit-worthy institutional customers with well-established business relationships, and the settlement rate of trade receivables for such customers tends to be relatively longer.

- We have various trade receivable management and collection measures in place to ensure the recovery of trade receivables. For example, we organize meetings on a regular or issue-specific basis for sales, legal and finance personnel to review receivables and formulate collection plans. Our payment collection efforts include the use of phone calls, text messages and in-person visits. If there is any collection difficulty, we send written correspondence, such as collection letters and legal letters, to push for payment.

- In accordance with the HKFRS, we have made sufficient provisions to mitigate the uncertainties associated with these unsettled amounts and continue to make sufficient provisions to account for any potential write-offs and contingent factors.

In addition, our Directors are of the view that there is no material reliance on our Controlling Shareholders, on the following basis:

- Although we believe that the risk of our relationships with our Controlling Shareholders and their associates to experience a material adverse change or termination remains relatively low, we actively explore business cooperation opportunities with Independent Third Parties to expand our channel coverage. Our revenue generated from transactions with related parties as a percentage of our total revenue decreased from 51.1% as of December 31, 2019 to 43.1% as of December 31, 2021. The number of our customers who were Independent Third Parties increased by 39.1% from 866 as of December 31, 2019 to 1,205 as of December 31, 2021. As of December 31, 2021, 80.5% of our customers were Independent Third Parties.

- We continue to expand our sales force as well as geographic coverage and increased efforts to develop cooperative relationships with public hospitals and health checkup centers that are not related to us. During the second half of 2021, we hired 85 salespeople and signed agreements with 85 healthcare institutions that are Independent Third Parties. Additionally, we have expanded our online business actively and established cooperation arrangements with e-commerce platforms and online healthcare platforms that are Independent Third Parties.

- We also plan to introduce testing products and services to be used in settings other than health checkup centers, such as aesthetic medical centers, insurance companies and pet care businesses in accordance with our development strategy. We generated revenue from sales to aesthetic medical centers and insurance companies in the past, and we expect to explore cooperation models with these institutions and achieve synergistic growth.

- After our IVD product candidates receive relevant certificates and commercialization approvals, we can sell reagents and provide testing services, and we expect to further expand our customer coverage to genetic testing companies, research institutions and other healthcare service providers that are not related to us.

- In addition, we plan to acquire companies with industry-leading technologies or testing products in the area of disease screening or diagnosis to add diversity to our testing portfolio and we also expect to integrate the established sales channels of such companies and further expand and diversify our customer base.

PRE-IPO INVESTMENTS

We have received two rounds of financing and facilitated various equity transfers, with the Series A financing completed in October 2016 and the Series B financing completed in May 2020. For further details, see "History, Reorganization and Group Structure – Pre-IPO Investments."

SUMMARY OF FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" of this Prospectus and the accountants' report set out in Appendix I to this Prospectus, together with the respective accompanying notes.

Summary of Key Statements of Profit or Loss Items

The following table sets out our consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	123,700	203,220	237,185
Cost of sales	(45,224)	(56,979)	(70,509)
Gross profit	78,476	146,241	166,676
Other income and gains	14,524	3,680	14,265
Selling and distribution expenses	(4,944)	(19,475)	(22,977)
Administrative expenses	(15,583)	(18,553)	(22,968)
Impairment losses on trade receivables, net	(6,451)	726	(6,165)
Other expenses	(8,145)	(1,165)	(5,872)
Listing expenses	–	–	(20,167)
Finance costs	(3,052)	(1,851)	(785)
Interest on redemption liabilities on ordinary shares	(16,533)	(14,700)	(6,125)
Profit before tax	38,292	94,903	95,882
Income tax expense	(8,601)	(15,806)	(16,867)
Profit for the year	**29,691**	**79,097**	**79,015**

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we also use Adjusted Net Profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe the presentation of this non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating the impact of non-cash items.

Interest on redemption liabilities on ordinary shares was a non-cash, interest expense recorded to reflect interest incurred on our conditional obligation to redeem equity securities issued in our Series A financing in 2016. This redemption obligation was measured at net present value of the redemption obligation amount and recorded as a financial liability and

incurred interest. The following table reconciles our calculations of Adjusted Net Profit with net profit for the year, which is presented in accordance with HKFRS. Please see "Financial Information – Description of Key Statement of Profit or Loss items – Non-HKFRS Measures" for details.

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	**29,691**	**79,097**	**79,015**
Interest on redemption liabilities on ordinary shares	(16,533)	(14,700)	(6,125)
Adjusted Net Profit	**46,224**	**93,797**	**85,140**

We recorded revenue of RMB123.7 million, RMB203.2 million and RMB237.2 million for the years ended December 31, 2019, 2020 and 2021, respectively. Our total revenue experienced a significant increase in 2020 due to our revamped consumer genetic testing services of higher margin and expanded cancer screening services, and as a result, our net profit for 2020 increased significantly compared to our net profit for 2019. Our revenue increased slightly in 2021 compared to 2020 as a result of the consumers' growing acceptance of and our continuous development of cancer screening services. Furthermore, we were able to improve and maintain our gross profit and gross profit margin during the Track Record Period due to our efforts to broaden our services to consumers and the expansion of our cancer screening services as well as measures implemented to control costs effectively. The decrease in our gross profit margin in 2021 compared to 2020 was also primarily due to the decrease in average unit price of COVID-19-related testing services as required by government regulations.

We organize our main businesses into two segments, consumer genetic testing services and cancer screening services. The table below sets forth our revenue by operating segment for the years presented. For detail discussion of our revenue and results by segment, see "Financial Information – Description of key Statement of Profit or Loss Items – Revenue" and "Financial Information – Description of key Statement of Profit or Loss Items – Gross Profit and Gross Profit Margin".

	For the year ended December 31					
	2019		**2020**		**2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Consumer genetic testing services	106,571	86.1	161,709	79.6	135,469	57.1
Cancer screening services	6,872	5.6	41,511	20.4	100,585	42.4
Other services[(1)]	10,257	8.3	–	–	1,131	0.5
Total	**123,700**	**100.0**	**203,220**	**100.0**	**237,185**	**100.0**

Note:

(1) Includes revenue from genetic research and analysis services, consulting services and sale of medical materials. During the Track Record Period, the percentage of revenue generated from other services decreased due to our strategic shift to focus on our genetic testing services. See "Financial Information – Discussion of Key Statement of Profit or Loss Items – Revenue – Revenue by Business Segment" for more information about other services.

During the Track Record Period, we offered genetic testing services through a combined approach with both self-developed LDT services and outsourced IVD products. During the Track Record Period and up to the Latest Practicable Date, we did not resell any IVD testing kits procured from Independent Third Parties. The tables below set forth a breakdown of our revenue and gross profit from consumer genetic testing services and cancer screening services by IVD products or LDT services during the Track Record Period.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue						
Consumer genetic testing IVD	1,124	1.0	76,044	37.4	53,674	22.7
Cancer screening IVD	6,872	6.0	41,511	20.4	100,585	42.6
IVD	**7,996**	**7.0**	**117,555**	**57.8**	**154,259**	**65.3**
Consumer genetic testing LDT	105,447	93.0	85,665	42.2	81,794	34.7
LDT	**105,447**	**93.0**	**85,665**	**42.2**	**81,794**	**34.7**
Total	**113,443**	**100.0**	**203,220**	**100.0**	**236,054**	**100.0**

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gross Profit						
Consumer genetic testing IVD	88	0.1	51,200	35.0	29,998	18.1
Cancer screening IVD	4,171	5.5	33,407	22.9	76,095	45.9
IVD	**4,259**	**5.6**	**84,607**	**57.9**	**106,093**	**64.0**
Consumer genetic testing LDT	71,948	94.4	61,634	42.1	59,650	36.0
LDT	**71,948**	**94.4**	**61,634**	**42.1**	**59,650**	**36.0**
Total	**76,207**	**100.0**	**146,241**	**100.0**	**165,742**	**100.0**

As of December 31, 2021, out of our 91 testing solutions, 80 of them were provided with self-developed LDT services and 11 of them were provided with IVD testing kits procured from independent third-party suppliers. During the Track Record Period, the overall increasing trend in the percentage of revenue from testing services provided with IVD products was mainly due to the rapid growth of our cancer screening services as well as the introduction of COVID-19-related testing services during the pandemic, which were both provided with outsourced IVD testing kits.

For the years ended December 31, 2019, 2020 and 2021, our revenue generated from the provision of LDT services with *in-vitro* diagnostic reagents that had the same type of reagents which obtained medical device registration certificates in China was RMB34.3 million, RMB24.2 million and RMB4.1 million, respectively. We discontinued the provision of such services since May 2021 to ensure compliance with new requirements under the 2021 Rules, which came into effect on June 1, 2021. As advised by our PRC Legal Advisor, according to the 2017 Rules, the Announcement of the 2021 Rules and Governmental Consultations with the BMHC and the NMPA, our provision of such services are compliant activities, and the relevant revenue generated from the provision of such services is compliant with all relevant laws and regulations during the Track Record Period and as of the Latest Practicable Date. We do not expect discontinuing the provision of such services to have any material adverse impact on our operational and financial performance, as the revenue from such services only represented approximately 1.7% of our total revenue for the year ended December 31, 2021.

Summary of Consolidated Statements of Financial Position

The following table sets forth selected items of our consolidated statements of financial position with major line items as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	**79,365**	**95,465**	**86,821**
Property, plant and equipment	54,705	46,945	41,245
Right-of-use assets	20,708	15,297	9,885
Financial assets at fair value through profit and loss	–	30,142	30,200
Total current assets	**184,380**	**358,108**	**685,362**
Trade receivables	108,125	130,234	203,630
Prepayments, other receivables and other assets	21,169	16,452	239,352
Cash and cash equivalents	52,646	208,450	239,096
Total assets	**263,745**	**453,573**	**772,183**

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total current liabilities	**53,069**	**262,365**	**69,791**
Trade payables	12,002	26,884	29,197
Other payables and accruals	23,797	19,444	27,243
Net current assets	**131,311**	**95,743**	**615,571**
Total non-current liabilities	**213,378**	**14,813**	**7,896**
Lease liabilities	17,530	11,663	5,346
Redemption liabilities on ordinary shares	189,444	–	–
Total liabilities	**266,447**	**277,178**	**77,687**
Total equity	**(2,702)**	**176,395**	**694,496**

We recorded net current assets position of RMB131.3 million, RMB95.7 million and RMB615.6 million as of December 31, 2019, 2020 and 2021. The decrease in our net current assets position in 2020 was primarily due to the recording of redemption liabilities on ordinary shares and interests as a current liability as of December 31, 2020 upon the termination of the redemption right in 2021, which offset increases in revenues and payments received from our operating activities. The increase in our net current assets position in 2021 was primarily due to the derecognition of redemption liabilities on ordinary shares, the prepayment of onshore shareholders in the onshore reorganization, as well as increases in revenues and trade receivables generated from our operating activities.

We recorded net liabilities of RMB2.7 million as of December 31, 2019, primarily because we recorded an accumulated loss of RMB68.6 million as of December 31, 2018, partially offset by (i) our retained profits of RMB29.7 million and (ii) the termination of the redemption rights for one of our Series A Investors valued at RMB26.2 million in 2019 in connection with a share transfer. Our total equity increased significantly from 2019 to 2020 and we recorded net assets of RMB176.4 million as of December 31, 2020, primarily attributable to a RMB100.0 million contribution from shareholders in connection with a capital increase agreement. Our net assets further increased to RMB694.5 million as of December 31, 2021, primarily due to the issue of shares and our termination of the redemption rights for the remaining Series A Investors in connection with the Contractual Arrangements. In addition, our strategic shift away from unprofitable and lower margin services for our consumer genetic testing services, expansion of our cancer screening services and effective cost control measures also contributed to our improved net asset level in 2020 and 2021. For a detailed discussion of the historical changes in certain key items in our consolidated statements of financial position, see the section headed "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position" of this Prospectus.

Summary Data from Consolidated Statements of Cash Flows

The following table sets out a selected summary of our consolidated cash flow statements for the years indicated:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities before movements in working capital	77,747	123,720	119,480
Changes in working capital	(37,393)	(8,135)	(78,500)
Interest received	35	344	269
Income tax paid	(3,117)	(13,093)	(10,620)
Net cash flow from operating activities	37,272	102,836	30,629
Net cash flow from/(used in) investing activities	17,668	(31,087)	(1,714)
Net cash flow from/(used in) financing activities	(20,279)	84,055	2,620
Net increase in cash and cash equivalents	34,661	155,804	31,535
Cash and cash equivalents at the beginning of the year	17,985	52,646	208,450
Effect of foreign exchange rate change, net	–	–	(889)
Cash and cash equivalents at the end of the year	**52,646**	**208,450**	**239,096**

For a detailed discussion of the historical changes in certain key items in our consolidated statements of cash flows, see the section headed "Financial Information – Liquidity and Capital Resources" of this Prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated.

	As of or for the year ended December 31,		
	2019	**2020**	**2021**
Gross profit margin[(1)]	63.4%	72.0%	70.3%
Net profit margin[(2)]	24.0%	38.9%	33.3%
Current ratio[(3)]	3.5	1.4	9.8

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year.

(2) Net profit margin equals profit for the year divided by revenue for the year.

(3) Current ratio equals current assets divided by current liabilities as of the end of the year. The decline in current ratio in 2020 was due to redemption liabilities on ordinary shares as a current liability as of December 31, 2020. The de-recognition of this item in 2021 contributed to the sharp increase in our current ratio as of December 31, 2021. See "Financial Information – Key Financial Ratios – Current ratio" for more information.

SUMMARY OF MATERIAL RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face are relating to: (i) Our revenues during the Track Record Period were primarily generated from genetic testing services, and any factor that may adversely impact our genetic testing services business may adversely impact our overall business operations and operating results; (ii) A significant portion of our revenue was generated from our related parties, who are related to us through Meinian OneHealth or Dr. Yu, during the Track Record Period and we expect a significant portion of our revenue to continue to be generated from these parties in the foreseeable future. We may not be able to resolve potential conflicts with such related parties on favorable terms for us; (iii) We may not be able to expand our business lines to offer innovative testing services and products, or develop and commercialize our new genetic testing services and products on a timely basis, or at all, which may harm our growth opportunities and prospects; (iv) Failure in testing and manufacturing quality control may adversely affect our operating result, reputation and business; (v) If we are not able to maintain, grow or diversify our customer base, or maintain or increase demand for our services and products, our business and prospects could be adversely affected; (vi) We may be adversely affected by the uncertainties and changes in the regulation of Laboratory Developed Tests ("LDTs") in the PRC, and any lack of requisite approvals, permits, registrations or filings in relation to our business may have a material adverse effect on our business, results of operations and prospects; (vii) Failure to attract and retain our senior executives and other key employees could adversely affect our business; (viii)

Our historical financial and operating results may not be indicative of our future performance; (ix) Our operations face competition that could adversely affect our results of operations; and (x) We, or our shareholders, Directors, senior management, employees, customers, suppliers or partners, may be involved in circumstances that may harm our reputation, or result in substantial cost or diversion of our resources.

RECENT DEVELOPMENT

Recent Update on LDTs Regulation

As of the Latest Practicable Date, we offer our genetic testing services through a combined approach with both self-developed LDT services and out-sourced IVD products. LDTs are developed and performed by independent laboratories to address unmet medical needs or to offer better treatment or prevention options to consumers and patients. As of the Latest Practicable Date, all LDT services we provided were based on identification of genetic variants of DNA and/or RNA, which were classified as genomic LDT services, as opposed to non-genomic LDT services, according to Frost & Sullivan.

On June 1, 2021, the Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》) (the "**2021 Rules**") became effective in China. Pursuant to Article 53 of such regulation, subject to more detailed administrative rules to be enacted by the NMPA and the NHC, qualified medical institutions may, based on clinical needs, research and develop *in vitro* diagnostics testing reagents if the same category of products are not available in the China market. They may also use such *in vitro* diagnostics testing reagents internally in accordance with a licensed physician's guidance. Our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor consulted with the NMPA and the BMHC regarding the legality of our LDT services. According to Article 53 of the 2021 Rules, drug regulatory agencies in conjunction with the appropriate healthcare departments are responsible for the adoption and implementation of specific administrative measures on LDT-related matters. Therefore, our PRC Legal Advisor advised us that the NMPA and the BMHC both have the authorities to confirm the legality of our LDT services. As advised by our PRC Legal Advisor, according to the Governmental Consultations with the NMPA, the Governmental Consultations with the BMHC and the above regulation, (i) Article 53 of the 2021 Rules confirms the legality of LDTs, (ii) the LDT services provided by us comply with Article 53 in principle, (iii) the risk of being penalized for providing LDT services is relatively low, although such risk cannot be completely ruled out due to uncertainties related to whether we fully complied with all of the detailed requirements under specific administrative measures that are still in the process of formulation, and (iv) we are entitled to continue to provide LDTs services without substantive obstacles. For details, please refer to "Business – Laboratory Developed Tests" and "Regulatory Overview – Regulation of LDTs."

Our consolidated net profit for the year ending December 31, 2022 may be lower than our consolidated net profit for the year ended December 31, 2021, as we expect to increase research and development expenditures to develop our IVD registration pipeline and address unmet needs for genetic testing in the PRC market. We also expect to incur higher selling and marketing expenses in 2022 to increase our promotional efforts as well as to prepare for the future commercialization of our pipeline products. For more information about the current development stage for each of our pipeline products, see "Business – Overview" in this Prospectus.

Impact of COVID-19 Pandemic

An outbreak of COVID-19 was first reported in December 2019 and rapidly spread around the world. According to Frost & Sullivan, the COVID-19 pandemic and related government policies to control the pandemic caused many health checkup centers in China to temporarily close during the first quarter of 2020 as a precautionary measure. Many of them reopened in the second quarter of 2020. In addition, consumers were reluctant to get health check-ups in the first half of 2020 to avoid exposure to the COVID-19 virus. As a result, many health checkup centers experienced a decrease in consumer traffic in 2020. Meinian OneHealth, whose market share by consumer traffic accounts for approximately 40% of the market for private health checkup centers in 2020, according to Frost & Sullivan, closed its health checkup centers in February 2020 and started to reopen them from the end of March 2020. The number of health examinations performed by Meinian OneHealth's health checkup centers decreased from 18.7 million in 2019 to 16.6 million in 2020, according to Meinian OneHealth's 2020 annual report.

During the COVID-19 pandemic, our laboratory in Beijing was not closed, as we were not a labor-intensive enterprise. Although we were not required to shut down our operations completely, the local government in Beijing restricted the number of on-site employees and required workspace distancing from February to April 2020. We resumed normal and full operations since May 2020. During the COVID-19 pandemic, our delivery of testing services and raw materials did not experience any significant delay. However, most of our institutional customers are health checkup centers, the COVID-19 pandemic had a significant and adverse impact on the number of genetic testing services that we performed through our institutional customers, especially in the first half of 2020.

Despite the general impact of the COVID-19 pandemic mentioned above, as of the Latest Practicable Date, the COVID-19 pandemic has had a positive impact on our operational and financial performance, as we introduced COVID-19-related testing services and acquired relevant qualifications for such testing services. As of the Latest Practicable Date, the total number of COVID-19-related testing services we completed was approximately 3.4 million, including approximately 588,000 tests in 2020 and 952,000 tests in 2021. Our revenue generated from COVID-19-related testing services was RMB73.9 million and RMB41.5 million in 2020 and 2021, respectively, which partially compensated for the decrease in revenue from other types of consumer genetic testing services. Our total revenue increased by 64.3% from RMB123.7 million in 2019 to RMB203.2 million in 2020, and our gross profit increased by 86.4% from RMB78.5 million in 2019 to RMB146.2 million in 2020. In

particular, revenue from cancer screening services increased significantly by 504.1% from RMB6.9 million in 2019 to RMB41.5 million in 2020, mainly due to our increased market education efforts and growing market acceptance as well as demand for cancer screening services. We provided approximately 21,000 cancer screening services in 2019 and approximately 106,000 cancer screening services in 2020, and we have provided approximately 312,000 cancer screening services in 2021. As the COVID-19 pandemic became substantially controlled in China over the second half of 2020 and in 2021, our operations have gradually recovered.

To prevent any spread of COVID-19 in our offices and laboratory, we have adopted a thorough disease prevention scheme to protect our employees from contracting COVID-19. The measures we have implemented include, among others, regularly sterilizing and ventilating our offices, checking the body temperatures of our employees, keeping track of the travel history and health conditions of employees and their immediate family members, providing face masks to employees attending the office, minimizing in-person meetings to the extent possible and requesting employees to wear masks at all times during working.

Starting from March 2022, China experienced a new round of regional outbreaks of COVID-19 variants. The new round of regional outbreaks has had the following impact on our business:

- *COVID-19-related testing services*. The PRC government continued to reduce the price of COVID-19 nucleic acid tests since 2021 and increased the use of pooled sample collection as an alternative to single sample collection. The average unit price for our COVID-19-related testing services decreased from RMB60 per person for the first four months of 2021 to RMB15 per person for the first four months of 2022. During the four months from January 2022 to April 2022, we provided COVID-19-related testing services to 573,400 persons, which represented an increase of 39.3% compared to the same period in 2021. During the four months from January 2022 to April 2022, our revenue from COVID-19-related testing services decreased by 64.6% compared to the same period in 2021, mainly due to the decrease in the average unit price of COVID-19 nucleic acid tests.

- *Non-COVID-19-related testing services*. The new round of COVID-19 outbreaks has affected certain regions across China, such as Shanghai, Guangdong, Liaoning, Shandong and Beijing. Health checkup centers and other healthcare institutions in these regions experienced different closure periods that ranged from prolonged closures to temporary closures to shortening of business hours. For example, the operations of our 39 institutional customers in Shanghai were significantly interrupted for prolonged periods of time. However, the business growth in our non-COVID-19-related testing services offset the negative impact of the COVID-19 pandemic. In particular, our revenue from non-COVID-19-related testing services increased by 10.2% in the first four months of 2022 compared to the same period in 2021, and such increase was mainly attributable to the rapid growth of our cancer screening services, which increased by 41% in terms of the number of tests performed in the first four months of 2022 compared to the same period in 2021.

When the new round of COVID-19 outbreaks in China become under control and our institutional customers resumed normal operations, we expect our genetic testing business to rebound. In addition, as we do not strategically focus on the provision of COVID-19-related testing services, we expect the decrease in revenue from such services in 2022 and potentially onwards would not have a material adverse impact on our overall financial performance going forward. However, the COVID-19 pandemic remains an evolving situation, and there remain significant uncertainties as to the future development of the COVID-19 pandemic that are beyond our control. If the COVID-19 pandemic in China further escalates, it could negatively affect our institutional customers' ability to maintain normal operations for an extended period of time, which may have a material adverse effect on our results of operations and financial performance. We closely monitor the development of the COVID-19 pandemic and actively take measures to mitigate potential negative impacts on our business. For example, we have been increasing our efforts to expand our business in regions that are less affected by the COVID-19 pandemic, which can help maintain overall consumer traffic.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the end of the period reported on the Accountants' Report included in Appendix I to this Prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued and/or sold pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

DIVIDENDS

No dividend has been paid or declared by the Company and its subsidiaries during the years ended December 31, 2019, 2020 and 2021 and as of the Latest Practicable Date. Our Board has decided to retain all earnings as of December 31, 2021 for use in the operations and expansion of our business. The proposal of payment and the amount of our dividends in the future will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any final dividend distribution will also be subject to the approval of our Shareholders in a Shareholders' meeting.

LISTING EXPENSES

Listing expenses for the Global Offering are estimated to be approximately RMB40.8 million (including underwriting commission, assuming an Offer Price of HK$20.0 per Share, being the mid-point of the indicative Offer Price range of HK$18.0 to HK$22.0 per Share), which represents approximately 20.5% of the gross proceeds we expect to receive from this Global Offering assuming no additional Shares are issued pursuant to the Over-allotment Option. These listing expenses are mainly comprised of underwriting commissions of approximately HK$9.6 million (RMB7.9 million), and non-underwriting related expenses of approximately HK$39.5 million (RMB32.9 million), which are comprised of (i) accountant and legal adviser fees and expenses of approximately HK$28.3 million (RMB23.6 million) and (ii) printing and other fees and expenses of approximately HK$11.2 million (RMB9.3 million). Nil of the listing expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2019 and 2020, and RMB20.2 million was recognized and charged to our consolidated statements of profit or loss for the year ended December 31, 2021 and deferred listing expenses were RMB1.0 million. After December 31, 2021, approximately RMB11.2 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB8.4 million is expected to be charged against equity upon the Listing. The listings expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

STATISTICS OF THE GLOBAL OFFERING

All statistics in the following table are based on the assumptions that the Global Offering has been completed and 11,961,800 Shares are issued pursuant to the Global Offering.

	Based on the Offer Price of HK$18.0	**Based on the Offer Price of HK$22.0**
Market capitalization of our Shares[(1)]	HK$4.3 billion	HK$5.3 billion
Unaudited pro forma adjusted net tangible assets per Share[(2)(3)]	HK$4.29	HK$4.48

Notes:

(1) The calculation of market capitalization is based on 239,233,800 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 239,233,800 Shares were in issue assuming that the Global Offering had been completed and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company have not taken into account the onshore entities' capital reduction of RMB229,640,000. Had the onshore entities' capital reduction taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would be HK$3.13 per Share (based on the Offer Price of HK$18.0 per Share) or HK$3.33 per Share (based on the Offer Price of HK$22.0 per Share).

USE OF PROCEEDS

We estimate that we will receive aggregate net proceeds of approximately HK$190.1 million from the Global Offering after deducting the underwriting fees and estimated expenses in connection with the Global Offering payable by us, assuming no Over-allotment is exercised and assuming an Offer Price of HK$20.0 per Share, being the mid-point of the indicative Offer Price range of HK$18.0 to HK$22.0 per Share in this Prospectus.

We currently intend to use the net proceeds from the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

(i) *Sales and Marketing.* Approximately 30% of the net proceeds from the Global Offering, or HK$57.0 million, will be allocated to the sales, marketing and commercialization of our consumer genetic testing and cancer screening services and products.

(ii) *Research and Development.* Approximately 25% of the net proceeds from the Global Offering, or HK$47.5 million, will be invested in research and development of our services and products.

(iii) *Testing Capability and Capacity.* Approximately 20% of the net proceeds from the Global Offering, or HK$38.0 million, will be allocated to increasing or expanding our testing capability and capacity.

(iv) *Investment and Acquisitions.* Approximately 15% of the net proceeds from the Global Offering, or HK$28.5 million, will be allocated to fund our expansion across the industry value chain by investing into or acquiring attractive technology or testing related companies that are complementary and synergistic with our existing businesses.

(v) *Working Capital and Other Purposes.* Approximately 10% of the net proceeds from the Global Offering, or HK$19.0 million, of the net proceeds from the Global Offering is expected to be used for working capital and other general corporate purposes.

For further details, please see "Future Plans and Use of Proceeds".

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"Articles of Association" or "Articles"	the second amended and restated articles of association of our Company adopted on May 27, 2022, which will become effective upon Listing, as amended from time to time, a summary of which is set out in "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law" to this Prospectus, as amended, supplemented or modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Mega Lab"	Beijing Mega Medical Test Laboratory Co., Ltd. (北京美因醫學檢驗實驗室有限公司) (formerly known as Beijing Mega Inspection Institution Co., Ltd. (北京美因醫學檢驗所有限公司)), a limited liability company incorporated in the PRC on February 22, 2016, a wholly-owned subsidiary of Mega Genomics Beijing
"Beijing Shiji"	Beijing Shiji Yuneng Technology Co., Ltd. (北京世紀宇能科技有限公司), one of the Registered Shareholders
"Beijing Yinwei"	Beijing Yinwei Technology Center (LP) (北京因衛科技中心(有限合夥)), one of the Registered Shareholders
"BMHC"	the Beijing Municipal Health Commission (北京市衛生健康委員會)
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	Compound Annual Growth Rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局) of the PRC
"Chairperson"	the chairperson of our Board

"China," "mainland China," "PRC" or "State"	People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires otherwise, references in this Prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"Class I medical device"	the medical device with low risk level, the safety and effectiveness of which can be ensured through routine administration
"Class II medical device"	the medical device with medium risk level, the safety and effectiveness of which can be ensured through strict control and administration
"Class III medical device"	the medical device with high risk level, the safety and effectiveness of which can be ensured through strict control and administration with special measures
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Act"	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Mega Genomics Limited (美因基因有限公司*), an exempted company with limited liability incorporated in the Cayman Islands on April 22, 2021
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules

* *For identification purpose only*

"Contractual Arrangements"	the series of contractual arrangements entered into between, among others, Mega Genomics WFOE, the PRC Consolidated Entities and the Registered Shareholders, as detailed in the section headed "Contractual Arrangements" in this Prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Yu, Ms. Guo, Meinian OneHealth, YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership, Infinite Galaxy Health Limited and Mei Nian Investment Limited, and a Controlling Shareholder shall mean each or anyone of them. See the section headed "Relationship with Our Controlling Shareholders" in this Prospectus
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition"	the deed of non-compete undertakings dated May 30, 2022 entered into by Dr. Yu with and in favor of our Company (for ourselves and as trustee for our subsidiaries and consolidated affiliated entities from time to time), particulars of which are set out in "Relationship with our Controlling Shareholders – Non-competition Undertakings"
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Dr. Yu"	Dr. Yu Rong (俞熔), one of the founders of the Group, our executive Director and honorary co-chairperson of our Company, one of our Controlling Shareholders
"Entities Registered Shareholders"	including Meinian OneHealth, Beijing Shiji, Qingdao Damei, Zhuhai Zhongwei, Tibet Tengyun, Maccura Biotechnology, Xiamen Fanding Jiayin, Ganzhou Zhangxin, Suzhou Ruihua, Qingdao Huichuang and Shanghai Yifangda
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"FICMIS"	Foreign Investment Comprehensive Management Information System
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Prospectus
"Ganzhou Zhangxin"	Ganzhou Zhangxin Investment Center (LP) (贛州璋信投資中心(有限合夥)), one of the Registered Shareholders
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group, "our", "we" or "us"	our Company, its subsidiaries and PRC Consolidated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and PRC Consolidated Entities, such subsidiaries and PRC Consolidated Entities as if they were subsidiaries and PRC Consolidated Entities of our Company at the relevant time
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted through the IPO App or the designated website at www.hkeipo.hk
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the IPO App and on the designated website at www.hkeipo.hk
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 1,196,200 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions of this Prospectus and the Green Application Form(s), as further described in "Structure of the Global Offering"
"Hong Kong Share Register"	the register of members of our Shares maintained by the Hong Kong Share Registrar
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 9, 2022 relating to the Hong Kong Public Offering entered into by our Company, Dr. Yu, Meinian OneHealth, Ms. Guo, Lin Lin, Huang Yufeng, China Securities (International) Corporate Finance Company Limited, and the Hong Kong Underwriters

"Independent Third Party(ies)"	person(s) or company(ies) who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons
"Individual Registered Shareholders"	the ultimate beneficial owners of Platform Registered Shareholders, including the registered shareholders of Tianjin Hongyin, namely Lin Lin, Xu Ke, Sun Tong, Li Bin, Huang Yufeng, Yin Jianchun, He Shun, Xiong Fangjun, Li Yangkun, Guo Zhang, Xia Hongli, Wang Lianwu, Xiao Zhe, Yang Yue, Liu Zheng, Zhang Shengjiang, Zhang Ruigang, Wang Yanli, Xu Tianfu, Feng Lei, Zhai Yong, Li Yan, Wu Yanchen, Wang Kai, Yao Ling, Wang Honglin, Zhang Bin, Liu Yang, An Xia, and the registered shareholders of Tianjin Meihong, namely Zhang Ning, Shi Lin, Huang Wei, Wang Chunfei, Yu Jiye, Le Yang, Li Ruolin, Zhang Qiang, Zhou Baofu, Zhang Li, Jiang Jing, Bian Guofu, Wang Xiaona, Zhang Haiping, Ren Xiumei, Yi Xiang, Li Xindong, Li Cong and Liu Xiaofeng, and the registered shareholders of Tianjin Meizhiyin, namely Du Jun, Qu Weiwei, Wu Yanwei, Pan Wanbing, Huang Yufeng, Zhang Ziqi, Wang Yi, Jiang Jing, Qi Lulu, Yang Xiuli, Li Yan, Ren Xiumei, An Xia, Yi Xiang, Li Cong, and the ultimate beneficial owner of Beijing Yinwei, that is, Dr. Yu
"International Offer Shares"	the 10,765,600 Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, the Sole Representative and the International Underwriters on or about the Price Determination Date
"IPO App"	the mobile application for the HK eIPO White Form service which can be downloaded by searching "IPO App" in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
"Joint Bookrunners"	China Securities (International) Corporate Finance Company Limited, China Merchants Securities (HK) Co., Limited, Zhongtai International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited and Guotai Junan Securities (Hong Kong) Limited
"Joint Global Coordinators"	China Securities (International) Corporate Finance Company Limited, China Merchants Securities (HK) Co., Limited and Zhongtai International Securities Limited
"Joint Lead Managers"	China Securities (International) Corporate Finance Company Limited, China Merchants Securities (HK) Co., Limited, Zhongtai International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited, Livermore Holdings Limited and Guotai Junan Securities (Hong Kong) Limited
"KOL(s)"	key opinion leaders, being physicians with influence on their peers' medical practice, such as prescribing behavior, surgical procedures preference and residency training focus
"Latest Practicable Date"	June 1, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or about June 22, 2022, on which dealings in our Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
"Maccura Biotechnology"	Maccura Biotechnology Co., Ltd. (邁克生物股份有限公司), one of the Registered Shareholders
"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. For the avoidance of doubt, the Main Board excludes 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 incorporated in the PRC on January 5, 2016 and one of our PRC Consolidated Entities
"Mega Genomics HK"	Mega Genomics Health HongKong Limited, a limited liability company incorporated in Hong Kong on April 30, 2021, a wholly-owned subsidiary of our Company
"Mega Genomics WFOE"	Mega (Tianjin) Investment Co., Ltd. (美因(天津)投資有限公司), a limited liability company incorporated in the PRC on May 24, 2021 and a wholly-owned subsidiary of our Company

"Meinian OneHealth"	Meinian OneHealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司), a limited liability company incorporated in the PRC on January 22, 1991, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044), one of our Controlling Shareholders
"Memorandum" or "Memorandum of Association"	the second amended and restated memorandum of association of our Company, adopted on May 27, 2022, which will become effective upon Listing, a summary of which is set out in "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law" to this Prospectus, as amended, supplemented or modified from time to time
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Guo"	Ms. Guo Meiling (郭美玲), our non-executive Director and honorary co-chairperson of our Company, one of our Controlling Shareholders
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHFPC"	National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會)
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Offer Date"	the date of the letter by which an Option is offered to an employee or officer of our Company or any subsidiary including (without limitation) any executive or non-executive director in the employment of or holding office in our Company or any our subsidiary

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) of not more than HK$22.00 and expected to be not less than HK$18.00, such price to be agreed upon by our Company and the Sole Representative (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by us to and exercisable by the Sole Representative, pursuant to which we may be required to allot and issue up to an aggregate of 1,794,200 additional Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering – Over-allotment Option" in this Prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Platform Registered Shareholders"	including Tianjin Hongyin, Tianjin Meihong, Tianjin Meizhiyin and Beijing Yinwei
"PRC Consolidated Entity(ies)"	the entities we control through the Contractual Arrangements, namely Mega Genomics Beijing and its subsidiaries, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
"PRC Legal Advisor"	King & Wood Mallesons
"Pre-IPO Investment(s)"	the Pre-IPO investment(s) in our Group undertaken by the Pre-IPO Investors including the series A financing, the series B financing and various equity transfers, details of which are set out in the section headed "History, Reorganization and Group Structure – Pre-IPO Investments" in this Prospectus

"Pre-IPO Investor(s)"	the investors of the Pre-IPO Investments which are set out in the section headed "History, Reorganization and Group Structure – Pre-IPO Investments" in this Prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about June 15, 2022 (Hong Kong time) and, in any event, not later than June 16, 2022 (Hong Kong time), on which the Offer Price is to be fixed by agreement between us and the Sole Representative (on behalf of the Underwriters)
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"Qingdao Damei"	Qingdao Damei Xinhe Health Technology Partnership (LP) (青島大美鑫河健康科技合夥企業(有限合夥)), one of the Registered Shareholders
"Qingdao Huichuang"	Qingdao Huichuang Qihang Equity Investment Partnership (LP) (青島匯創啟航股權投資合夥企業(有限合夥)), one of the Registered Shareholders
"Registered Shareholders"	the 24 direct shareholders of Mega Genomics Beijing who have entered into the Contractual Arrangements, including Meinian OneHealth, Tianjin Hongyin, Ms. Guo, Tianjin Meihong, Beijing Yinwei, Beijing Shiji, Qingdao Damei, Zhuhai Zhongwei, Tibet Tengyun, Maccura Biotechnology, Xiamen Fanding Jiayin, Ganzhou Zhangxin, Suzhou Ruihua, Tianjin Meizhiyin, Qingdao Huichuang, Zhang Yajun (張雅軍), Deng Zhenguo (鄧振國), Liu Yi (劉伊), Hu Jianping (胡劍萍), Shanghai Yifangda, Si Yali (司亞麗), Gong Yudong (宮玉棟), Song Xinbo (宋新波) and Zhou Quan (周全)
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	the lawful currency of the PRC

"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed "History, Reorganization and Group Structure"
"RSU(s)"	restricted share unit(s) awarded to a participant under the RSU Scheme
"RSU Nominee"	Mega Marvelous Limited, a company incorporated in the BVI on December 7, 2021, a wholly-owned subsidiary of KASTLE LIMITED, an independent trustee appointed under the terms of the RSU Scheme which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
"RSU Scheme"	the restricted share unit scheme approved and adopted by our Board on November 19, 2021, the principal terms of which are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix IV to this Prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Yifangda"	Shanghai Yifangda New Hope Equity Investment Fund (LP) (上海易方達新希望股權投資基金(有限合夥)), one of the Registered Shareholders
"Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.0001 each

"Shareholder(s)"	holder(s) of our Share(s)
"Sole Representative"	China Securities (International) Corporate Finance Company Limited
"Sponsor" or "Sole Sponsor"	China Securities (International) Corporate Finance Company Limited
"STA"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Stabilizing Manager"	China Securities (International) Corporate Finance Company Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Ruihua"	Suzhou Ruihua Investment Partnership (LP) (蘇州瑞華投資合夥企業(有限合夥)), one of the Registered Shareholders
"Tianjin Hongyin"	Tianjin Hongyin Technology Center (LP) (天津宏因科技中心(有限合夥)), one of the Registered Shareholders
"Tianjin Meihong"	Tianjin Meihong Technology Center (LP) (天津美宏科技中心(有限合夥), one of the Registered Shareholders
"Tianjin Meizhiyin"	Tianjin Meizhiyin Technology Center (LP) (天津美之因科技中心(有限合夥)), one of the Registered Shareholders
"Tibet Tengyun"	Tibet Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司), one of the Registered Shareholders
"Track Record Period"	the financial years ended December 31, 2019, 2020 and 2021
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United State dollars, the lawful currency for the time being of the United States
"VAT"	value-added tax; all amounts are exclusive of VAT in this Prospectus except where indicated otherwise
"Xiamen Fanding Jiayin"	Xiamen Fanding Jiayin Equity Investment Partnership (LP) (廈門泛鼎佳因股權投資合夥企業(有限合夥)), one of the Registered Shareholders
"Zhuhai Zhongwei"	Zhuhai Zhongwei Yijian Equity Investment Fund (LP) (珠海中衛易健股權投資基金(有限合夥)), one of the Registered Shareholders

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

This glossary contains definitions of certain terms used in this Prospectus in connection with our Company and our business.

These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"abdominal aortic aneurysm"	an enlarged area in the lower part of the major vessel that supplies blood to the body (aorta)
"ACMG"	American College of Medical Genetics
"AD"	Alzheimer's disease, a progressive neurologic disorder that causes the brain to shrink (atrophy) and brain cells to die
"allele"	each of two or more alternative forms of a gene that arise by mutation and are found at the same place on a chromosome
"antibody"	also known as an immunoglobulin (Ig), glycoprotein molecule produced by plasma cells (white blood cells)
"ApoE gene"	apolipoprotein E gene, a gene that provides instructions for making a protein called apolipoprotein E. This protein combines with fats (lipids) in the body to form molecules called lipoproteins. Lipoproteins are responsible for packaging cholesterol and other fats and carrying them through the bloodstream
"apolipoproteins"	proteins that bind lipids to form lipoproteins
"apoptosis"	a form of programmed cell death that occurs in multicellular organisms
"assay"	an investigative or analytic procedure in laboratory medicine and molecular biology for qualitatively assessing or quantitatively measuring the presence, amount, or functional activity of a target entity (the analyte)

"bioinformatics"	a subdiscipline of biology and computer science concerned with the acquisition, storage, analysis, and dissemination of biological data, most often DNA and amino acid sequences
"biopsy"	a procedure to remove a piece of tissue or a sample of cells from the body so that it can be analyzed in a laboratory
"bladder cancer"	any of several types of cancer arising from the tissues of the urinary bladder
"BRCA1/BRCA2 gene"	gene that provides instructions for making a protein that acts as a tumor suppressor and has been found to impact a person's chances of developing breast and ovarian cancer
"breast cancer"	cancer that forms in tissues of the breast
"cardiovascular disease"	a class of diseases that involve the heart or blood vessels.
"CDMO"	contract development manufacture organization, a company that serves other companies in the medical industry on a contract basis to provide comprehensive services from drug and medical device development through drug and medical device manufacturing
"cerebral aneurysm"	a weak or thin spot on an artery in the brain that balloons or bulges out and fills with blood
"cervical cancer"	a type of cancer that occurs in the cells of the cervix, the lower part of the uterus that connects to the vagina
"cfDNA"	cell-free DNA, various forms of non-encapsulated DNA freely circulating in the bloodstream outside the cell nucleus, including DNA fragments released into the blood plasma of circulating tumor DNA
"chronic disease"	conditions that last 1 year or more and require ongoing medical attention or limit activities of daily living or both
"chronic granulocytic leukemia"	a disease in which the bone marrow makes too many white blood cells

"chronic obstructive pulmonary disease"	COPD, a chronic inflammatory lung disease that causes obstructed airflow from the lungs
"CNV"	copy number variations, genomic alterations that result in an abnormal number of copies of one or more genes
"colonoscopy"	a scope with a video camera used for examination and inspection of the entire colon
"colorectal cancer"	the development of cancer from the colon or rectum
"coronary heart disease"	a disease in which there is a narrowing or blockage of the coronary arteries
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CRO"	contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"Crohn's disease"	a lifelong condition where parts of the digestive system become inflamed. It's one type of a condition called inflammatory bowel disease (IBD)
"CT"	computed tomography, a computerized x-ray imaging procedure in which a narrow beam of x-rays is aimed at a patient and quickly rotated around the body, producing signals that are processed by the machine's computer to generate cross-sectional images of the body
"ctDNA"	circulating tumor DNA, tumor-derived fragmented DNA in the bloodstream that is not associated with cells
"CYP2C19"	Cytochrome P450 2C19, an enzyme protein. CYP2C19 enzyme plays a role in the processing or metabolizing of at least 10 percent of commonly prescribed drugs, including clopidogrel (also known as Plavix)
"diastolic heart failure"	symptoms of heart failure in a patient with preserved left ventricular function

"digital breast tomosynthesis"	a new type of digital x-ray mammogram which creates 2D and 3D-like pictures of the breasts
"distant stage"	the stage that cancer has spread to distant parts of the body
"DNA"	deoxyribonucleic acid, organic chemical of complex molecular structure that is found in all prokaryotic and eukaryotic cells and in many viruses. DNA codes genetic information for the transmission of inherited traits
"duodenal ulcer"	a peptic ulcer that develops in the first part of the small intestine (duodenum). An esophageal ulcer occurs in the lower part of esophagus
"EDTA"	ethylenediaminetetraacetic acid, a kind of chemical reagent which is used to prevent blood clot formation
"endometrial cancer"	a disease in which malignant (cancer) cells form in the tissues of the endometrium
"endoscopy"	a procedure in which a doctor uses an endoscope, a flexible tube with a camera – to observe an internal organ or tissue in detail
"endpoint fluorescent PCR"	a method for analyzing the DNA amplification product with fluorochemicals after all cycles of PCR are completed
"enzyme"	a substance that acts as a catalyst in living organisms, regulating the rate at which chemical reactions proceed without itself being altered in the process
"epigenome"	It consists of records of the chemical changes to the DNA and histone proteins of an organism; these changes can be passed down to an organism's offspring via transgenerational stranded epigenetic inheritance
"esophageal cancer"	a disease in which malignant (cancer) cells form in the tissues of the esophagus
"exon"	nucleotide sequences in DNA and RNA that are conserved in the creation of mature RNA

"folate"	also known as folic acid, a water-soluble vitamin that participates the synthesis and metabolism of DNA and plays an important role in cell division and growth and the synthesis of nucleic acids, amino acids and proteins
"free radical"	a type of unstable atom or molecule that is made during normal cell metabolism, capable of engaging in rapid chain reaction that destabilize other molecules and generate many more free radicals
"gallbladder cancer"	the development of cancer from gallbladder
"gastric cancer"	also known as stomach cancer, a cancer that forms in tissues lining the stomach
"gastric ulcer"	A hole in the lining of the stomach corroded by the acidic digestive juices which are secreted by the stomach cells
"gastrointestinal disease"	a class of diseases involving the gastrointestinal tract, namely the oesophagus, stomach, small intestine, large intestine and rectum, and the accessory organs of digestion, the liver, gallbladder, and pancreas
"gastroscopy"	also known as upper endoscopy, a scope with a video camera used for examination and inspection of the upper digestive tract
"gene *loci*"	the physical site or location of a specific gene on a chromosome
"genetic predisposition"	increased likelihood or chance of developing a particular disease due to the presence of one or more gene mutations and/or a family history that indicates an increased risk of the disease
"genome"	all genetic material of an organism, includes both the genes (the coding regions) and the noncoding DNA, as well as mitochondrial DNA and chloroplast DNA
"genotype"	an individual's collection of genes
"glioma"	a type of tumor that starts in the glial cells of the brain

"GMP"	good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of food and beverages, cosmetics, pharmaceutical products, dietary supplements, and medical devices
"gout"	a form of inflammatory arthritis characterized by recurrent attacks of a red, tender, hot, and swollen joint
"hemorrhagic stroke"	a type of stroke that occurs when a blood vessel in the brain or on the surface of the brain leaks or breaks open, causing bleeding in or around the brain
"HLA"	human leukocyte antigen, a group of related proteins that are encoded by the major histocompatibility complex (MHC) gene complex in humans
"HLA-B27"	human leukocyte antigen B27, a blood test to look for a protein that is found on the surface of white blood cells
"homocysteine"	an amino acid produced when proteins are broken down
"HPV"	human papillomavirus, a type of virus that can cause abnormal tissue growth (for example, warts) and other changes to cells. HPV infection can cause cervical cancer, anal cancer, oral cancer, oropharyngeal cancer, and other cancers
"hyperhomocysteinemia"	the condition where there is greater than 15 micromol/L of homocysteine in the blood
"H-type hypertension"	hypertension combined with high homocysteine, the two synergistically increase the risk of cardiovascular events
"idiopathic pulmonary fibrosis"	IPF, a chronic, progressive lung disease. This condition causes scar tissue (fibrosis) to build up in the lungs, which makes the lungs unable to transport oxygen into the bloodstream effectively
"incidence"	the number of new cases occurring in a specified population per year

"intron"	a polynucleotide sequence in a nucleic acid that does not code information for protein synthesis and is removed before translation of messenger RNA
"irritable bowel syndrome"	a functional gastrointestinal disorder characterized by a group of symptoms accompanied together that include abdominal pain and changes in the consistency of bowel movements
"ischemic stroke"	a type of stroke and happens when blood flow through the artery that supplies oxygen-rich blood to the brain becomes blocked
"IVD"	in vitro diagnostics
"IVD product"	in vitro diagnostic products, the reagents, instruments, and systems intended for use in diagnosis of disease or other conditions, including a determination of the state of health, in order to cure, mitigate, treat, or prevent disease or its sequelae
"kidney cancer"	the development of cancer from kidney
"LDT"	laboratory developed tests, a type of in vitro diagnostic test that is designed, manufactured and used within a single laboratory
"LIMS"	laboratory Information Management System, a software that can effectively automate workflows, integrate instruments, and manage samples and associated information
"liver cancer"	the development of cancer from the liver
"localized stage"	the stage that cancer is limited to the place where it started, with no sign that it has spread
"low-dose spiral CT"	a kind of computed tomography scan continuously rotates in a spiral motion and gives off a very low dose of radiation to make a series of detailed pictures of areas inside the body
"lung cancer"	the development of cancer from lung

"melanoma"	a form of skin cancer that begins in the cells (melanocytes) that control the pigment in skin
"meningioma"	a tumor that arises from the meninges which is the membranes that surround our brain and spinal cord
"metagenome"	the recovery and complete sequencing of genetic material extracted directly from all environmental samples
"metagenomic sequencing"	sequencing and analysis of DNA from metagenome
"methylation"	process by which the cell regulates gene expression by locking a gene in the "off" position
"miRNA"	microRNA, a small single-stranded non-coding RNA molecule (containing about 22 nucleotides) found in plants, animals and some viruses, that functions in RNA silencing and post-transcriptional regulation of gene expression
"molecular diagnostics"	a diagnostic technique that applies molecular biology methods to detect changes in the structure or expression level of genetic material in patients and makes a diagnosis
"mortality rate"	a measure of the number of deaths in a particular population, scaled to the size of that population, per unit of time
"MTHFR gene"	methylenetetrahydrofolate reductase gene, gene that provides instructions for making methylenetetrahydrofolate reductase. The MTHFR gene mutation inhibits the way the body processes folic acid and other important B vitamins
"multiplex PCR"	PCR reactions that amplify multiple nucleic acid fragments simultaneously by adding more than two pairs of primers to the same PCR reaction system, sharing the same reaction principle, reagents and procedure with general PCR
"mutations"	a mutation is an alteration in the nucleotide sequence of the genome of an organism

"myocardial infarction"	the medical name for a heart attack. A heart attack is a life-threatening condition that occurs when blood flow to the heart muscle is abruptly cut off, causing tissue damage
"nasopharyngeal cancer"	a disease in which malignant (cancer) cells form in the tissues of the nasopharynx
"nucleic acid testing"	nucleic acid testing, a technique used to detect a particular nucleic acid sequence and thus usually to detect and identify a particular species or subspecies of organism, often a virus or bacteria that acts as a pathogen in blood, tissue, urine, etc.
"NGS"	next-generation sequencing, a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena
"non-Hodgkin's lymphoma"	a type of cancer that begins in lymphatic system, which is part of the body's germ-fighting immune system. In non-Hodgkin's lymphoma, white blood cells called lymphocytes grow abnormally and can form growths (tumors) throughout the body
"nucleic acid"	biopolymers, or large biomolecules, essential to all known forms of life. Two main classes are deoxyribonucleic acid (DNA) and ribonucleic acid (RNA)
"oral cancer"	the development of cancer from mouth
"P53"	also known as tumor protein P53, a protein that acts as a tumor suppressor, which means that it regulates cell division by keeping cells from growing and dividing too fast or in an uncontrolled way
"Parkinson's disease"	a degenerative nervous system disorder that leads to shaking, stiffness, and difficulty with walking, balance, and coordination
"pancreatic cancer"	cancer that forms in the cells of the pancreas

"pathology"	a branch of medical science primarily concerning the cause, origin and nature of disease. It involves the examination of tissues, organs, bodily fluids and autopsies in order to study and diagnose disease
"PCR"	polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample, allowing scientists to take a very small sample of DNA and amplify it to a large enough amount to study in detail
"penetration rate"	the size of the population using certain product or service expressed as percentage of the total target population eligible for such product or service
"peripheral blood"	blood circulating throughout the body
"pharmacogenomics"	the study of how genes affect a person's response to drugs
"phenotype"	the set of observable characteristics or traits of an organism, such as height, eye color, and blood type for an individual
"plasma"	the liquid part of the blood that carries the blood cells
"polymorphism"	the occurrence of two or more clearly different morphs or forms
"precancerous stage"	a condition or lesion involving abnormal cells which are associated with an increased risk of developing into cancer
"prevalence"	the number of disease cases present in a particular population at a given time
"primer"	a short nucleic acid sequence that provides a starting point for DNA synthesis
"probe"	a single-stranded sequence of DNA or RNA used to search for its complementary sequence in a sample genome
"prostate cancer"	the development of cancer from the prostate

"psoriasis"	a skin disease that causes red, itchy scaly patches, most commonly on the knees, elbows, trunk and scalp
"qPCR"	real-time quantitative polymerase chain reaction, a method for measuring the total amount of product after each polymerase chain reaction cycle with fluorochemicals in a DNA amplification reaction
"qRT-PCR"	quantitative reverse transcription polymerase chain reaction, a laboratory technique combining reverse transcription of RNA into DNA (in this context called complementary DNA or cDNA) and amplification of specific DNA targets using qPCR
"R&D"	research and development
"reagent"	chemical, biological or immunological components, solutions or preparations intended to be used as IVD medical devices
"RNA"	ribonucleic acid, complex compound of high molecular weight that functions in cellular protein synthesis and replaces DNA as a carrier of genetic codes in some viruses
"RNF180"	Ring finger protein 180, an E3 ubiquitin-protein ligase which promotes polyubiquitination and degradation
"Sanger sequencing"	a method of DNA sequencing based on the selective incorporation of chain-terminating dideoxynucleotides by DNA polymerase during in vitro DNA replication
"SDC2"	Syndecan-2, the protein that functions as an integral membrane protein and participates in cell proliferation, cell migration and cell-matrix interactions via its receptor for extracellular matrix proteins
"sensitivity"	the ability of a test to correctly identify those with the disease (true positive rate)
"Septin9 gene"	a gene that provides instructions for making Septin9 protein, a cell cycle-related protein and indispensable for coordinating myosin motor proteins during cytokinesis

"sequencing"	a method of determining the nucleic acid sequences in DNA
"specificity"	the ability of the test to correctly identify those without the disease (true negative rate)
"sq.m."	square meter, a unit of area
"survival rate"	the percentage of people in a study or treatment group still alive for a given period of time after diagnosis
"TaqMan probe"	oligonucleotide that is designed to increase the specificity of quantitative PCR
"thyroid cancer"	cancer that forms in the thyroid gland (an organ at the base of the throat that makes hormones that help control heart rate, blood pressure, body temperature, and weight)
"transcriptome"	the set of all RNA transcripts, including coding and non-coding, in an individual or a population of cells
"tumor marker"	a biomarker found in blood, urine, or body tissues that can be elevated by the presence of one or more types of cancer
"ulcerative colitis"	a long-term condition where the colon and rectum become inflamed
"WES"	whole exome sequencing, a genomic technique for sequencing all of the protein-coding regions of genes in a genome
"WGS"	whole genome sequence, the entire DNA sequence of an organism's genome
"whole-exon hybridization capture sequencing technology"	a targeted next generation sequencing method that uses long, biotinylated oligonucleotide baits (probes) to hybridize to the exon regions of interest to get the nucleic acid sequence
"whole-genome microarray"	a microchip that holds DNA probes that form half of the DNA double helix and can recognize DNA from samples being tested

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Prospectus contains certain forward-looking statements and information relating to our Company, our subsidiaries and PRC Consolidated Entities that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- the amount and nature of, and potential for, future development of our business.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS, INDUSTRY AND INTELLECTUAL PROPERTY RIGHTS

Our revenues during the Track Record Period were primarily generated from genetic testing services, and any factor that may adversely impact our genetic testing services business may adversely impact our overall business operations and operating results.

As of the Latest Practicable Date, our revenues were primarily generated from genetic testing services. Our genetic testing services generated revenue of RMB113.4 million, RMB203.2 million, RMB236.1 million for the years ended December 31, 2019, 2020 and 2021, which accounted for 91.7%, 100.0% and 99.5% of our total revenue, respectively. We expect that revenues of our genetic testing service business will continue to account for the substantial part of our revenues going forward. Our ability to generate profits will therefore largely depend upon the acceptance and adoption of our tests by consumers. The increase in acceptance and adoption of our tests will depend on numerous factors, including the prices we charge for our tests, the broader coverage of our services and future products, the availability of clinical data that supports the value of our tests and the recognition of our services and products by health checkup centers, hospitals, KOLs, consumers and others in the medical community. We cannot assure you that our genetic testing services will continue to maintain or gain market acceptance, and any failure to do so would harm our business and results of operations.

Our ability to maintain commercial market acceptance of our existing and future services will depend on a number of factors, including:

- the sensitivity, specificity and effectiveness of our testing services;
- our ability to market our services;
- whether our services are considered superior to those of our competitors;
- our technology capacities to continuously develop innovative services;

- the success of our expansion into new markets and regions;
- the timing and scope of any regulatory approval for our testing services;
- the prices we charge for our testing services;
- our ability to maintain our laboratory certification, accreditation, intellectual property protection and regulatory approvals; and
- the impact of negative publicity regarding our or our competitors' tests and technologies resulting from defects or errors.

We cannot assure you that our existing or future services will continue to main or gain market acceptance, and any failure to do so would harm our business and results of operations.

A significant portion of our revenue was generated from our related parties, who are related to us through Meinian OneHealth or Dr. Yu, during the Track Record Period and we expect a significant portion of our revenue to continue to be generated from these parties in the foreseeable future. We may not be able to resolve potential conflicts with such related parties on favorable terms for us.

Our Company's businesses capitalize, and depend (to a certain extent) on entities associated with or related to Meinian OneHealth or Dr. Yu. Meinian OneHealth and Dr. Yu may from time to time make strategic decisions that they believe are in the best interests of their businesses. These decisions may be different from the decisions that we would have made on our own. In the event that some or all of these related parties terminate their agreements with us, we would lose some of our customers. For the year ended December 31, 2019, 2020 and 2021, the revenues generated from transactions with our related parties under HKFRS accounted for 51.1%, 57.9% and 43.1% of our revenues for the same period, respectively. For more information, please see "Business – Our Customers – Reliance on Related Parties" and "Financial Information – Related Party Transactions and Balances" in this Prospectus.

Conflicts of interest may arise between us and Meinian OneHealth or Dr. Yu and their associates in a number of areas relating to our ongoing relationships. Meinian OneHealth and/or Dr. Yu may decide to sell all or a portion of the Shares in our Company they hold to a third party, including to one of our competitors, thereby giving that third party substantial influence over our business and our affairs. Such a sale could be contrary to the interests of our employees or our other Shareholders and could adversely affect our business, financial condition and results of operations. So long as Meinian OneHealth and Dr. Yu remain our Controlling Shareholders, we may be limited in our ability to do business with their competitors due to potential conflict of interests. This may limit our ability to market our services and products in the best interests of our Company. If our relationships with Meinian OneHealth and/or Dr. Yu change in the future, it may have a negative impact on our cost structure in the provision of genetic testing services.

We may not be able to expand our business lines to offer innovative testing services and products, or develop and commercialize our new genetic testing services and products on a timely basis, or at all, which may harm our growth opportunities and prospects.

We intend to continue to expand our business lines by innovating our testing services and products. Over the past years, we have established systematic testing services in folate metabolic capacity assessment, ApoE gene testing, cancer risk assessment, cancer screening, COVID-19 related testing and other specialty areas. We have been actively exploring the specialty areas that present significant market potential such as Alzheimer's screening and synergy with our existing testing services. To expand our business lines and develop and market our new service and product offerings successfully and in a timely manner, we must effectively execute various strategies, such as:

- accurately assess and meet consumer needs;
- make significant capital expenditures;
- optimize our service processes to predict and control costs;
- hire, train and retain the necessary personnel;
- obtain required regulatory clearances or approvals;
- increase marketing efforts to raise consumer awareness and acceptance of our services;
- provide services of a high quality and in a timely manner;
- price our services competitively;
- compete effectively with our competitors; and
- effectively integrate consumer feedback into our business planning and improvement.

If we fail to effectively develop and commercialize new services or products, our future business, including our results of operations, financial condition, cash flows, growth opportunities and prospects, could be materially and adversely affected.

Failure in testing and manufacturing quality control may adversely affect our operating result, reputation and business.

Our testing and manufacturing processes are required to meet certain quality standards. We have a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our testing and manufacturing processes. For

further details of our quality control and assurance system, see "Business – Quality Assurance and Quality Control." Despite our quality control and assurance system and procedures, we cannot eliminate the risk of failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- inherent inability of genetic testing to be 100% accurate;
- poor quality or degraded samples;
- operational or manufacturing errors;
- technical or mechanical malfunctions in the operation or manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the equipment, medical devices, reagents, third party tools, software or raw materials we purchase or use.

Our success depends on the market confidence that we can provide accurate, reliable and high-quality services that will provide consumers or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing services will perform as expected at all times. Our tests may fail to accurately, completely or correctly identify the relevant diseases, or may contain other misleading testing results due to a variety of reasons (such as malfunction of our laboratory equipment, manufacturing defects and degraded samples provided by our delivery service providers), which may result in negative perception of our tests and significant damage to our reputation. In addition, failure to detect shortcomings in our services or to prevent such misleading results from being delivered to our consumers could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability. For example, we could face medical liability claims if anyone alleges that our services identified inaccurate or incomplete information regarding a targeted testing item, or otherwise failed to perform as designed. A consumer could allege that our test results caused unnecessary treatment or other costs or resulted in the consumer missing the best opportunity or timing for treatment. A consumer could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for a disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. Any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential consumers.

Insurance companies in China generally only offer a limited selection of medical liability and professional liability insurance policies and it is often difficult to secure suitable medical liability and professional liability insurance coverage at reasonable rates in China. We purchase insurance policies under which we are the insured party and certain medical liabilities are covered by such policies if our consumers who purchase and use our services, including Septin9 colorectal cancer screening test, RNF180/Septin9 gastric cancer screening test and SDC2 colorectal cancer screening test, suffer losses or damages when our test generates a false negative result. As a false negative result for cancer could delay test-takers' treatment and negatively impact their health condition, we purchase insurance policies to provide protection for our consumers. As of the Latest Practicable Date, we have not purchased any insurance for other testing items, mainly because almost all of these products are genetic risk assessment tests or general well-being tests that are less likely to impact consumers' health or result in claims against us. According to Frost & Sullivan, our current insurance coverage is not inconsistent with industry practice. Any medical liability or professional liability claim related to our services and products brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage. Additionally, any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential consumers. Any of these developments could adversely impact our results of operations and business prospects.

If we are not able to maintain, grow or diversify our customer base, or maintain or increase demand for our services and products, our business and prospects could be adversely affected.

Our success depends, in part, on our ability to maintain and grow our relationships with our existing health checkup centers and hospital customers, and continue to build new relationships with new health checkup centers and hospitals. We also need to maintain and increase test volume by further penetrating our existing health checkup centers and hospital customers as well as consumers to achieve our desired revenue growth. Maintenance and enhancement of our service quality as well as successful sales and marketing are crucial for us to increase the market penetration of our existing services, expand our coverage of health checkup centers, hospitals and other medical institutions and promote new services in the future.

We believe that maintaining and enhancing our service quality is critical to achieving widespread acceptance of our services, to strengthening our relationships with our existing customers, and to our ability to attract new customers and consumers. If our services cannot meet their standards or evolving needs, they may lose confidence in us and they may reduce or cease their use of our services. If actions we take or changes we make to our services upset these customers, they may comment negatively on us, which could harm our brand and reputation. If we fail to attract new customers or fail to retain existing customers, our ability to generate revenue will be materially impaired, and our business, results of operations and financial condition could be adversely affected.

If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales and business prospects could be adversely affected. In addition, we must grow our consumer base beyond our existing customers and consumers, and into additional customer groups through various channels. We believe that enhancing and maintaining awareness of our brand is critical to achieving the growth of our genetic testing services and attracting new customers. Successful promotion of our brand depends largely on the quality of the services we offer and the effectiveness of our branding and marketing efforts. We cannot guarantee that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Even if we successfully promote our brand and develop relationships with new customers in these or any other new groups, these relationships may not lead to an improvement in our ability to achieve or sustain profitability. Generally, when we establish these new customer relationships and subject to limited exceptions, most of these relationships do not obligate any party to order our tests at any agreed volume or frequency or at all. The costs of further contracts performance cannot be predicted with certainty, there can be no assurance as to the profits, if any, that we will realize over the term of such contracts.

We may fail to obtain the customer growth needed to grow volumes and revenue levels as desired or anticipated or at all, which could occur for a variety of reasons, including, among others:

- the genetic testing market generally, and particularly the market for cancer screening tests, is relatively new and may not grow as predicted or may decline;

- our efforts to improve our existing tests and develop and launch new tests may be unsuccessful;

- we may not be able to convince additional health checkup centers, hospitals and consumers about the utility of our services and products, and their potential advantages over existing and new alternatives;

- our investments in our sales and marketing functions, including our efforts to increase and restructure our sales force and re-focus and expand our marketing initiatives and strategies, may fail;

- we may be unsuccessful in convincing customers of the benefits of our broad and customizable test menu;

- some genetic testing services are expensive, mainly determined by technology and many existing and potential new customers may be sensitive to pricing, particularly if we are not able to maintain low prices relative to our competitors;

- potential new customers, particularly individual physicians and other practitioners, may not adopt our tests if coverage and adequate reimbursement are not available;

- negative publicity or regulatory investigations into the actions of companies in our industry could raise doubts about the legitimacy of diagnostic technologies generally, and could result in scrutiny of diagnostic activities by the NHC, or other applicable government agencies; and

- our competitors could introduce new tests that cover more genes or that provide more accurate, reliable or rapid results.

If we are unable to address these and other risks associated with growing our customer base and deepening our relationships with existing customers, we may not achieve our desired growth in revenue, and our results of operations could be adversely impacted.

We may be adversely affected by the uncertainties and changes in the regulation of Laboratory Developed Tests ("LDTs") in the PRC, and any lack of requisite approvals, permits, registrations or filings in relation to our business may have a material adverse effect on our business, results of operations and prospects.

We believe it is common in the genetic testing industry that laboratories, including us, provide testing services in the form of LDTs with self-developed testing reagents. As there is a relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by our PRC Legal Advisor, there is no clear or industry-accepted definition for LDTs under the PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry that is clearly defined nor widely accepted. Our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor consulted with the NMPA and the BMHC regarding the legality of LDTs. According to Article 53 of the 2021 Rules, drug regulatory agencies in conjunction with the appropriate healthcare departments are responsible for the adoption and implementation of specific administrative measures on LDT-related matters. Therefore, our PRC Legal Advisor advised us that the NMPA and the BMHC both have the authorities to confirm the legality of our LDT services. Although pursuant to the Governmental Consultations with the NMPA, the Governmental Consultations with the BMHC, Article 53 of the 2021 Rules confirms the legality of LDTs, and implementation rules are being formulated, we cannot rule out the possibility that common practices in the provision of LDTs, which we also adopted, may be viewed as not being in full compliance with the existing and forthcoming PRC laws and regulations.

Failure to attract and retain our senior executives and other key employees could adversely affect our business.

Our future success is significantly dependent upon the continued service of our senior executives, such as Ms. Lin Lin (林琳), Mr. Huang Yufeng (黃宇峰) and Dr. Yi Xiang (易翔). If we lose their services, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit new senior executives, which could severely disrupt our business and growth. In addition, if these personnel join our competitors or form a competing business, our business and prospects could be adversely affected. Furthermore, if the relationship between any of these personnel and any of our substantial shareholders deteriorates, our operations could be disrupted, which may materially and adversely affect our business and prospects.

Our laboratory operations and research and development activities depend on our ability to attract and retain highly skilled scientists and researchers. We are also in strong need of sales and marketing personnel with the relevant technology background and industry expertise in order to effectively conduct our sales and marketing activities and increase network of health checkup centers and hospitals. We face intense competition for qualified individuals from healthcare companies, universities, governmental entities and other research institutions. We may be unable to attract and retain suitably qualified individuals, and our failure to do so could adversely affect our business.

Our historical financial and operating results may not be indicative of our future performance.

Our past performance is not necessarily indicative of future results. In addition, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our shares to decline. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our testing facility, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business integration and expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. We believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

For example, we began to offer our COVID-19-related testing services in May 2020 in response to the COVID-19 pandemic. We turned our COVID-19-related testing services into a regular line of service and continue to offer testing services. The circumstances that have accelerated the growth of our COVID-19-related testing service stemming from the effects of

the COVID-19 pandemic may not continue in the future once the impact of the COVID-19 pandemic tapers or is eliminated. With the introduction of various vaccines around the world, there may be a decline in the growth rate of the revenue of our COVID-19-related testing service in future periods.

Our operations face competition that could adversely affect our results of operations.

The development and commercialization of genetic testing services is highly competitive. We face competition from other companies engaging in genetic testing business. For details, see "Industry Overview." We anticipate that we will continue to face increased competition as existing companies develop new or improved services and as new companies enter the market with new technologies. Extensive competition may render one or more of our technologies obsolete or uneconomical. Some of our competitors have greater financial and personnel resources, broader product lines, more focused product lines, a more established customerbase, or more experience in research and development than we do. In addition, as a result of mergers and acquisitions in the industry, even more resources are being concentrated in our competitors and our upstream and downstream business partners. Competition may increase further due to the progress and improvements made in the commercial applicability of technologies and the increased capital investment in our industries. Our competitors may operate and develop services and products in a more cost effective manner than ours, or obtain patent protection, regulatory approval, product commercialization, and market penetration more rapidly than we do. Furthermore, health checkup centers and hospitals, which are our existing and potential customers, could also develop competing services and products.

We, or our shareholders, Directors, senior management, employees, customers, suppliers or partners, may be involved in circumstances that may harm our reputation, or result in substantial cost or diversion of our resources.

From time to time, we, or our shareholders, Directors, senior management, employees, customers, suppliers or partners, may be involved in claims, disputes, government investigations, court orders, or other administrative or legal proceedings, or they may issue profit warnings or negative earnings releases. These may concern issues relating to, among others, shareholders litigations, insolvency or bankruptcy litigations, consumer liability, environmental matters, breach of contract, employment or labor disputes, infringement of intellectual property rights or financial performance. Any resulting claims, disputes or legal proceedings initiated by or brought against us, or any resulting negative media coverage on us, our Directors, senior management, employees, customers, suppliers or partners, with or without merit, may result in significant reputational harm to us, or result in substantial costs or diversion of our resources. Furthermore, claims, disputes, government investigations, court orders, or administrative or legal proceedings against us may be related to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings. During the Track Record Period and up to the Latest Practicable Date, to our knowledge, we have not

been, and none of our shareholders, Directors, senior management, employees, customers, suppliers or partners were, involved in any claims, disputes, government investigations, court orders or other administrative or legal proceedings that could have a material adverse effect on our business.

In addition, any negative publicity concerning us, our affiliates or subsidiaries, shareholders, Directors, senior management, employees, customers, suppliers or partners, even if untrue, could adversely affect our reputation and business prospects, which could damage our brand image or have a material adverse effect on our business, results of operations and financial condition. Damage to our reputation could be difficult, expensive and time-consuming to restore and could make potential or existing customers reluctant to use our services or products, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce investor confidence in us, adversely affecting the price of our Shares.

If we are not able to obtain, or experience delays in obtaining, required regulatory approvals for new services and products, we might not be able to commercialize new services and products promptly or at all.

The future growth of our business is substantially dependent on our ability to complete the development of, obtain regulatory approvals for and successfully commercialize new services and products in a timely manner. In particular, due to the relatively short history of the genetic testing industry in China, a comprehensive regulatory framework governing the industry has not been established. We cannot be certain that our genetic testing business would not be subject to additional regulatory approvals in future. Without obtaining or maintaining our laboratory certification, accreditation and certain regulatory approvals from relevant authorities, we may not be able to commercialize some of our new services and products. The time required to obtain approvals from or complete registrations with the relevant regulatory authorities is unpredictable and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the required information or documents necessary to gain approvals may change from time to time in the future and may vary among jurisdictions. If we cannot obtain the required regulatory approvals for our new services and products, there will be a material adverse effect on our ability to create new sources of revenue, which could adversely affect our growth.

It is critical for us to continue investing significant amounts of human and capital resources to develop or acquire new technologies in order to enhance the scope and quality of our services. Without the timely introduction of new and improved services and products, our existing services and products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Technical innovations often require substantial time and investment before we can determine their commercial viability. We may not have the financial resources necessary to fund all of these projects. In addition, even if we are able to successfully develop new or improved products, they may not produce revenue in excess of the costs of development or achieve the desired financial return, and they may be

rendered obsolete or less competitive by changing consumer preferences or the introduction by our competitors of products with advanced technologies or features or other factors. Therefore, failure to keep pace with technological advances could reduce demand for our services and harm our business and prospects.

If our laboratories fail to comply with applicable licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized.

Our existing laboratory and our laboratories that are expected to be built are subject to extensive regulations in China. To operate these testing laboratories, we need to obtain approvals and accreditation from the NHC or their respective local offices. We currently have the primary approvals and accreditations from the NHC or their respective local offices that are required for our existing laboratory. See "Business – Licenses, Approvals and Permits" for details. However, if we increase the number of our laboratories to meet increasing demand for our genetic testing services, we will be required to obtain NHC approvals and accreditation for such additional laboratories, and there is no guarantee that we would obtain such approvals and accreditation in a timely manner, or at all, as the NHC approval and accreditation process is costly, lengthy and uncertain. If we fail to maintain or renew any major license, permit, certificate, approval or accreditations for all or any of our laboratories, or if the testing professionals at our laboratories become unlicensed at any time during their practices, or if we or our laboratories are found to be non-compliant with any applicable PRC laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

In addition, if a laboratory or research and development facility or laboratory equipment becomes damaged or inoperable, including due to accidents and injuries, we may not be able to replace our testing capacity quickly or at all. In the event of a temporary or protracted loss of a laboratory, facility or equipment, we may face delays that could impact the delivery of our services and we might not be able to rebuild any of them in a timely manner. Even if we could rebuild them, it would likely be time-consuming, particularly since any new laboratory would need to comply with the necessary regulatory requirements and we would need to receive certain regulatory approvals. Any damage or interruption of our laboratory operations could result in our inability to satisfy the demand of our testing services and could materially harm our business, financial condition and results of operations.

If we cannot maintain relationships with our key business partners, or cannot establish or seek additional collaborations and strategic alliances in the future, our results of operations and prospects could be adversely affected.

We may from time to time establish or seek strategic alliances, form joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our products and any future services or products that we may develop. We collaborate with certain key business partners in many aspects of our business, such as major hospitals and clinics,

reputable healthcare professionals and research institutions. Our success in part depends on our ability to maintain our relationships with our key business partners and establish new collaborations in the future. Collaborations with our key business partners are subject to numerous risks, which may include the following:

- our key business partners may no longer be as competitive in the market as they are now;
- our key business partners have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- our key business partners may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and key business partners that cause the delay or termination of the research, development or commercialization of our products, or that result in costly litigation or arbitration that diverts management attention and resources; and
- collaboration may be terminated and, if terminated, may result in a need for additional capital to pursue further commercialization of the applicable products.

The price of medical devices, reagents and medical consumables could adversely affect our margins and results of operations.

We procure medical devices, reagents, medical consumables and other goods and services necessary for our operations. Selecting, managing and supervising these third-party suppliers and service providers requires significant resources and expertise. Unsatisfactory performance by these third parties, including their failure to provide laboratory equipment, medical devices, reagents and raw materials or services according to applicable legal and regulatory requirements, the terms of our contracts or otherwise below standard, could negatively affect the quality of our services and damage our reputation. The prices may increase in the future or there may be a reduction in the availability of raw materials due to various factors beyond our control. The prices of the raw materials may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters and economic conditions in China and around the world. In the event of significant price increases for such supplies, we may have to pass the increased costs to our consumers. However, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover such increased costs. As a result, any significant price increase for or reduction in the availability of our raw materials may have an adverse effect on our profitability and results of operations.

In order to meet the increasing demand arising out of our growth in business, we will be required to increase our procurement of the abovementioned products. However, as we grow, our existing suppliers may not be able to meet our increasing demand, and we may need to find additional suppliers. There is no assurance that we will always be able to secure suppliers who provide products at reasonable and acceptable prices, and the failure to do so will adversely affect our business performance and results of operations.

We have limited control over our third-party suppliers. Illegal actions, misconduct or any failure by our suppliers to provide satisfactory services could materially and adversely affect our business, reputation, financial condition, and results of operations. In addition, we may be unable to receive sufficient compensation from our suppliers for the losses caused by them.

Since we rely on third-party suppliers to conduct certain aspects of our business, such as providing the testing equipment, reagent and materials or promoting our services, we are exposed to the risk of illegal actions, misconduct or any failure by our third-party suppliers to provide satisfactory services. For instance, certain of our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all. As a result, trade or regulatory embargoes imposed by foreign countries or China could also result in delays or shortages that could harm our business. Moreover, general economic conditions could also adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and services used in our operations. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be materially harmed. Any change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to service performance or incorporate unique technology, and the loss of existing supply contract may have a material adverse effect on us. Any material misconduct or disputes against our suppliers could potentially harm our business and reputation.

Although we take precautions to detect and prevent misconduct by our suppliers, it is difficult to identify and deter such misconduct, and we may not able to effectively control unknown or unmanaged risks or losses, or protect us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Our suppliers or service providers who are responsible for the claims, disputes or legal proceedings against us due to defective supplies or services sold to us may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

If we are unable to support the demand for our current or future services, including ensuring that we have adequate capacity to meet increased demand, our business could suffer.

As the market demand for our services grows, we will need to continue to carry out a series of strategies to meet the increasing demand, such as:

- increase our workflow capacity for sample intake, consumer service, billing, and general process improvements;
- expand our internal quality assurance program; and
- extend our comprehensive genetic testing services in various specialty areas.

In addition, we will need additional laboratory scientists and technicians and other scientific and technical personnel to process higher volumes of our services. The expansion of our operations or hiring of additional personnel may lead to significant costs and divert our management attentions and development resources. We will also need to purchase additional equipment, some of which can take several months or more to procure, set up, and validate, and increase our software and computing capacity to meet increased demand. There is no assurance that any of these increases in scale, expansion of personnel, equipment, software and computing capacities or process enhancements will be successfully implemented, or that we will have adequate space in our laboratory facilities to accommodate such required expansion.

As we commercialize additional services, we will need to incorporate new equipment, implement new technology systems and laboratory processes, and hire new personnel with different qualifications. Failure to manage this growth or transition could result in turnaround time delays, higher service costs, declining service quality, deteriorating consumer service, and slower responses to competitive challenges. A failure in any one of these areas could make it difficult for us to meet market expectations for our services, and could damage our reputation and the prospects for our business.

Failure to maintain and predict inventory levels in line with the level of demand for our services and products could cause us to lose sales or face excess inventory risks and holding costs, either of which could adversely affect our business, financial condition and results of operations.

To operate our business successfully and meet our customers' and consumers' demands and expectations, we must maintain a certain level of inventory for our services and products to ensure genetic testing can be carried out promptly. Furthermore, we are required to maintain an appropriate level of inventory of our raw materials for our services and products, such as reagents and consumables. We maintain our inventory levels based on our internal forecasts, which are inherently uncertain. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our medical devices and reagents, and

may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of medical devices and reagents. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

In addition, we actively monitor our inventory level. However, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our services and products, our business, financial condition and results of operations will be adversely affected.

We face risks in the transportation of test samples in the event testing samples become contaminated, which may result in additional costs for re-sampling to us and reputational damage due to inaccurate test results.

We are primarily responsible for testing sample quality during transportation of testing samples from our customers to our laboratory in Beijing. We contract with a logistics service provider to transport these testing samples. After sample collection is completed, the testing sample is handed to the logistics service provider. During the transportation process, the test samples may become contaminated. In such event, the testing results may become inaccurate and we may have to conduct re-sampling, which may incur additional costs and resources. Accordingly, our reputation, business and financial performance may be materially and adversely affected if inaccurate testing reports are issued based on any undiscovered unqualified testing samples.

If our logistics service provider encounters any performance issues, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our genetic testing services on a timely basis could be harmed.

The quality of our genetic testing services largely depends on our ability to deliver well-preserved samples quickly and reliably from health checkup centers and hospitals to our laboratory. To render an accurate testing results requires us to preserve the samples at a high standard, which could be difficult as testing samples are sensitive to various external conditions, such as biological materials, low-temperature, heat or light. Our third-party logistics service provider may encounter performance issues that cause the testing samples to be exposed to inappropriate temperatures or other improper storage conditions and lose activity or effectiveness. In addition, disruptions in delivery, whether due to factors beyond our control such as distance, natural disasters, terrorist threats, political instability, governmental policies, failures by physicians to properly label or package the samples, labor disruptions, bad weather or other factors could adversely affect our receipt of samples or specimen integrity, and could impact our ability to process samples in a timely manner and to provide our services effectively to our customers. As a result, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our genetic testing services on a timely basis could be harmed.

In addition, disputes with or a termination of our contractual relationship with our third-party logistics service provider could result in delayed delivery of the testing samples or increased costs. There can be no assurance that we will continue or extend the relationship with our third-party logistics service provider on terms acceptable to us, or that we will be able to establish relationships with new third-party logistics service providers or enhance the relationship with our existing third-party logistics service provider to ensure accurate, timely and cost-efficient logistics services. Failure to do so may inhibit our ability to provide our testing services, on a timely basis or at prices acceptable to our consumers. As we do not have any direct control over any third-party logistics service provider, we cannot guarantee their quality of services. If there is any delay in delivery or any other issue, our service offering may be affected.

We depend on our information technology systems, and any failure of these systems could harm our business.

Our information technology systems store and process a variety of data, including our proprietary business information, as well as medical and personal data such as genetic information and personally identifiable information including name, gender, age, phone number and ID number. We also depend on our information technology for significant elements of our operations. We have also installed, and expect to expand, a number of enterprise software systems that affect a broad range of business processes and functional areas, including, for example, systems handling financial reporting and controls, customer relationship management, laboratory information management system, and other infrastructure operations.

To ensure compliance with relevant laws and regulations, such as the Administrative Measures for Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), we adopted various internal protocols and management procedures to regulate confidentially and privacy issues related to consumers' samples and data. In addition, we established data protection system and conduct regular training to raise data security awareness among our employees. For more information, see "Business – Data and Privacy Protection" in this Prospectus.

Our information and other technology systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious or inadvertent human acts and natural disasters. Our servers are potentially vulnerable to physical or electronic break-ins, employee errors, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, failures or significant downtime of our information technology or telecommunications systems or those used by our third-party service providers could prevent us from conducting tests, preparing and providing reports to our customers, billing customers, collecting revenue, handling inquiries from our customers, conducting research and development activities and managing the administrative aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could disrupt our business.

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our tests, technologies and services do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more devices or tests and could result in a substantial award of damages against us. In addition, since we sometimes indemnify our customers, we may have additional liability in connection with any infringement or alleged infringement of third-party intellectual property. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves or our customers.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our services, tests or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our devices or tests. There is a substantial amount of litigation involving patents and other intellectual property rights in our industry. If a third-party claims that we infringe upon a third-party's intellectual property rights, we may have to, among others:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon any services alleged or held to infringe, or redesign our services or processes to avoid potential assertion of infringement;
- pay substantial damages if a court decides that our services, products or technology infringes upon or violates the third party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; and
- defend litigation or administrative proceedings that may be costly whether we win or lose, which could result in a substantial diversion of our financial and management resources.

If we are unable to maintain the confidentiality of our trade secrets or know-hows, our reputation, business and competitive position may be harmed.

Our commercial success will depend, in large part, on our ability to obtain, maintain and defend know-hows and other intellectual property protection with respect to our services. We seek to protect our trade secrets or know-hows, in part, by entering into agreements, including confidentiality agreements and non-disclosure agreements or containing such provisions, with parties that have access to them, such as our employees, consultants, corporate partners and, other third-party service providers. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of such proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, despite any legal action we might take against persons making such unauthorized disclosure. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related work completed or the resulting know-how and inventions. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets or know-hows is expensive and time-consuming, and the outcome is unpredictable.

We sometimes collaborate with third parties, such as research institutions to conduct research relevant to our business. The ability of these third parties to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our confidential information, then our ability to obtain patent protection or to protect our trade secrets or know-hows may be jeopardized. Failure to protect our intellectual property may severely disrupt our business operations, reduce or eliminate any competitive advantage we have developed and materially harm our business, financial condition results of operations and prospects and any remediation may significantly divert management's attention and resources from other activities.

If we experience delays in collecting payments from our customers, our cash flows and operations could be adversely affected.

Although we have a credit term management policy, we are still exposed to certain risks when it comes to payments from customers. Our ability to collect from customers depends on supply and demand dynamics, budgetary cycles, shifting availability of funds and other factors that may not be within our control. If our customers' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at all.

As of December 31, 2019, 2020 and 2021, we recorded trade receivables of RMB108.1 million, RMB130.2 million and RMB203.6 million, respectively. For the years ended December 31, 2019, 2020 and 2021, our average trade receivables turnover days were 313

days, 226 days and 272 days, respectively. According to Frost & Sullivan, the average turnover days for receivables recovered from health checkup centers and hospital customers are generally longer than our other customers. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with customers in a manner that will impair our sales, which in turn would adversely impact our financial condition and operations. See "Financial Information" for a discussion of our receivables.

We incurred net liabilities during the Track Record Period.

We had net liabilities of RMB2.7 million as of December 31, 2019, primarily attributable to our redemption liabilities on ordinary shares, which amounted to RMB189.4 million as of December 31, 2019, a net liabilities position can expose us to the risk of shortfalls in liquidity. As of the Latest Practicable Date, relevant redemption rights granted to our investors have been terminated. We may have similar net liabilities in the future. Such liabilities could require us to seek financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

We generated investment income from financial assets at fair value through profit or loss during the Track Record Period, and we may not be able to generate such investment income in the future.

In 2021 and the first four months of 2022, we invested in wealth management products offered by commercial banks in China. These wealth management products are generally low-risk in nature. We recorded investment income from financial assets at fair value through profit or loss of RMB2.7 million in 2021. However, we cannot assure you that market conditions and regulatory environment will remain stable or that we will generate such investment income from our financial assets at fair value through profit or loss in the future. As our financial assets at fair value through profit or loss are subject to changes, such uncertainty may adversely affect our financial performance.

We may not be able to fulfill our obligation in respect of contract liabilities which could adversely affect our financial condition, results of operations and prospects.

We had contract liabilities of RMB13.2 million, RMB10.9 million and RMB10.1 million as of December 31, 2019, 2020 and 2021, respectively, which include short-term advances received from providing genetic testing services to customers which we received consideration. A contract liability is recognized when a payment is received or a payment is due from a customer before we transfers the related goods or services, and is subsequently recognized as revenue when we performs our contractual obligations. Any difficulty or failure to perform our obligations under contracts can expose us to the risk of shortfalls in liquidity and adversely affect our relationships with customers, which can have a material adverse effect on our operational performance and prospects.

As we increase or expand our testing capability and capacity through upgrades to our existing laboratory and establishment of new laboratories, depreciation and amortization expenses could negatively impact our results of operations.

As of the Latest Practicable Date, we have one laboratory in Beijing, China. We plan to use the net proceeds from the Global Offering to upgrade our existing laboratory to increase our testing capability and capacity. We also plan to use the net proceeds from the Global Offering to open up to five new laboratories in various cities across China over the next few years to increase our geographic coverage. Such upgrades and establishment will also require the procurement of a significant number of testing equipment. See "Future Plans and Use of Proceeds" for our expected use of proceeds. The depreciation and amortization of fixed assets is typically done on a straight-line basis to write off the cost of such fixed asset to its residual value over its estimated useful life. Given the significant amount of fixed assets involved in our planned upgrades and expansion, the depreciation and amortization of such fixed assets could negatively impact our results of operations.

As we increase our efforts in the sales, marketing and commercialization of our consumer genetic testing and cancer screening services and products, we expect our sales and marketing expenses to increase, which may negatively impact our results of operations.

During the Track Record Period, we were able to maintain our selling and distribution expenses at a relatively lower level, as our channel advantages allowed us to reach a large consumer base through our institutional customers across China with relatively low costs. In the future, we plan to use the net proceeds from the Global Offering to increase marketing and promotional efforts, such as holding online and offline marketing events and campaigns for our services and products as well as expand our sales and marketing team in China. See "Future Plans and Use of Proceeds" for our expected use of proceeds. We expect such investments in sales and marketing to further diversify and expand our customer base as well as increase our testing volume. However, we cannot assure you that we will be able to successfully expand our customer coverage or promote our testing services as we expected. As the relevant sales and marketing expenses are expected to be charged to our consolidated statements of profit or loss, it may negatively impact our results of operations.

Future grants of share-based awards may have an adverse effect on our financial condition and results of operations and have dilutive impact on your investment.

We believe the granting of share-based awards can be of significant importance to our ability to attract and retain key personnel and employees, and we may grant share-based compensation to employees in the future. With a view to formalizing our proposal to grant share incentives to eligible personnel, our Board approved and adopted the RSU Scheme on November 19, 2021. As of the date of this Prospectus, all Shares underlying the RSUs that may be delivered under the RSU Scheme, representing 9.00% of our Company's issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), have been allotted and issued to the RSU Nominee by our Company. As a result of the grant of RSUs pursuant to the RSU Scheme, we may incur significant share-based compensation expenses in the future based on the fair value and award price of the Shares underlying the RSUs as of the date on which they are granted, which may significantly deviate from the

indicative Offer Price range of HK$18.0 to HK$22.0 per Share. Such share-based compensation expenses will be recognized in our consolidated statement of incomes and may adversely our financial condition and results of operations.

If we are unable to manage our growth, our business and prospects may be materially and adversely affected.

Our business has grown substantially in recent years, and we expect to continue growing our business in the future. In addition, as we continue to diversify our service and product offerings and enhance our presence, we will need to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train and manage our employees. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current technology, infrastructure and operational capabilities will be adequate to support our expanding operations, or that our strategies and new business initiatives will be executed successfully. If we are not able to manage our growth, our expansion may not be successful and our business, financial condition and results of operations may be materially and adversely affected.

If we expand our operations internationally, we may face challenges in expanding our international operations, such as the regulatory or governmental scrutiny in the relevant countries.

We may attempt to seize emerging business opportunities in the overseas markets outside of China to further expand our global footprint. If we expand our operations internationally, our success in providing services internationally and competing in international markets would be subject to our ability to manage various risks and difficulties, including:

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;
- substantial time which may be required for us to obtain approval for registering and providing our services in additional countries, especially in developed countries;
- commercializing our services in new markets where we have limited experience with the dynamics and no sales infrastructure and marketing network;
- higher costs for reliance on overseas partners for the development, commercialization and marketing of our services;
- medical and professional liability litigation and regulatory scrutiny arising from the marketing and provision services in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- unexpected changes in tariffs, trade barriers and regulatory requirements;

- economic weakness and inflation;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in international markets may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

Any litigation, legal and contractual disputes, claims, investigations, or legal and administrative proceedings against us could be costly and time-consuming to defend or settle.

We may from time to time be involved in litigation, legal and contractual disputes, claims, investigations, or legal and administrative proceedings arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity.

While we do not believe that any existing legal proceeding against us will have a material adverse effect on our business, financial condition and results of operations, any existing or future legal proceeding might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if such claim is outside the scope of any indemnification arrangement we may have with our customers, our customers do not abide by the indemnification arrangement as required or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations. According to Frost & Sullivan, consumers in China generally prefer to undertake health examinations at year end. Based on our historical data, demand for our testing services from health checkup centers have generally been higher in the second half of each year. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

Our business operations and financial performance have been materially affected by the COVID-19 pandemic, may in the future continue to be affected by the COVID-19 pandemic, and may be affected by other force majeure events, natural disasters, pandemic, outbreak of epidemics, and other unforeseeable catastrophes.

The COVID-19 pandemic has caused, and may continue to cause, a long-term material impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on our industry and cause temporary or permanent shutdowns of health checkup centers, health checkup services within hospitals and shortage of labor and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

We are uncertain as to when the COVID-19 pandemic could worsen in China and globally, nor can we predict whether COVID-19 pandemic will have long-term impact on our business operations. Our operations could also be disrupted if any of our employees or the employees of our suppliers and other business partners were suspected of having contracted COVID-19, since this could require us and our suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations.

In addition, any future occurrence or recurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza, or the Ebola virus, may result in temporary or permanent shutdowns of our laboratory or of health checkup centers and health checkup services within hospitals, which would materially and adversely affect our business, financial condition and results of

operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

We require substantial capital for our operations. If we cannot satisfy such requirement with cash from operations or raise sufficient additional capital on acceptable terms, our business, financial condition and prospects may be adversely affected.

In order to further expand our business, develop new services and remain competitive, we may require additional capital to be expended in our operations. We expect to satisfy such capital commitments using cash from operations and various channels and instruments available to us. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to use cash from operations and to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities and economic, political and other conditions in China. The future incurrence of indebtedness may result in debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to meet our capital requirements may materially and adversely affect our business, financial condition and results of operations.

Raising additional capital may lead to dilution of shareholdings by our existing shareholders, restrict our operations, and may further result in fair value loss adversely affecting our financial results.

We may seek additional funding through a combination of equity and debt financings and collaborations. To the extent that we raise additional capital through the issue of equity or convertible debt securities, the ownership interest of existing holders of our shares may be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to our business.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC AND RELATED REGULATIONS

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

We conduct our businesses in China primarily through our PRC Consolidated Entities. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior

court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies, and the enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, and which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules until after the occurrence of violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.

We are incorporated under the laws of the Cayman Islands, but substantially all of our assets are located in the PRC. In addition, a majority of our Directors and senior management personnel reside within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon our Directors and senior management personnel.

On July 3, 2008, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court and the government of Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the

Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Changes in China's economic, political, and social conditions could adversely affect our business, financial condition, results of operations, cash flows, and prospects.

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

While the PRC economy has experienced significant growth over the past four decades, growth has been uneven both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and certain other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified for approval in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that approval from the Anti-Monopoly Bureau of SAMR shall be obtained in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or

contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your Shares.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or STA, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporate enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resources matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on our or the subsidiary's worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting

obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us (including any dividends held via CCASS) will, and gains realized on the sale or other disposition of our ordinary shares may, be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), and in the case of dividends, the PRC tax will be withheld at source if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC Shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

Our PRC operating entities, Mega Genomics Beijing and Beijing Mega Lab, enjoy certain preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries and PRC Consolidated Entities may, if they meet the relevant requirements, qualify for certain preferential tax treatment. During the Track Record Period, we enjoyed total tax savings of RMB28.3 million in relation to the preferential tax treatment. Our tax savings in relation to the preferential tax treatment were RMB2.4 million, RMB13.4 million and RMB12.5 million for the years ended December 31, 2019, 2020 and 2021, respectively.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. Mega Genomics Beijing enjoys such preferential tax treatment.

According to the Announcement on Tax Policies in Support of the Prevention and Control of Pneumonia Epidemic Caused by Novel Coronavirus and the Announcement on Continuation of Several Preferential Value-added Tax Policies for Dealing with Epidemic issued jointly by STA and Ministry of Finance separately on February 6, 2020 and March 17, 2021, from January 1, 2020 to March 31, 2021, revenues earned from providing public transportation services/life services or express delivery services for daily necessities to residents were exempt from value-added tax. Beijing Mega Lab enjoyed such preferential tax treatment.

If such entities fail to continue to enjoy such preferential tax treatment, their applicable enterprise income tax rates may increase to up to 25% and they need to pay value-added tax for genetic testing revenues collected from customers and consumers, which could have a material adverse effect on our results of operations.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or

government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB if we want to use such proceeds in the PRC. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

The PRC government's control of foreign currency conversion and future fluctuation of Renminbi exchange rates may reduce the value of our Shares in foreign currency terms and may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC regulations, among other things, such as tax clearance, reservation of capital reserve, the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies

in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition, or restructuring strategy or the value of your investment.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (the "**Public Notice 7**",《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》). Public Notice 7 extends its tax jurisdiction to not only indirect transfers of equity interests in a PRC resident enterprise by way of disposing of equity interests in an overseas holding company but also transactions involving transfer of other PRC taxable assets through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clear criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfers may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to late payment fees and penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes on a timely manner.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies, or other taxable assets, by us. Our company and other non-resident enterprises of ours may be subject to filing or tax obligations if our company and other non-resident enterprises of ours are transferors in such transactions, and we may be subject to withholding obligations if our company and other non-resident enterprises of ours are transferees in such transactions, under Public Notice 7. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Public Notice 7. As a result, we may be required to expend valuable resources to comply with Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our

company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Public Notice 7, our income tax costs associated with such transactions may be increased, which may have an adverse effect on our financial condition and results of operations. We have made investments in the past and may conduct additional investments or acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents to register with, and obtain approval from, local branches of the SAFE and/or their designated commercial banks in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, (the "SAFE Circular 37",《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程外匯管理有關問題的通知》), was promulgated by the SAFE in July 2014 that requires PRC residents to register with the SAFE or its local branch or designated commercial banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch or commercial banks of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or

into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Failure to complete the capital reduction procedures of Mega Genomics Beijing may adversely impact our reputation.

On April 1, 2022, the Registered Shareholders adopted shareholder resolutions to reduce the capital of Mega Genomics Beijing to settle other receivables from related parties. However, Mega Genomics Beijing, at this time, has not completed the capital reduction procedures, such as filing the routine registration of the capital reduction with the local Administration for Market Regulation. Although we do not reasonably expect any legal impediments or substantial obstacle to complete such routine procedures, we cannot assure you that the completion of the capital reduction process is certain. A failure or delay in the completion of such process may adversely impact our reputation, as our capital information shown in public records may not accurately reflect the actual capital contributions of our shareholders, which may cause confusion to or misjudgment by third parties.

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulation.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees based on their actual salary level. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions according to applicable PRC regulations. We have made provisions of RMB1.4 million, nil and nil for social insurance and housing provident fund contribution shortfall in the years ended December 31, 2019, 2020 and 2021, respectively.

During the Track Record Period, we engaged a third-party human resources agency to pay social insurance premium and housing provident funds for certain of our employees. However, pursuant to PRC laws and regulations, we are required to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. The contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as contributions made by us, and as a result, we may be required by government authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. Pursuant to the agreements entered into between such third-party human resources agency and Mega Genomics Beijing, the third-party human resources agency has the obligation to pay social insurance premium and housing provident funds for our relevant employees. These third-party human resources agency has confirmed in writing that it paid such contributions in compliance with applicable laws and regulations. As of the Latest Practicable Date, we did not receive any administrative penalty or labor arbitration application from employees for its arrangement with third-party human resources agency. In addition, if such human resources agency fails to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may also be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy is and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected. For more details, please see "Business – Employees."

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are a company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. As of the Latest Practicable Date, all of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no specific statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws other than those specified in the Securities Law of the People's Republic of China, the PRC Criminal Code and its corresponding procedural laws or conflicts of laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

The lease and sublease agreements of our leased and subleased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

As of the Latest Practicable Date, we had seven leases and subleases in the PRC for our business operations, and one of our leases was registered and filed with the relevant PRC government authorities. The agreements with respect to the remaining six leases and subleases had not been registered and filed with the relevant PRC government authorities, primarily due to the difficulty of obtaining relevant landlords' cooperation to register such lease and sublease agreements. As advised by our PRC Legal Advisor, failure to register such lease and sublease agreements with the relevant PRC government authorities does not affect the validity of the relevant lease and sublease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government

authorities. We intend to continue to communicate with landlords and lessors of our leased and subleased properties in order to obtain their assistance in the filing and registration of our lease and sublease agreements. For more details, see "Business – Properties."

We may face challenges from third parties or authorities with respect to our rights to use some of our leased properties, and incur additional expenses if we are forced to relocate.

During the Track Record Period, with respect to certain of our leased properties used primarily as offices in the PRC, the lessor did not provide valid title certificates or authorizations evidencing its rights to lease the properties, primarily due to the difficulty of obtaining relevant landlords' cooperation to issue written consent for sublease. As advised by our PRC Legal Advisor, relevant PRC laws and regulations do not expressly stipulate the fines or penalties for such non-compliance. However, the relevant lease may be deemed as invalid or unenforceable if challenged by the landlord and we may be required to relocate. In the event of relocation, we may incur additional costs, which could adversely affect our daily operations and cause an adverse impact on our financial condition. The relevant lease was terminated on December 28, 2021, and we did not renew the lease.

In addition, during the Track Record Period, the actual land use of certain of our leased properties was office use, which is inconsistent with its approved land use as specified in its land use right certificate. When we leased this property, we had an immediate need for a temporary office space, and we were not able to ask the lessor to change the designated use of this property within a short period of time. As advised by our PRC Legal Advisor, according to the Land Administration Law of the People's Republic of China and other relevant PRC laws and regulations, the owner of the property may be ordered to return the property and fined by relevant authorities, and as the lessee, we would not be subject to any penalty or fine. If the owner of this property is required by government authorities to rectify such land use, we may have to relocate and bear relocation costs and other additional expenses. As of the Latest Practicable Date, we were not aware of any such rectification request by government authorities. The relevant lease was terminated on December 28, 2021, and we did not renew the lease.

We may be subject to fines or penalties by relevant governmental authorities in respect of Beijing Mega Lab's construction projects.

During the Track Record Period, we commenced construction projects of Beijing Mega Lab without obtaining the construction work commencement permit primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法), where the construction work has commenced without the construction work commencement permit, the license-issuing authority can impose a fine on the project construction entity at not less than 1% but not exceeding 2% of the contract value. Based on the aforementioned rule and the project contract price of such construction project, the maximum potential penalty for Beijing Mega Lab is approximately RMB110,000, as advised by our PRC Legal Advisor. Although as of the Latest Practicable Date, no competent

government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident, we may be subject to fines and other administrative penalties imposed by those government authorities, which may have a negative impact on our business operations.

We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could subject us to significant legal, financial and operational consequences.

In the ordinary course of our business, we may collect and store data, including protected genetic information and personally identifiable information. Any unauthorized access, loss, or dissemination of information could result in legal claims, proceedings or liability under PRC laws and regulations that protect the privacy of personal information. For example, the Administrative Measures for Population Health Information (for Trial Implementation) (《人口健康信息管理辦法》(試行)), provides that certain medical institutions are responsible for collection, management, utilization, safety and privacy protection of personal healthcare data. The Data Security Law (《數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides for data security and privacy obligations on entities and individuals carrying out data activities. The Personal Information Protection Law (《個人信息保護法》), which was promulgated by the SCNPC on August 20, 2021 and took effect on November 1, 2021, integrates multiple rules with respect to personal information rights and privacy protection. We have taken measures to maintain the confidentiality of our consumers' personal and medical information, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of consumers' personal and medical information. However, the laws and regulations regarding privacy and data protection in China, as well as other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. If we are unable to comply with the applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter current and potential consumers from using our tests and could subject us to significant legal, financial and operational consequences.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years and we are subject to such laws, regulations and governmental policies regarding data privacy and protection. Such regulatory requirements on data privacy are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard.

For example, on December 28, 2021, the Cyberspace Administration of China, or the CAC, and other twelve PRC regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which stipulates the applicable scope of the cybersecurity review and came into effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators (the "**CIIOs**," which refer to operators of important network facilities and information systems of important industries and sectors, such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense as well as other important network facilities and information systems that may significantly endanger national security, national economy and the people's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs) that intend to purchase internet products and services and network platform operators ("**Network Platform Operators**") engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The Cybersecurity Review Measures further stipulates that network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. In addition, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) ("Draft Regulations on Cyber Data Security Management"), which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for "foreign" listing; and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. However, the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security Management provide no further explanation or interpretation for "foreign" listing or "affect or may affect national security".

We are of the view, as advised by our PRC Legal Advisor, that we do not need to proactively apply for cybersecurity review for the following reasons: (i) as of the Latest Practicable Date, the Group has not received any notice or determination from applicable PRC governmental authorities identifying it as a critical information infrastructure operator ("**CIIO**"); (ii) as advised by our PRC Legal Advisor, our business of providing genetic testing services does not fall within the scope of "Network Platform Operators" or "Internet Platform Operators," although the Cybersecurity Review Measures provide no further explanation or interpretation on "Network Platform Operators," the Draft Regulations on Cyber Data Security Management define "Internet Platform Operators" as data processors that provide users with Internet platform services such as information release, social networking, transactions, payments and audio-visual services, which usually refer to services provided by e-commerce platform and social networks; (iii) the Group is applying for listing in Hong Kong, and Hong Kong does not fall within the scope of "foreign country"; and (iv) we do not commit any act that threatens or endangers national security, and have not received any investigation, notice, warning or sanction from any governmental authority with respect to national security issues arising in the operation of our business and the listing as of the Latest Practicable Date. For details, please refer to "Regulatory Overview – Recent Development – Draft Regulations on Cyber Data Security" in this Prospectus.

However, we cannot rule out the possibility that relevant governmental authorities may find us subject to security review due to the uncertainty of the terms "Network Platform Operators" and "national security," and we cannot guarantee whether future regulatory changes would impose additional restrictions on companies like us. If we are found to be subjected to security review for a clearance in terms of our proposed listing in Hong Kong, or future capital raising activities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Pursuant to the Cybersecurity Review Measures, any violation could be punished in accordance with the Cybersecurity Law and the Data Security Law of the PRC, the punishment measures under which includes, among others, government enforcement actions and investigations, fines, penalties and suspension of our non-compliant operations.

Ethical, legal and social concerns related to the use of genetic information in China could adversely affect our customer and consumer demand.

Negative sentiment and distrust from consumers regarding the use of genetic testing may lead to lower demand for our services and products. For example, genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead consumers to refuse to use, or health checkup centers and hospitals to be reluctant to order, genetic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance of our services and products or reduce demand for such services and products, either of which could have a material adverse effect on the business, financial condition and results of operations.

We face risks associated with uncertainties relating to Regulation for the Administration of Human Genetic Resources.

The collection, preservation, usage and outbound provision of human genetic resources in the PRC are governed by Regulation for the Administration of Human Genetic Resources (the "**HGR Regulation**"), except for activities relating to human genetic resources conducted for some specific purposes including clinical diagnosis and treatment. On March 21, 2022, the Ministry of Science and Technology of the People's Republic of China published the Implementation Measures of Regulation for the Administration of Human Genetic Resources (Draft for Comments) (the "**Draft Implementation Measures of HGR**") to further clarify and refine the relevant content of the HGR Regulation, and activities relating to human genetic resources conducted for certain specific purposes, including clinical diagnosis and treatment, are not governed by the Draft Implementation Measures of HGR, which is consistent with the HGR Regulation. In August 2021, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor consulted the BMHC, the government authority that oversees our genetic testing business in Beijing. As confirmed by our PRC Legal Advisor, the BMHC has the authority to confirm the nature and purpose of our genetic testing business, which involves human genetic resources. Taking into consideration of the Governmental Consultations with the BMHC, we believe that our consumer genetic testing and cancer screening businesses are for the purpose

of clinical diagnosis and treatment, so that such activities relating to human genetic resources in our consumer genetic testing and cancer screening businesses would not be governed by the HGR Regulation or the Draft Implementation Measures of HGR if effective in its current form. However, we cannot assure you that our consumer genetic testing and cancer screening businesses will be continuously deemed as conducted for the purpose of clinical diagnosis by the relevant government authority. If such business is not deemed as for the purpose of clinical diagnosis and treatment, additional regulatory requirements including regulatory approvals may be required. Meanwhile, our collection, preservation and use of human genetic resources in our genetic testing services may be governed by the HGR Regulation and the Draft Implementation Measures of HGR to be implemented in the future.

During the Track Record Period, we also provided genetic research and analysis services related to human genetic resources, and our cumulative revenue from such services during the Track Record Period was approximately RMB0.1 million, which represented less than 0.02% of our total cumulative revenue for the same period. We provided genetic research and analysis services related to human genetic resources before we entered into the Contractual Arrangements, and such services, which are different from the aforementioned genetic testing services, are not covered under the aforementioned exceptions of the HGR Regulation, and therefore such genetic research and analysis services are governed by the HGR Regulation. Pursuant to the HGR Regulation, there are certain limitations for foreign entities as well as individuals and entities established or actually controlled by foreign entities ("**Restricted Entities**") to engage in activities relating to human genetic resources. For example, the Restricted Entity is not allowed to collect or preserve human genetic resources of China, and it is also prohibited from using human genetic resources in China unless that such Restricted Entity has obtained an approval from relevant government authority or have filed with relevant government authority for international cooperation with a domestic entity. As advised by our PRC Legal Advisor, although an entity controlled, directly or indirectly, by foreign persons through shareholding ownership would be deemed as a Restricted Entity, the HGR Regulation remains unclear as to whether our PRC Consolidated Entities, which are controlled by a wholly foreign owned enterprise through contractual arrangements, would be deemed as Restricted Entities. However, the Draft Implementation Measures of HGR provides that Restricted Entities include those entities upon which overseas organizations and individuals are sufficient to exert significant influence through contracts or other arrangements in terms of major matters such as decision-making, operation and management of the organization. As advised by our PRC Legal Advisor, our PRC Consolidated Entities under our contractual arrangements may be identified as Restricted Entities under the Draft Implementation Measures of HGR if the Draft Implementation Measures of HGR becomes effective in its current form. If we engage in the provision of any service related to human genetic resources that is not covered under the aforementioned exceptions of the HGR Regulation or the Draft Implementation Measures of HGR in the future through our Contractual Arrangement, our PRC Consolidated Entities may be deemed as Restricted Entities if the Draft Implementation Measures of HGR becomes effective in its current form. If our PRC Consolidated Entities are deemed as the Restricted Entities by a government authority in China, we may have to cooperate with domestic entities and be required to obtain approvals or file with relevant government authority for such cooperation which could result in additional cost and our business, financial condition and results of operations will be adversely affected. As of the Latest Practicable Date, we have not

been subject to any material fines or other penalties related to our collection, preservation and usage of human genetic resources. However, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. The regulatory framework for the administration of human genetic resources is also evolving and may remain uncertain for the foreseeable future.

We conduct our business in a heavily regulated industry. We may be adversely affected by the uncertainties and changes in PRC regulations with respect to genetic testing service industry, and any lack of the requisite approvals, permits, registrations, or filings in relation to our business may have a material adverse effect on our business, results of operations and prospects.

Our testing laboratories, technology platforms, R&D operations and marketing network are primarily in China, which we believe confers clinical, commercial and regulatory advantages. We are required to obtain, maintain and renew the requisite approvals, permits, registrations, or filings in relation to our business in China. See "Regulatory Overview" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China.

Any changes or amendments of our regulatory environment may result in increased compliance costs on our business, or cause delays in or prevent the success of the development or commercialization of our services in China and reduce the current benefits currently available to us through developing genetic testing services in China. Additionally, PRC authorities may periodically, and sometimes unexpectedly, change their enforcement practices. Therefore, prior enforcement, or lack of enforcement, is not necessarily predictive for future actions. Any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China.

Due to the relatively short history of the genetic testing service industry in the PRC, a comprehensive regulatory framework governing our industry has not been established. We cannot rule out the possibility that some common practices in the industry which we also adopt might be viewed as not being in full compliance with the existing PRC laws and regulations.

According to the Administrative Measures for Clinical Gene Amplification Test Laboratories of Medical Institutions ("**Circular 194**"), a clinical gene amplification testing laboratory shall not conduct the clinical testing items that have not been registered or filed with the relevant health administrative authority in accordance with the Catalogue of Clinical Laboratory Items for Medical Institutions (2013) (the "**Testing Items Catalogue**"). The scope of the Testing Items Catalogue is limited and has not been updated since 2013. Many of our genetics testing services are beyond the scope of the Testing Items Catalogue, so that we are not able to register or file such services with the applicable health administrative authority. Meanwhile, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items ("**Circular 167**"), promulgated by the National Health and Family Planning Commission ("**NHFPC**") on February 25, 2016, the services which are not included in the Testing Items

Catalogue, but with clear clinical significance, relatively high specificity and sensitivity, and reasonable price, are required to be validated in time to meet clinical needs. We believe that medical institutions could conduct certain testing items which fall within Circular 167, but beyond the scope of Testing Items Catalogue after validation. However, it remains unclear as to how to validate such services based on Circular 167, nor does Circular 167 specify which services are "with clear clinical significance, relatively high specificity and sensitivity and reasonable price." As advised by our PRC Legal Advisor, pursuant to the Governmental Consultations of the BMHC, (i) the Testing Items Catalogue is not meant to limit the permissible scope of testing carried out by clinical laboratories, (ii) clinical laboratories, including us, can in practice carry out testing items that are beyond the scope of the Testing Item Catalogue in accordance with Circular 167 and (iii) no administrative penalties have been imposed on us with respect to such issues during the Track Record Period, and our genetic testing services fall, in principle, within the scope of Circular 167. Therefore, the likelihood of a suspension of our genetic testing services that are beyond the scope of the Testing Items Catalogue by government authorities is relatively low. If the government promulgates clear guidelines for validation under Circular 167, we intend to take necessary actions to meet such requirements. Any failure to meet existing and future requirements may prevent us from providing genomic testing services, and result in adverse effect on our business operation.

On February 9, 2014, the General Office of NHFPC and the General Office of China Food and Drug Administration, predecessor of the National Medical Products Administration ("**NMPA**"), jointly issued the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Genomic Testing ("**Notice No. 25**"), to specifically govern products and technologies used in genetic testing service. In accordance with Notice No. 25, the pilot enterprises designated by the NHFPC may use genetic testing products on trial and no medical institutions may apply genetic testing technologies or products for clinical use before the issuance of relevant access standards and management regulations. Subsequently, in March 2014, the Medical Affairs and Hospital Administration Bureau of the NHFPC issued a notice to start the pilot scheme on clinical use of NGS. The companies that are not pilot enterprises, including us, may be prohibited from conducting genetic testing service and specifically from using NGS technology. As advised by our PRC Legal Advisor, pursuant to the Governmental Consultations of the BMHC, (i) as there are market demands and clinical needs for clinical laboratories to conduct NGS testing, medical institutions that have been registered and obtained a Practice License for Medical Institutions and have the approval to conduct clinical gene amplification, including us, are not strictly prohibited from continuing to provide NGS-based testing services, (ii) Article 53 of the 2021 Rules further confirms the legality of LDTs and that NGS technology can be applied when providing LDT services and (iii) no administrative penalties have been imposed on us with respect to such issues during the Track Record Period. Therefore, the likelihood of us being prohibited from providing genetic testing services, including the use of NGS technology in the provision of such services, is relatively low. If the government promulgates a clear requirement for NGS technology approval, we intend to take necessary actions to meet such requirements. Any failure to meet existing and future requirements may result in adverse effect on our continuous business operation of NGS technology utilization.

We may discontinue the provision of certain types of genetic testing services to comply with applicable laws and regulations and if such services are material to our business, such discontinuation could materially and adversely affect our operational and financial results.

Any change or amendment in China's regulatory environment may require us to discontinue the provision of certain types of genetic testing services in order to to comply with applicable laws and regulations. During the Track Record Period, we provided LDT services with *in-vitro* diagnostic reagents that had the same type of reagents which obtained medical device registration certificates in China (including ApoE gene testing and folate metabolic capacity assessment). We discontinued the provision of such services since May 2021 to comply with the newly promulgated 2021 Rules which became effective on June 1, 2021, which impose a new requirement that medical institutions may use self-developed testing kits without medical registration certificate only if products of the same type are not available in the China market. Although we do not expect the discontinuation of such services to have any material adverse effect on our financial performance, as such services can be fully replaced by using IVD products, it serves as an example that future changes in relevant laws and regulations may require us to discontinue the provision of other types of testing service, which could materially and adversely affect our operational and financial results, if we are not able to make any alternative arrangements in a timely and cost-effective manner.

We may be adversely affected by the lack of regulatory supervision on our provision of LDT services in the PRC, and our provision of such services may be deemed as non-compliant conduct under laws, regulations or standards that may be introduced in the future and such non-compliance may have a material adverse effect on our operational and financial performance.

The LDT industry is relatively new in China and a comprehensive regulatory framework governing the LDT industry has not been established. Our provision of LDT services conforms to industry practice and we maintain a quality control system to assure the stability and accuracy of our testing services. However, due to the lack of regulatory supervision, there are no clear rules and standards that govern certain aspects of our provision of such services, such as certain testing procedures and quality control measures. Although pursuant to the Governmental Consultations with the NMPA and the Governmental Consultations with the BMHC, Article 53 of the 2021 Rules confirms the legality of our LDT services, we cannot rule out the possibility that our provision of LDT services may be deemed to be non-compliant conduct under laws, regulations or standards that may be introduced in the future, which may have a material adverse effect on our operational and financial performance.

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury.

Our past and present business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. Since the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have adverse impact on our business, financial condition and results of operations.

During the Track Record Period, we conducted genetic testing services before completing acceptance inspection procedures of environmental protection facilities required under relevant regulations primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. According to Article 23 of the Administrative Regulations on Environmental Protection in Construction Projects (建設項目環境保護管理條例), where a builder violates the provisions in the case where the construction project is put into production or use when the environmental protection facilities have not undergone acceptance inspection, the environmental protection administrative authorities of county level and above shall order the builder to make correction within a stipulated period and impose a fine ranging from RMB200,000 to RMB1 million and where correction is not made within the stipulated period, a fine ranging from RMB1 million to RMB2 million shall be imposed. Although as of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident, we may be subject to fines and other administrative penalties imposed by those government authorities, which may have a negative impact on our business operations.

In May 2012, the State Administration of Work Safety of the PRC issued the Catalogue of Classification and Management of Occupational Disease Hazards in Construction Projects, which was amended by NHC in March 2021 (the "**Catalogue**"). Pursuant to the Catalogue, we are required to carry out (1) the project declaration of occupational disease hazards, (2) the pre-evaluation of occupational diseases, (3) the design, construction and putting into use of occupational disease protection facilities, (4) the evaluation of the effect of control of occupational disease hazards and acceptance of protection facilities, and (5) the testing of occupational disease hazards regularly for our manufacturing projects. During the Track Record Period, we did not carry out any of the aforementioned procedures as ascribed under the Catalogue primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. As advised by our PRC Legal Advisor, according to the Law of People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) and the Measures of Occupational Disease Hazard Project Declaration (職業病

危害項目申報辦法), the maximum potential penalty for Beijing Mega Lab is approximately RMB300,000. Although as of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident, we may be subject to fines and other administrative penalties imposed by those government authorities under the Catalogue, which may have a negative impact on our business operations.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our laboratory during our service processes. In the event of any accident, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers and consumers. We may also be forced to close or suspend operations at our affected facility temporarily or permanently. As a result, any accidental contamination or personal injury could have adverse impact on our reputation, business, financial condition and results of operations.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly China. In China, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents, such as unlawful acts committed in the request-for-proposal processes conducted by health checkup centers and hospitals for genetic testing services. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, our reputation could be harmed and our customers could cancel or not renew contracts for our services, all of which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of Contractual Arrangements and the relinquishment of our interest in PRC Consolidated Entities.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in the development and application of technologies for diagnosis and treatment of human stem cells and genes.

We are a company incorporated under the laws of the Cayman Islands. Mega Genomics WFOE (including its subsidiary in the PRC) is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we provide consumer genetic testing and cancer screening services through our PRC Consolidated Entities based on the Contractual Arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of PRC Consolidated Entities; (ii) receive substantially all of the economic benefits from PRC Consolidated Entities in consideration for the services provided by Mega Genomics WFOE; and (iii) have an exclusive option to purchase all or part of the equity interests in PRC Consolidated Entities when and to the extent permitted by PRC law, or request that any existing shareholder of PRC Consolidated Entities to transfer any or part of the equity interest in PRC Consolidated Entities to another PRC person or entity designated by us at any time at our discretion according to the relevant law. Because of the Contractual Arrangements, we are the primary beneficiary of PRC Consolidated Entities and hence consolidate its results of operations into ours. PRC Consolidated Entities hold certain licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that the Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or PRC Consolidated Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and NHC, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and PRC Consolidated Entities may not be able to comply;

- requiring us or our PRC subsidiaries and PRC Consolidated Entities to restructure the relevant ownership structure or operations;

- restricting or prohibiting our use of the proceeds from the Global Offering or other of our financing activities to finance the business and operations of PRC Consolidated Entities; or

- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of PRC Consolidated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and the Contractual Arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of PRC Consolidated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from PRC Consolidated Entities, we may not be able to consolidate PRC Consolidated Entities into our consolidated financial statements.

The Contractual Arrangements may not be as effective in providing operational control as direct ownership. PRC Consolidated Entities or its Registered Shareholders may fail to perform their obligations under the Contractual Arrangements.

Due to PRC restrictions or prohibitions on foreign ownership of companies that engage in the development and application of technologies for diagnosis and treatment of human stem cells and genes, we provide genetic testing and cancer screening services through PRC Consolidated Entities in China, in which we have no ownership interest. We rely on the Contractual Arrangements with PRC Consolidated Entities and their Registered Shareholders to control and operate its business. The Contractual Arrangements are intended to provide us with effective control over PRC Consolidated Entities and allow us to obtain economic benefits from it. See "Contractual Arrangements" for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Advisor that the Contractual Arrangements with PRC Consolidated Entities constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms (save as disclosed in "Contractual Arrangement – LEGALITY OF THE CONTRACTUAL ARRANGEMENTS"), the Contractual Arrangements may not be as effective in providing control over PRC Consolidated Entities as direct ownership. If our PRC Consolidated Entities or their Registered Shareholders fail or refuse to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. The Contractual Arrangements are governed by, and interpreted in accordance with, PRC laws and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is still

evolving and not as developed as in other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce the Contractual Arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by PRC Consolidated Entities. As a result, we may be unable to consolidate PRC Consolidated Entities in our consolidated financial statements and our ability to conduct our business may be negatively affected.

We may lose the ability to use licenses, approvals and assets held by PRC Consolidated Entities that are material to our business operations if PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our PRC Consolidated Entities. If any of our PRC Consolidated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority over such third-party creditors on the assets of our PRC Consolidated Entities. If any of our PRC Consolidated Entities liquidates, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and claim any outstanding liabilities owed by such PRC Consolidated Entity to Mega Genomics WFOE under the exclusive business cooperation agreement, along with other general creditors.

If the Registered Shareholders of our PRC Consolidated Entities attempt to voluntarily liquidate our PRC Consolidated Entities without obtaining our prior consent, we may not be able to prevent such unauthorized voluntary liquidation by exercising our right to request the Registered Shareholders of our PRC Consolidated Entities to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the exclusive call option agreement with the Registered Shareholders of our PRC Consolidated Entities. In the event that the Registered Shareholders initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of our PRC Consolidated Entities without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

The Registered Shareholders of PRC Consolidated Entities may have conflicts of interest with us, which may materially and adversely affect our business.

The Registered Shareholders of PRC Consolidated Entities may potentially have a conflict of interest with us, and they may breach the Contractual Arrangements, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you

that when conflicts of interest arise between us and PRC Consolidated Entities, the Registered Shareholders of PRC Consolidated Entities will act in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders of PRC Consolidated Entities may breach or cause PRC Consolidated Entities to breach the Contractual Arrangements. If PRC Consolidated Entities or its Registered Shareholders breach the Contractual Arrangements or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control PRC Consolidated Entities and otherwise result in negative publicity. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

If we exercise the option to acquire equity ownership and assets of PRC Consolidated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Mega Genomics WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in PRC Consolidated Entities from their Registered Shareholders for a nominal price.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Registered Shareholders of PRC Consolidated Entities will pay the equity transfer price they receive to PRC Consolidated Entities under the Contractual Arrangements. The amount to be received by PRC Consolidated Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On January 1, 2020, the Foreign Investment Law came into effect. The Foreign Investment Law (《外商投資法》) replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("**Foreign Investor(s)**") and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in

the PRC by a Foreign Investor, either individually or collectively with any other investor and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of investment activity as foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council." Therefore, there is the possibility that future laws, administrative regulations or provisions of the State Council may stipulate certain contractual arrangements to be a means of foreign investment, which may affect whether our contractual arrangements will be recognized as foreign investment, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements, and therefore how our contractual arrangements will be handled are uncertain.

In an extreme scenario, we may be required to unwind the Contractual Arrangements and/or dispose of PRC Consolidated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that we no longer have a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal or in the event such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in the delisting of our Company. For details of the Foreign Investment Law and its potential impact on our Company, see "Regulatory Overview – Laws and Regulations Related to Foreign Investment in the PRC – Foreign Investment Law of the PRC and its Implementation Regulations."

Therefore, there is no guarantee that the Contractual Arrangements and the business of PRC Consolidated Entities will not be materially and adversely affected in the future.

The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements do not represent an arm's-length price and adjust PRC Consolidated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction for PRC tax purposes, of expense deductions recorded by PRC Consolidated Entities, which could in turn increase their tax liabilities. In addition, the

PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and the liquidity and market price of our Shares may be volatile.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company, and the Sole Representative (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the initial offer price.

The initial offer price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject

to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and our existing shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and our existing shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our certain existing shareholders are subject to certain lock-up periods. We cannot assure you that our existing shareholders will not dispose of any Shares after the expiration of such lock-up periods. A disposal of a significant amount of our Shares in the future may cause a decline in our Share price.

We are an exempted Cayman Islands company with limited liability and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law" in this Prospectus.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or substantial shareholders of our Company, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

PRC regulations on investments and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make additional capital contributions or loans to members of our Group.

PRC regulations on investments and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make additional capital contributions or loans to members of our Group. Any capital contribution or loan that we, as an offshore entity, make to any current or future PRC members of our Group, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, the total of any offshore loan to the PRC members of our Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of our Group, which must comply with certain regulatory limits prescribed by the MOFCOM and such loans must be registered with SAFE. In addition, our capital contributions to the PRC members of our Group must be approved by MOFCOM and SAFE. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalize the relevant PRC members of our Group or fund our operations or to utilize the proceeds of the Global Offering in the manner described in "Future Plans and Use of Proceeds" section of this Prospectus may be adversely affected, which could adversely affect the liquidity of the relevant PRC members of our Group, our ability to grow our business and our financial condition and results of operations.

You must rely on the judgment of our management as to the use of the proceeds of the Global Offering, and such use may not produce income or increase the price of our Shares.

Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the price of our Shares. The net proceeds may be placed in investments that do not produce income or that lose value.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders are expected to be entitled to exercise approximately 34.30% of the voting rights of the Company. For details, see "Relationship with Our Controlling Shareholders" in this Prospectus. The interests of our

Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders may have significant influence on the outcome of any corporate transactions or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of the Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this Prospectus.

This Prospectus, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the genetic testing market. Such information and statistics have been derived from a third-party report commissioned by us, official government publications, available sources from public market research and other sources from third parties. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, save for Frost & Sullivan, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this Prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read this Prospectus carefully and should not rely on any information contained in press articles or other media regarding us or the Global Offering

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this Prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this Prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Prospectus, we disclaim responsibility for it and you should not rely on such information.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Our principal business and operations are located, managed and conducted in the PRC through our operating subsidiaries in the PRC. All of our turnover is generated from the PRC. None of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong. As a result, our Company does not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Furthermore, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we have put in place the following measures:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Ms. Lin Lin, the Chairperson of the Board and an executive Director, who is ordinarily resident in the PRC, and Ms. Ng Wai Kam (伍偉琴), one of our joint company secretaries, who is ordinarily resident in Hong Kong;

(b) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the compliance advisor of our Company or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance advisor;

(c) each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(d) each of the authorized representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange, the authorized

representatives and the Directors, we have implemented a policy that (a) each Director will provide their respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the authorized representatives; and (b) all the Directors and authorized representatives will provide their office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Stock Exchange;

(e) the Directors, who are not ordinarily resident in Hong Kong, possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time; and

(f) we have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Our compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the authorized representatives of our Company and the Directors.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his or her educational or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In accessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Li Yan (李艷) and Ms. Ng Wai Kam (伍偉琴) as our joint company secretaries. Ms. Li joined our Group in March, 2017 and has been responsible for developing and executing human resources strategy in support of the overall business plan and strategic direction of our Group. For more details of Ms. Li's biography, please see the section headed "Directors and Senior Management – Senior Management" in this Prospectus. Although our Company believes, having regard to Ms. Li's past experience in handling administrative and corporate matters, that she has a thorough understanding of our Company and the Board, Ms. Li does not possess the requisite qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Ng, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary of our Company. For more details of Ms. Ng's biography, please see the section headed "Directors and Senior Management– Joint Company Secretaries" in this Prospectus.

Given the important role of the company secretary in the corporate governance of a listed issuer, particular in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have put in place the following arrangements:

(a) Ms. Ng, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Ms. Li so as to enable her to discharge her duties and responsibilities as a joint company secretary of our Company. Given Ms. Ng's relevant experiences, she will be able to advise both Ms. Li and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Ms. Li, one of our joint company secretaries, will be assisted by Ms. Ng for a period of three years commencing from the Listing Date, which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) our Company will ensure that Ms. Li has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Li has undertaken to attend such trainings;

(d) Ms. Li will communicate with Ms. Ng on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Ng will work closely with, and provide assistance to Ms. Li with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Li and Ms. Ng will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Ms. Li and Ms. Ng will be advised by our legal advisors as to Hong Kong law and our compliance advisor as and when appropriate and required.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver is valid for an initial period of three years commencing from the Listing Date. Such waiver will be revoked immediately if and when Ms. Ng ceases to provide such assistance or the Company commits any material breaches of the Listing Rules during the three-year period from the Listing Date. Before expiry of the initial three-year period, our Company will evaluate the qualifications and experiences of Ms. Li. Upon the determination of our Company that no on-going assistance to Ms. Li is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Ms. Ng over such three-year period, Ms. Li has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules following completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transaction of our Company. For details of such continuing connected transactions and the waiver, please see the section headed "Connected Transactions" in this Prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND CONSENT PURSUANT TO PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rule requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit Maccura Biotechnology, who is the parent company of our Company's existing Shareholder being Maccura Biotechnology (USA) LLC, (the "**Close Associate of the Existing Minority Shareholder**") to subscribe for Shares in the Listing as a cornerstone investor, subject to the conditions that:

(a) such Close Associate of the Existing Minority Shareholder to whom our Company may allocate the Shares in the International Offering holds less than 5% of our Company's voting rights prior to the completion of the Global Offering;

(b) the Close Associate of the Existing Minority Shareholder is not or will not be a core connected person of our Company or any close associate of a core connected person of our Company immediately prior to or following the Global Offering;

(c) the Close Associate of the Existing Minority Shareholder has no right to appoint any Director or any other special right;

(d) allocation to the Close Associate of the Existing Minority Shareholder will not affect our ability to satisfy the public float requirement as prescribed under Rule 8.08 of the Listing Rules;

(e) our Company will confirm to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to such Close Associate of the Existing Minority Shareholder by virtue of their relationship with our Company other than the preferential treatment of assured entitlement at the Offer Price under the cornerstone investment, and the terms will be substantially the same as other cornerstone investors;

(f) the Joint Global Coordinators will confirm to the Hong Kong Stock Exchange in writing that to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to such Close Associate of the Existing Minority Shareholder by virtue of their relationship with our Company other than the preferential treatment of assured entitlement at the Offer Price under the cornerstone investment, and the terms will be substantially the same as other cornerstone investors; and

(g) the Sole Sponsor will confirm to the Hong Kong Stock Exchange in writing that based on (i) its discussions with our Company and the Joint Global Coordinators; and (ii) the confirmations provided to the Hong Kong Stock Exchange by our Company and the Joint Global Coordinators mentioned above, and to the best of its knowledge and belief, it has no reason to believe that the Close Associate of the Existing Minority Shareholder received any preferential treatment other than the preferential treatment of assured entitlement at the Offer Price under the cornerstone investment, and the terms will be substantially the same as other cornerstone investors.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Representative. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Sole Representative (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, June 15, 2022 and, in any event, not later than Thursday, June 16, 2022 (unless otherwise determined between the Sole Representative (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Representative and our Company on or before Thursday, June 16, 2022, the Global Offering will not become unconditional and will lapse immediately.

See the section headed "Underwriting" in this Prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this Prospectus.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution in this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution in this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares on conversion of Preference Shares) and to be issued pursuant to the Global Offering (including due to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, June 22, 2022. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B (1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this Prospectus. Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue up to an additional 1,794,200 new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Appleby Global Services (Cayman) Limited, in the Cayman Islands. Our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this Prospectus was made at the following rates:

RMB0.8310	to	HK$1.00
RMB6.4625	to	US$1.00
HK$7.7768	to	US$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English Prospectus that are not in the English language and are English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this Prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Dr. Yu Rong (俞熔)	937 Dongfang Road Pudong New Area Shanghai, the PRC	Chinese
Ms. Lin Lin (林琳)	No. 36-8 Chengbiao Street Xiangfang District Harbin, the PRC	Chinese
Mr. Huang Yufeng (黄宇峰)	No. 11, Unit 3 Building 2, No. 53 Fanghua Street Hi Tech Zone Chengdu, the PRC	Chinese
Ms. Jiang Jing (姜晶)	Room 602, Unit 2 Building 88 Century Star City Tongzhou District Beijing, the PRC	Chinese
Non-executive Director		
Ms. Guo Meiling (郭美玲)	01, 3/F Jinling Times Building 25 Xiaoying West Road Haidian District Beijing, the PRC	Chinese

Independent Non-executive Directors

Dr. Zhang Ying (張影)	No. 5, Yiheyuan Road Beijing, the PRC	Chinese
Mr. Jia Qingfeng (賈慶豐)	Room 103, Unit 1, Building 14, Qingyuan Community, Qingyuan Street, Yuhua District Shijiazhuang, Hebei the PRC	Chinese
Dr. Xie Dan (謝丹)	Room 5, Unit 3, Building 7, No. 71 Jianshe Road, Chenghua District Chengdu, Sichuan the PRC	Chinese

For details, please see the section headed "Directors and Senior Management" in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central, Hong Kong
Joint Global Coordinators	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central, Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong

Zhongtai International Securities Limited
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

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

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Zhongtai International Securities Limited
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F United Centre
No.95 Queensway
Hong Kong

Tiger Brokers (HK) Global Limited
Whole of 18th Floor, Central 88,
88 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

	Guotai Junan Securities (Hong Kong) Limited 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong and United States laws:* **Paul Hastings** 22/F Bank of China Tower 1 Garden Road Hong Kong *As to PRC laws:* **King & Wood Mallesons** 18th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC *As to Cayman Islands laws:* **Appleby** Suites 4201-03 & 12 42/F, One Island East Taikoo Place, 18 Westlands Road Quarry Bay Hong Kong
Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and United States laws:* **Sidley Austin** 39th Floor Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC laws:* **Jia Yuan Law Offices** F408 Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing, China

Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Suite 2504 Wheelock Square 1717 Nanjing West Road Jingan District, Shanghai the PRC
Compliance Advisor	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central, Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Principal Place of Business and Head Office in the PRC	401 Health Work North Garden Road Haidian District Beijing PRC
Registered Office	Second Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Representative Office and Place of Business in Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Website Address	**https://www.megagenomics.cn/** (*The contents of the website do not form a part of this Prospectus*)
Joint Company Secretaries	Ms. Li Yan 401 Health Work North Garden Road Haidian District Beijing PRC Ms. Ng Wai Kam *a Chartered Secretary* *a Chartered Governance Professional* *an associate of The Hong Kong Chartered Governance Institute (HKCGI) (formerly "The Hong Kong Institute of Chartered Secretaries" (HKICS))* *an associate of The Chartered Governance Institute (CGI) (formerly "The Institute of Chartered Secretaries and Administrators" (ICSA))* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Authorized Representatives	Ms. Lin Lin 401 Health Work North Garden Road Haidian District Beijing PRC Ms. Ng Wai Kam Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Jia Qingfeng (chairperson) Ms. Guo Meiling Dr. Zhang Ying
Nomination Committee	Ms. Lin Lin (chairperson) Dr. Zhang Ying Mr. Jia Qingfeng
Remuneration Committee	Dr. Zhang Ying (chairperson) Ms. Guo Meiling Mr. Jia Qingfeng
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 Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bank	Bank of Communications Co., Ltd. (Beijing Beitaipingzhuang Branch) 1st floor, Yangyuan Building Huayuan East Road No. 32 Haidian District Beijing, the PRC

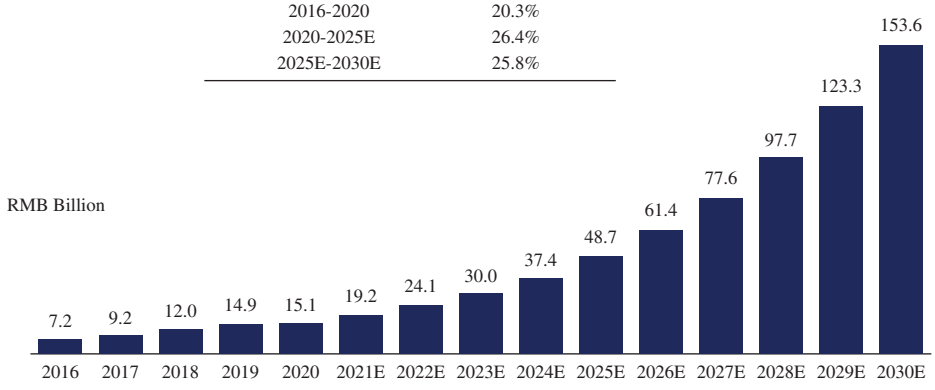
The information and statistics set out in this section and other sections of this Prospectus were extracted from different official government publications, available sources from public market research and other sources from third parties. In addition, the Company engaged Frost & Sullivan in preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, any of the Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, save for Frost & Sullivan, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon. The Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

GENETIC TESTING MARKET IN CHINA

According to Frost & Sullivan, the genetic testing market in China reached RMB15.1 billion in 2020 with a CAGR of 20.3% from 2016 to 2020. The market for genetic testing in China is expected to further grow to RMB48.7 billion in 2025, representing a CAGR of 26.4% from 2020 to 2025, and to RMB153.6 billion in 2030, representing a CAGR of 25.8% from 2025 to 2030. The following chart shows the historical and forecasted size for the genetic testing market in China from 2016 to 2030.

Historical and Forecasted Market Size of Genetic Testing Market in China, 2016-2030E

Period	CAGR
2016-2020	20.3%
2020-2025E	26.4%
2025E-2030E	25.8%



Note: Coronavirus detection not included.

Source: Public companies' annual reports, expert interviews and Frost & Sullivan Analysis

CONSUMER GENETIC TESTING MARKET

Overview

Consumer genetic testing refers to genetic testing services that provide consumers with access to their genetic information without necessarily involving a healthcare provider in the process. Consumer genetic testing covers a broad spectrum of tests, including carrier screening, genetic health risk assessment, pharmacogenetic testing, cancer predisposition assessment, low risk general wellness test and ancestry test. Consumers usually learn about consumer genetic testing from health checkup centers, hospitals, insurance companies or Internet resources, and request for consumer genetic testing voluntarily as a part of health examination or general health management. These tests generally require institutions such as health checkup centers or consumers to collect a specimen and then send such specimen to the provider for testing and analysis.

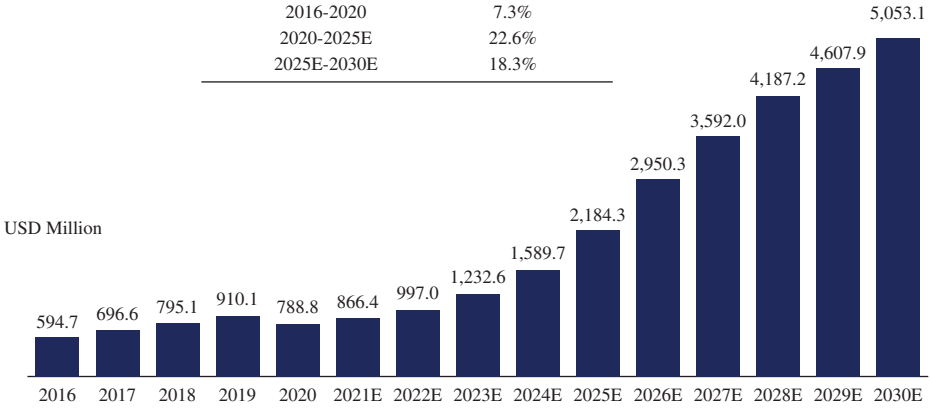
Market Size and Penetration Rate in China and the United States

The consumer genetic testing market in the United States was established around 1991. After going through a start-up period and the observation period, this market exploded into a development period in 2019 and continued to show high growth. At the same time, the leading companies in the United States continued to expand and further increased their market shares. In comparison, the consumer genetic testing market in China was established relatively recently around 2013 and is currently at early state of its development. Currently, the Chinese consumers have not fully adopted consumer genetic testing as a routine aspect of health examination or health management, which could represent significant untapped market potential, especially given China's large population and the aging trend. The consumer genetic testing market in China is expected to maintain strong growth momentum. Leading companies in the market are expected to expand their market shares and better participate in each aspect of the industry chain.

According to Frost & Sullivan, the consumer genetic testing market in the United States was US$788.8 million in 2020, which was lower than the previous year due to the impact of the COVID-19 pandemic. The market for consumer genetic testing in the United States is expected to grow to US$2.2 billion in 2025, representing a CAGR of 22.6% from 2020 to 2025, and further grow to US$5.1 billion in 2030, representing a CAGR of 18.3% from 2025 to 2030. The following chart shows the historical and forecasted market size of the consumer genetic testing market in the United States from 2016 to 2030.

Historical and Forecasted Market Size of Consumer Genetic Testing Market in U.S., 2016-2030E

Period	CAGR
2016-2020	7.3%
2020-2025E	22.6%
2025E-2030E	18.3%

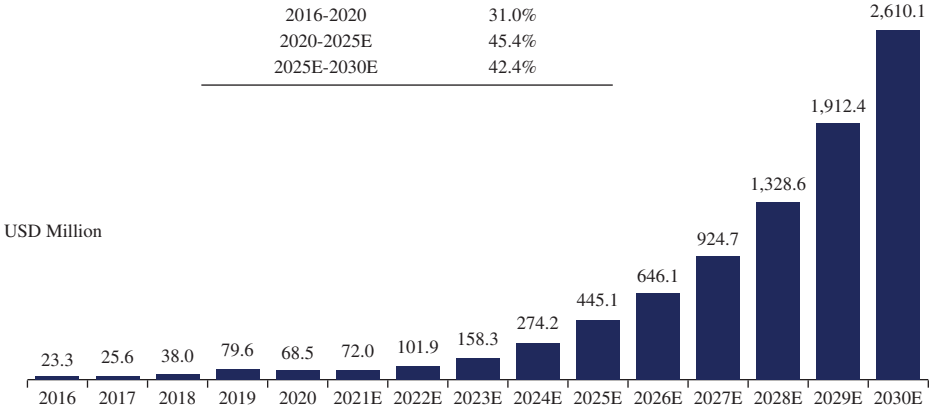


Source: Company annual report, expert interviews and Frost & Sullivan Analysis

In comparison, China's consumer genetic testing market was US$68.5 million in 2020 with a CAGR of 31.0% from 2016 to 2020. The consumer genetic testing market in China is expected to grow to US$445.1 million in 2025, representing a CAGR of 45.4% from 2020 to 2025 and further grow to US$2.6 billion in 2030, representing a CAGR of 42.4% from 2025 to 2030, which out-paces the growth rate of the market in the United States.

Historical and Forecasted Market Size of Consumer Genetic Testing Market in China, 2016-2030E

Period	CAGR
2016-2020	31.0%
2020-2025E	45.4%
2025E-2030E	42.4%

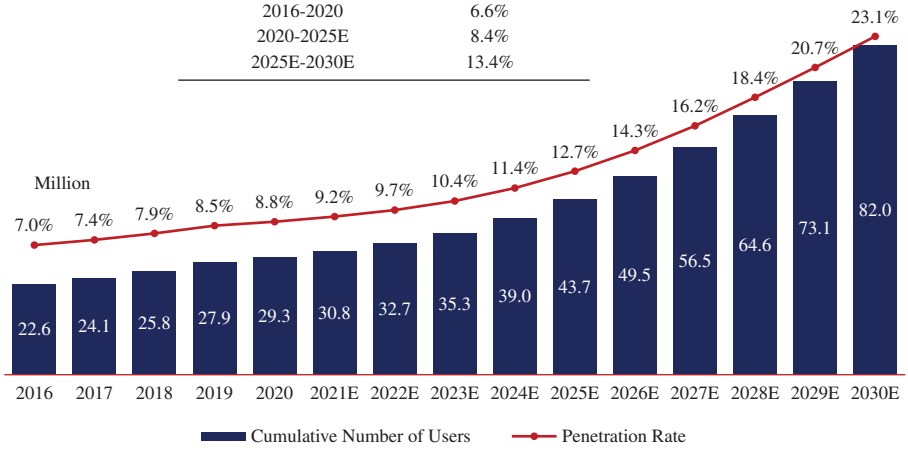


Source: China's National Bureau of Statistics, expert interviews and Frost & Sullivan Analysis

According to Frost & Sullivan, the cumulative number of users of consumer genetic testing in the United States in 2020 was 29.3 million with a penetration rate of 8.8%. In comparison, China had 12.1 million cumulative consumers of consumer genetic testing in 2020, but the penetration rate was only 0.8% due to China's substantially larger population. In 2025, the cumulative number of users of consumer genetic testing services and products is expected to reach 43.7 million in the United States with a penetration rate of 12.7%, while the cumulative number of users in China is expected to reach 52.3 million and exceed the number of cumulative users in the United States. However, the penetration rate of 3.7% in China in 2025 is still expected to be significantly lower than in the United States and represent substantial room for industrial and commercial growth. In 2030, the cumulative number of users is expected to reach 82.0 million in the United States with a penetration rate of 23.1%, while the cumulative number of users in China is expected to reach 167.2 million with a penetration rate of 11.6%. Although the cumulative number of users in China is expected to be over twice the cumulative number of users in the United States in 2030, the penetration rate in China would still be only half of the penetration rate in the United States. As a result, the consumer genetic testing market in China has significant growth potential. The following chart shows the historical and forecasted number of cumulative consumers and penetration rate of consumer genetic testing in China and the United States from 2016 to 2030.

Consumer Genetic Testing Cumulative Number of Users in U.S., 2016-2030E

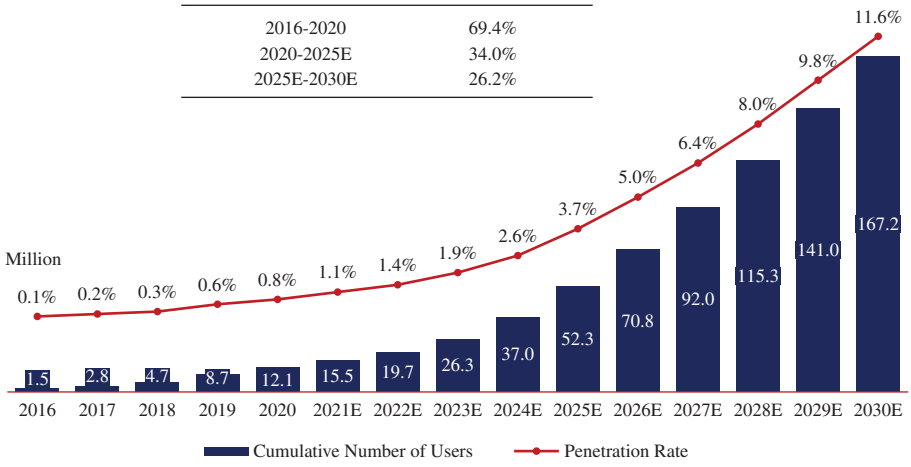
Period	CAGR
2016-2020	6.6%
2020-2025E	8.4%
2025E-2030E	13.4%



Source: Company annual report, United States Census Bureau, expert interviews and Frost & Sullivan Analysis

Consumer Genetic Testing Cumulative Number of Users in China, 2016-2030E

Period	CAGR
2016-2020	69.4%
2020-2025E	34.0%
2025E-2030E	26.2%



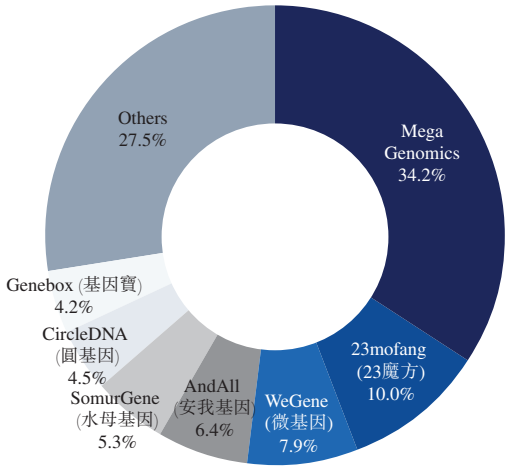
Source: China's National Bureau of Statistics, expert interviews and Frost & Sullivan Analysis

According to Frost & Sullivan, the CAGR for the consumer genetic testing market in China is expected to remain relatively high for the next ten years, as this market is at the early development stage and factors including population aging and increasing awareness of genetic testing are expected to promote market penetration. The underlying assumptions of forecasting the number of users for consumer genetic testing are made by Frost & Sullivan based on public information and interviews with industry experts of consumer genetic testing. Also, along with its expertise in market forecast, Frost & Sullivan considered several factors quantitatively in its market forecast, such as China's increasing urbanization rate, expanding immigrant population in the top tier cities of China and higher percentage of people who received higher education. In addition, based on the same sources, Frost & Sullivan made several assumptions, including an assumption that consumers in China will pay more attention to their health over time, regardless of the developmental level of their geographic location, because the general education levels and health education levels are expected to increase in both urban and rural areas in China. Frost & Sullivan also assumed that more diversified marketing strategies from market players will further raise awareness among consumers about personal health, which is expected to drive the demand for consumer genetic testing services and products in China.

Competitive Landscape

The consumer genetic testing market in China is competitive with approximately 20 market players. In 2020, the Company had the largest market share of 34.2% by revenue in China's consumer genetic testing market, according to Frost & Sullivan. The Company's closest competitor had a market share of 10.0% by revenue, and each of the other competitors had less than 10% market share by revenue. Moreover, in 2020, the Company performed 2.7 million tests, which accounted for 65.8% of the total number of tests performed in China's consumer genetic testing market, and was ten times higher than the number of tests performed by its closest competitor.

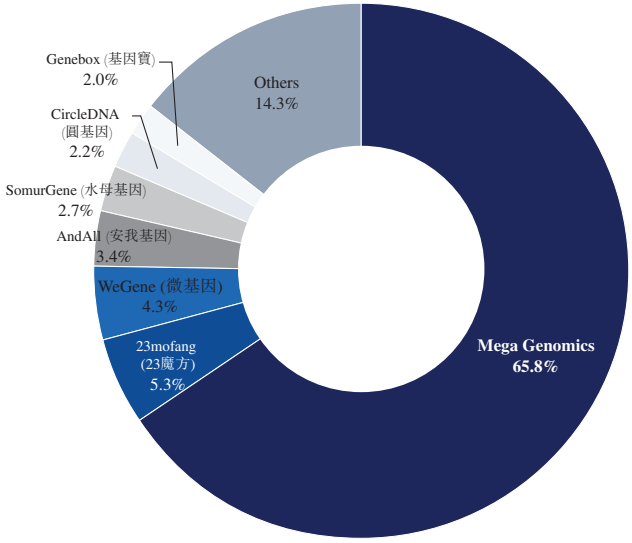
Market Share of Consumer Genetic Testing in China, 2020



Company	Market Share (%)
Mega Genomics	34.2%
23mofang (23魔方)	10.0%
WeGene (微基因)	7.9%
AndAll (安我基因)	6.4%
SomurGene (水母基因)	5.3%
CircleDNA (圓基因)	4.5%
Genebox (基因寶)	4.2%
Others	27.5%

Source: Companies' websites, expert interviews and Frost & Sullivan Analysis

Number of Consumer Genetic Tests Performed in China, 2020



Company	Testing Volume (thousand)	Share (%)
Mega Genomics	2,682	65.8%
23mofang (23魔方)	216	5.3%
WeGene (微基因)	176	4.3%
AndAll (安我基因)	140	3.4%
SomurGene (水母基因)	108	2.7%
CircleDNA (圓基因)	91	2.2%
Genebox (基因寶)	83	2.0%
Others	582	14.3%

Source: Companies' websites, expert interviews and Frost & Sullivan Analysis

The following table shows a multi-dimensional comparison among the leading consumer genetic testing companies in China in 2020. According to Frost & Sullivan, the Company was the only profitable consumer genetic testing company in China among the leading companies in that market in 2020. Benefiting from its business model and years of investments, the Company's operational performance, represented by number of tests, monthly growth of tests and average production capacity per day, was also significantly higher than its competitors in 2020.

Company	Background	Cumulative Number of Users (thousand)	Average Production Capacity per Day (thousand)	Sales Revenue (RMB million)	Monthly Growth of Tests (thousand)	Profitability	Listing Status
Mega Genomics	-	7,490	30	161.7	223.5	Yes	No
23mofang (23魔方)	23mofang provides hundreds of testing services mainly by taking saliva as a sample, such as ancestral analysis, genetic health risk, genetic traits, carrier screening and nutritional demand.	800	3	47.3	18.0	No	No
WeGene (微基因)	WeGene focuses on personalized genome test and analysis, provide services including ancestral analysis, personalized exercise and weight loss suggestions, nutritional genomics, genomic medicine and other services.	550	3	37.3	14.7	No	No
AndAll (安我基因)	Based on health big data, AndAll establishes a family health service platform, providing services such as gene test, intestinal microbe test and in-home diagnosis, for example, point-of-care testing.	430	<1	30.4	11.7	No	No
SomurGene (水母基因)	SomurGene focuses on providing health management services based on personalized genome test.	300	<1	24.8	9.0	No	No
CircleDNA (圓基因)	CircleDNA is committed to providing professional consumer genetic testing, consumer digital health management services.	220	<1	21.3	7.6	No	No
Genebox (基因寶)	Genebox provides consumer genetic testing services such as ancestral analysis and health risk assessment consumer genetic testing services.	200	<1	19.8	6.9	No	No

Note: Monthly growth of tests only include consumer genetic testing.

Source: Companies' websites, expert interviews and Frost & Sullivan Analysis

The pricing of consumer genetic tests in China mainly depends on technology, capability of automatic high-throughput testing platforms, commercial expenses and channel advantages. For example, microarray is a significantly less expensive technology compared to various other genetic testing technologies, and using this technology can reduce costs and consequently influence pricing. Automatic high-throughput testing capability could effectively reduce testing costs. In addition, commercial expenses and channel advantages determine the expenses of commercializing consumer genetic testing services, which also has a significant impact on service pricing. Currently, consumer genetic testing prices in China range from hundreds of Renminbi to tens of thousands of Renminbi.

Entry Barriers of Consumer Genetic Testing Market

There are several significant entry barriers for new entrants to China's consumer genetic testing market, including (i) limited sales channel, (ii) cost controls, (iii) brand loyalty, (iv) high standard for service quality and (v) evolving regulations. The barriers are summarized as follows:

- *Limited sales channel.* The leading companies have a sales channel advantage – they have established collaboration with major channel partners, including local health checkup centers, to cover large geographic areas. This factor makes it more difficult for new entrants to commercialize services or products quickly or efficiently, which can affect the ability to be profitable.

- *Cost controls.* The ability to control costs is important to the success of a consumer genetic testing company. A testing service provider usually needs to invest heavily in testing platforms and equipments in order to acquire sufficient testing capacity and cost-effective testing process. Further, to commercialize services or products, many companies also need to spend a significant amount of resources on marketing and promotional activities. If a new entrant cannot effectively control such costs, it may not be able to achieve profitability in the long term.

- *Brand loyalty.* Existing leaders in the consumer genetic testing market have brand loyalty among consumers. Consumers for healthcare services tend to choose established brands with solid reputation and stable service quality. Especially when a reputable service provider already has a diversified portfolio of testing services to satisfy market demand, consumers may be reluctant to try the services of new entrants.

- *High standard for service quality.* Consumer genetic testing providers are expected to provide services and products with high quality and readability in order to create optimal consumer experience and high consumer satisfaction. New entrants in the market may encounter significant difficulties to produce reliable and easily comprehensible laboratory reports.

- *Evolving regulations.* The consumer genetic testing market in China is subject to regulation by various governmental agencies and changes to China's regulatory environment are often unpredictable. New entrants to the industry may not have the experience and resources to understand nor adapt to changes in the regulatory environment.

According to Frost & Sullivan, the growth of China's consumer genetic testing market is expected to be continuously attributable to the following major drivers:

- *Growing public awareness about consumer genetic testing.* Public awareness and acceptance of consumer genetic testing in China has been growing steadily, primarily due to the increasing availability of information about genetic testing. As genetic research advances and genetic testing receive more attention from the general public, increased media coverage and information availability lead to increased interest in consumer genetic testing.

- *Rising number of potential consumers.* As the general education level and average income level rise in China, consumers pay more attention to health management and are also more willing to spend on healthcare services and products. In addition, societal trends such as population aging and high disease burden all promote consideration of disease prevention solutions, including consumer genetic testing.

- *Technology development.* Technological advancements allow consumer genetic testing providers to develop new solutions and deliver services with lower costs. Also, artificial intelligence and big data allow more customized services to optimize consumer experience. The popularization of online channels and social media also facilitate information dissemination in faster and cheaper ways.

- *Popularization of physical examination.* Physical examination is a primary offline channel for consumer genetic testing. The physical examination industry in China has significant growth prospects. According to Frost & Sullivan, the number of consumers in China who underwent physical examinations increased by 25 million from 2017 to 2019, and is expected to continue to rise.

Future Trends of Consumer Genetic Testing Market

Future trends of China's consumer genetic testing market can be analyzed from the following aspects:

- *Services and products.* Consumer genetic testing services and products are developing towards product customization and focused services. On the one hand, the spectrum of testing is expected to further broaden. The consumers are expected to be further divided into categories based on demands and needs, and the accuracy and effectiveness of tests are expected to improve. On the other hand, consumer genetic testing providers are expected to expand the scope of service to improve consumer experience, such improved report interpretation or consulting services by dedicated healthcare professional to meet higher demands of certain consumers.

- *Industry.* The consumer genetic testing industry is also expected to develop synergistically with other healthcare industries in China, such as physical examination and drug development. In addition, the penetration rate of consumer genetic testing in different population groups in China is expected to increase. According to Frost & Sullivan, the number of consumers in China who undergo physical examinations increased by 25 million from 2017 to 2019, and is expected to continue to rise. Since physical examination is a primary offline channel for consumer genetic testing, the expected significant growth in the number of physical examination should contribute to a corresponding growth in the number of consumer genetic tests.

- *Consumers.* The penetration rate of consumer genetic testing in different population groups in China is expected to increase. The current primary source of consumer genetic testing consumption in China is consumers with relative higher education levels and relative higher income. Such consumers are typically concentrated in China's first-tier cities, while the penetration rate in the other cities is relatively low. Cooperation with various platforms to penetrate different population groups and non-first-tier cities in China are strategical goals for the industry.

- *Regulatory trends.* Governmental authorities in China are expected to increase controls over quality of services and products as well as requirements on data security. Governmental authorities already widely promote the application of genetic testing in various circumstances and are expected to allow more genetic testing services and products to enter the market. At the same time, governmental authorities are also expected to adopt more stringent screening and review processes on companies in this industry to improve the quality of services and products, as well as increase consumer protection over the use of their personal data by consumer genetic testing providers.

CANCER SCREENING MARKET

Cancer is the leading cause of death worldwide with significant unmet medical needs. According to Frost & Sullivan, China had the world's highest number of new cancer cases in 2020. There were 4.6 million new cancer cases in China in 2020, and its cancer incidence is expected to reach 5.2 million cases in 2025 and 5.8 million in 2030. In 2020, there were 2.7 million cancer-related deaths in China, and the national cancer mortality statistics in China is expected to increase to 3.1 million deaths in 2025 and to 3.5 million deaths in 2030.

If caught at precancerous or early stages, cancer could be managed or cured more effectively. Delays in cancer diagnosis usually leads to significantly higher treatment cost and higher mortality rate. Early risk assessment and early detection generally allow for options ranging from lifestyle changes and health management to medication and surgical intervention. Pre-cancerous lesions identified by cancer screening can usually be surgically removed, thereby preventing malignant growth.

According to Frost & Sullivan, the top five cancer screening markets in China include gastric cancer, colorectal cancer, lung cancer, breast cancer and liver cancer; in 2020, the combined cancer screening market size for the above five cancer types was RMB8.8 billion.

The cancer screening market in China has tremendous growth potential, but is also highly competitive. In order to be successful in this market, cancer screening service providers tend to focus on developing solutions for high-incidence cancer types and compete for first-mover advantage in sample accumulation and clinical validation. The ability to acquire relevant regulatory approvals and to transform technology to commercialization is another vital process. Since patient awareness and public recognition of cancer screening in China is relatively low, the ability to effectively conduct consumer education is also a key success factor. The following table provides information about leading market players, other than the Company, in China's cancer screening market in 2020. These companies have either obtained government approval for their products or disclosed their clinical trial status for cancer screening.

Company	Background	Indication	Product Development/ Clinical Trial Status	Core Technologies
New Horizon Health	New Horizon Health focuses on early home screening of high-incidence cancers.	Colorectal cancer	Approved by NMPA	FIT-DNA (PCR)
AnchorDx	AnchorDx aims to create a high-throughput sequencing clinical application that focuses on precision medicine services.	Bladder cancer	European CE mark obtained, BDD obtained from FDA	Liquid biopsy (NGS)
Berry Genomics	Berry Genomics is a genetic testing company whose services include tumor genetic susceptibility analysis, early screening, target and immune drug testing efficacy monitoring and prognostic judgment.	Liver cancer	Under clinical trial	Liquid biopsy (NGS)
Burning Rock Biotech	Burning Rock Biotech focuses on the application of NGS technology in the field of precision oncology, such as NGS-based therapy selection testing for late-stage cancer patients and cancer screening.	Pan-cancer	Under clinical trial	Liquid biopsy (NGS)
Genetron Holdings	Genetron Holdings is a precision oncology platform company. Its product and service portfolio covers cancer early screening, cancer diagnosis and treatment recommendation.	Liver cancer	Under clinical trial	Liquid biopsy (NGS)
		Lung and digestive system cancers	Under clinical trial	Liquid biopsy (NGS)
Singlera Genomics	Singlera Genomics focuses on early cancer screening and diagnosis, and it has developed a number of screening solutions for tumors and genetic diseases based on molecular diagnostic technology.	Colorectal cancer	Under clinical trial	Liquid biopsy (NGS)

Note: BDD stands for Breakthrough Device Designation

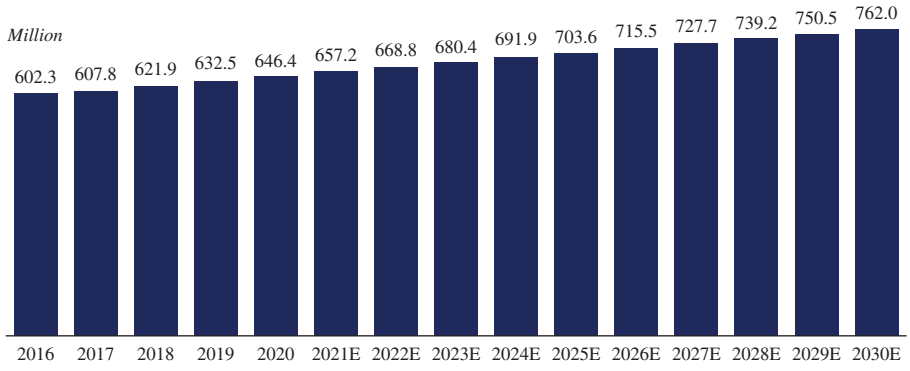
Source: Public companies' annual reports, ClinicalTrials.gov, FDA and Frost & Sullivan Analysis

Colorectal Cancer Screening

According to Frost & Sullivan, colorectal cancer had the third highest incidence both in China and globally in 2020, with 453,400 new cases and 218,200 deaths in China in 2020. In recent years, the incidence of colorectal cancer has been increasing in China due to various environmental factors, including lifestyle factors and unhealthy dietary habits. Despite its relatively high mortality rate, colorectal cancer is widely acknowledged by the medical community as one of the most curable and preventable cancers if detected early. This is because colorectal cancer progression is relatively slow compared to other types of cancer, and has a well-defined precancerous stage which offers a time window for effective colorectal cancer screening and early intervention. According to Frost & Sullivan, the 5-year relative survival rates is 90.1% in China if colorectal cancer is diagnosed at a localized stage. Therefore, screening and identification of colorectal cancer have profound clinical implications and economic value, especially to asymptomatic patients. Considering the dietary habits of the general population and the lower average age of colorectal cancer patients in China, the China Anti-Cancer Association recommends routine colorectal cancer screening for people between 40 and 74 years old, particularly those who live in urban areas. The number of people recommended for regular colorectal cancer screening in China increased from 602.3 million people in 2016 to 646.4 million people in 2020 and is expected to further increase to 762.0 million people in 2030. This trend is reflected in the following chart.

Population Recommended for Colorectal Cancer Screening in China, 2016-2030E

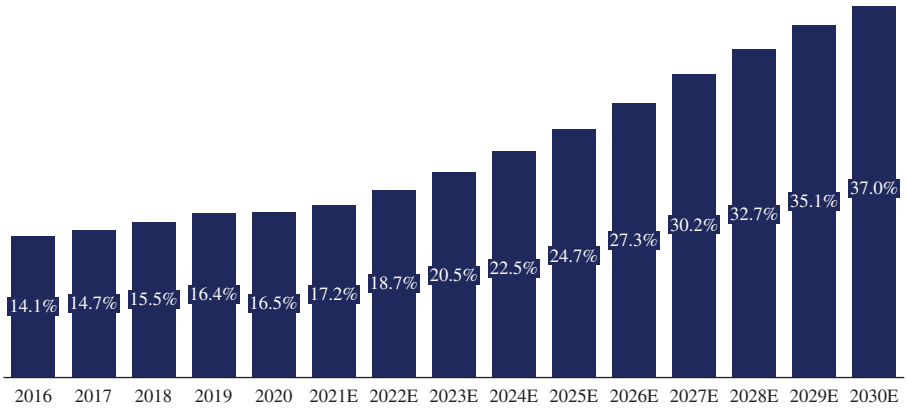
CAGR	Population Recommended for Regular Colorectal Cancer Screening
2016-2020	1.8%
2020-2030E	1.7%



Source: China's National Bureau of Statistics, Expert Consensus on Screening Strategies for Colorectal Cancer in China and Frost & Sullivan Analysis

According to Frost & Sullivan, the penetration rate among people recommended for colorectal cancer screening in China was 16.4% in 2019, as compared to 60.1% in the United States. In the United States, routine colorectal cancer screening is recommended for adults between 50 and 75 years old, and this population reached 93.0 million in 2019, while the population recommended for routine colorectal cancer screening in China for adults between 40 and 74 years old was 632.5 million in 2019. The lower penetration rate in China was primarily due to lower awareness, lack of effective screening methods and insufficient colonoscopy capacity, which is still the main cancer screening solution for colorectal cancer in China. Although colorectal cancer screening is at an early development stage in China with relatively lower penetration rate of 16.5% in 2020, the penetration rate among people recommended for colorectal cancer screening in China is expected to reach 37.0% in 2030, according to Frost & Sullivan. Given that the population recommended for colorectal cancer screening will reach 762.0 million people in 2030, it is expected that approximately 281.9 million people will undertake colorectal cancer screening in 2030. The following chart illustrates the historical and forecasted penetration rate for colorectal cancer screening among the population recommended for colorectal cancer screening in China.

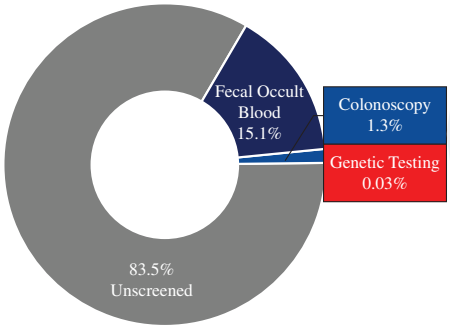
Colorectal Cancer Screening Penetration Rate of Addressable Population (aged 40-74) in China, 2016-2030E



Source: Literature research, expert interview and Frost & Sullivan Analysis

In China, among the 646.4 million people recommended for colorectal cancer screening in 2020, 15.1% of them chose tests based on fecal occult blood specimens. Although fecal occult blood testing currently remains the most popular screening method, it is expected to be replaced by new testing methods due to its low sensitivity and high false positive rate. Colonoscopy and genetic testing are two other available testing methods used by a relatively smaller number of consumers. Colonoscopy's adoption is relatively low because it is an invasive procedure. In comparison, genetic testing is minimally invasive and more affordable, and it is expected to become the future trend of colorectal cancer screening. In 2020, the Company was the largest service provider in China's genetic testing market for colorectal cancer screening in terms of the total number of tests performed, and was the only profitable company among the leading companies in the colorectal cancer screening market in China.

Colorectal Cancer Screening Penetration in China by Testing Method, 2020

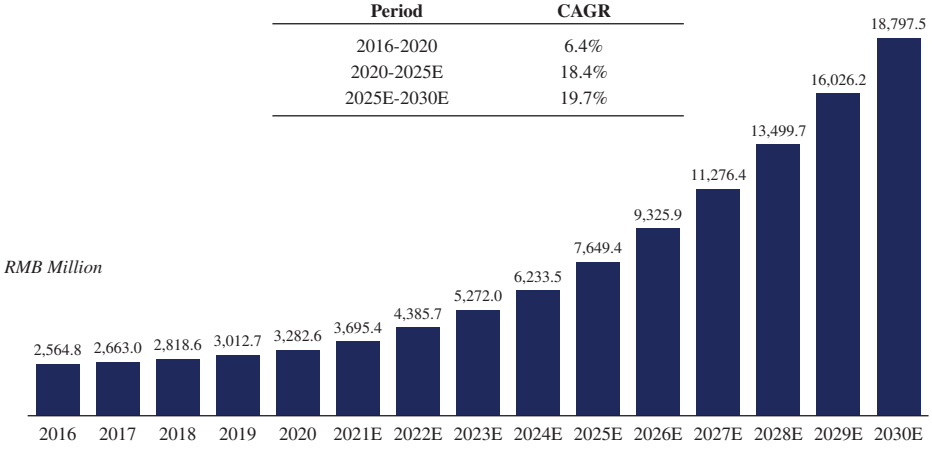


Company	Background	Testing Volume Administered (thousand)	Profitability	Testing Capacity Utilization Rate (%)	Listing Status
Mega Genomics	–	106.2	Yes	59.1%	No
New Horizon Health (諾輝健康)	Established in 2015, New Horizon Health focuses on early home screening of high-incidence cancers.	35.0	No	2.3%	Yes
Microdia Biomedicine (為真生物)	Founded in 2008, Microdia Biomedicine focuses on early screening, early diagnosing and precise monitoring of major diseases such as cancer, Alzheimer's disease, and acute infectious diseases	34.0	No	2.2%	No
Creative Biosciences (康立明)	Founded in 2015, Creative Biosciences focuses on the development and sales of early tumor screening diagnostic products and provides corresponding testing services.	16.0	No	3.7%	No
Others	N/A	24.1	N/A	N/A	N/A
Total	N/A	215.3	N/A	N/A	N/A

Source: Companies' websites, expert interview and Frost & Sullivan Analysis

The colorectal cancer screening market in China increased from RMB2.6 billion in 2016 to RMB3.3 billion in 2020 at a CAGR of 6.4% from 2016 to 2020, and is expected to further increase to RMB7.6 billion in 2025 at a CAGR of 18.4% from 2020 to 2025. From 2025 to 2030, the market size is expected to grow to RMB18.8 billion in 2030 at a CAGR of 19.7% from 2025 to 2030. According to Frost & Sullivan, the CAGR for the colorectal cancer screening market in China is expected to increase from 2020 to 2025 and remain at a relatively high level primarily due to population aging, increasing awareness of health management, increasing availability of genetic testing and continuous government support. The chart below shows the market size for colorectal cancer screening market in China.

Historical and Forecasted Market Size of Colorectal Cancer Screening Market in China, 2016-2030E



Note: The calculation of the colorectal cancer screening market includes only the revenue of IVD products for cancer screening at ex-factory level.

Source: Literature research, expert interviews and Frost & Sullivan Analysis

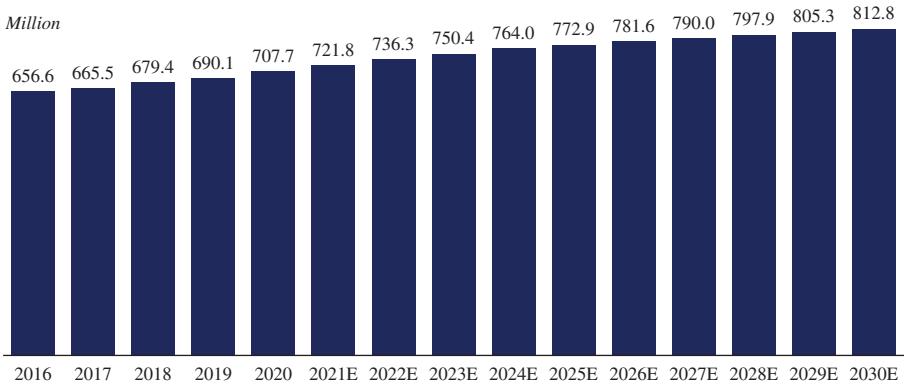
Gastric Cancer Screening

According to Frost & Sullivan, there were approximately 469,600 cases of gastric cancer in China in 2020, which represented the second highest incidence of cancer in China. Gastric cancer was also the third leading cause of cancer deaths in China, with approximately 341,200 deaths, which accounted for 44.4% of the world's total gastric cancer related deaths in 2020.

The China Anti-Cancer Association published its *Expert Consensus on Early Gastric Cancer Screening Process in China (Draft) (2017, Shanghai)* 中國早期胃癌篩查流程專家共識意見 (草案) (2017年,上海), which recommended regular gastric cancer screening for people over 40 years old. The population recommended for regular gastric cancer screening in China increased from 656.6 million people in 2016 to 707.7 million people in 2020, and is expected to further increase to 812.8 million people in 2030. The following chart shows the trend of historical and forecasted population recommended for gastric cancer screening in China.

Population Recommended for Gastric Cancer Screening in China, 2016-2030E

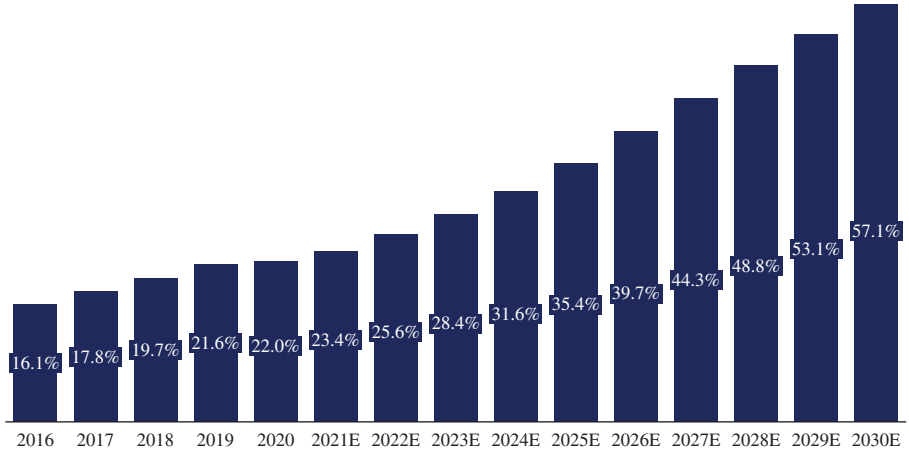
CAGR	Population Recommended for Regular Gastric Cancer Screening
2016-2020	1.9%
2020-2030E	1.4%



Source: China's National Bureau of Statistics, Expert Consensus on Early Gastric Cancer Screening Process in China (Draft) (2017, Shanghai) and Frost & Sullivan Analysis

The penetration rate among the population recommended for gastric cancer screening in China (adults aged 40 and older) has grown from 16.1% in 2016 to 22.0% in 2020, is expected to increase to 35.4% in 2025 and is expected to further increase to 57.1% in 2030. The following chart illustrates the historical and forecasted penetration rate for gastric cancer screening among the population recommended for gastric cancer screening in China.

Gastric Cancer Screening Penetration Rate of Recommended Population (aged over 40) in China, 2016-2030E

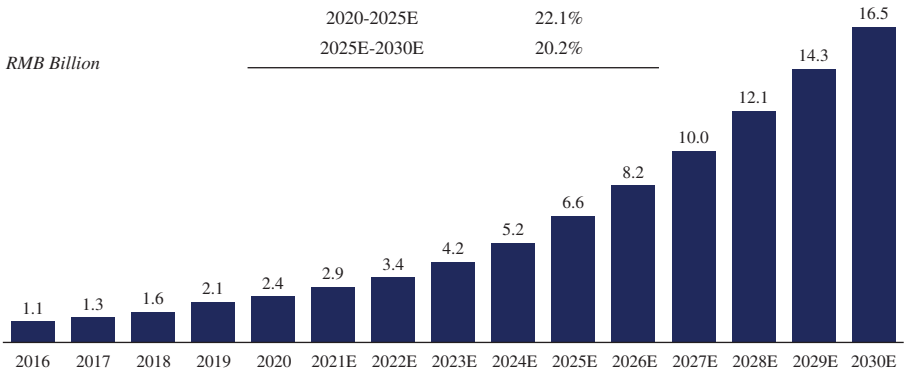


Source: Literature research, expert interviews and Frost & Sullivan Analysis

According to Frost & Sullivan, the gastric cancer screening market in China increased from RMB1.1 billion in 2016 to RMB2.4 billion in 2020 at a CAGR of 21.3% from 2016 to 2020, is expected to increase to RMB6.6 billion in 2025 at a CAGR of 22.1% from 2020 to 2025 and is expected to further increase to RMB16.5 billion in 2030 at a CAGR of 20.2% from 2025 to 2030. According to Frost & Sullivan, the CAGR for the gastric cancer screening market in China is expected to remain at a relatively high level primarily due to population aging, increasing awareness of health management, increasing availability of genetic testing and continuous government support. The chart below shows the market for gastric cancer screening in China:

Gastric Cancer Screening Market in China, 2016-2030E

Period	CAGR
2016-2020	21.3%
2020-2025E	22.1%
2025E-2030E	20.2%



Note: The calculation of the gastric cancer screening market includes only the revenue of IVD products for cancer screening at ex-factory level.

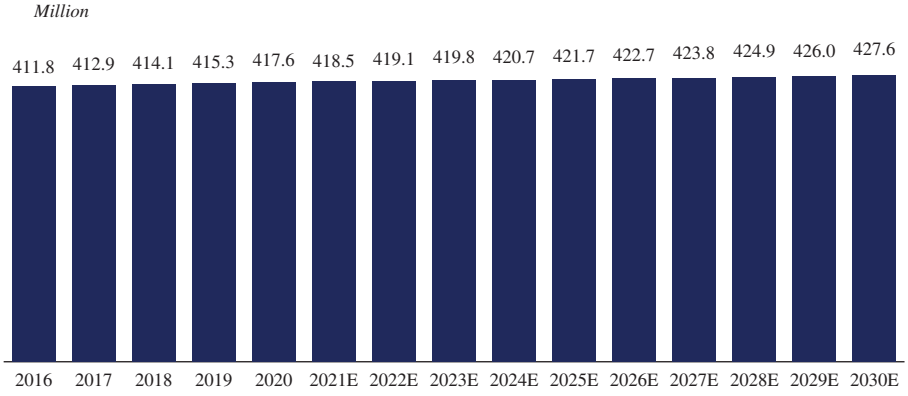
Source: Literature research, expert interviews and Frost & Sullivan Analysis

Cervical Cancer Screening

China had approximately 118,500 cases of cervical cancer in 2020 and with approximately 59,100 deaths. The population recommended for cervical cancer screening is women aged between 25 and 65 according to the Chinese Preventive Medicine Association. Such population increased from 411.8 million people in 2016 to 417.6 million people in 2020, is expected to increase to 421.7 million people in 2025 and is expected to further increase to 427.6 million people in 2030. The following chart illustrates the historical and forecasted population recommended for cervical cancer screening in China.

Population Recommended for Cervical Cancer Screening in China, 2016-2030E

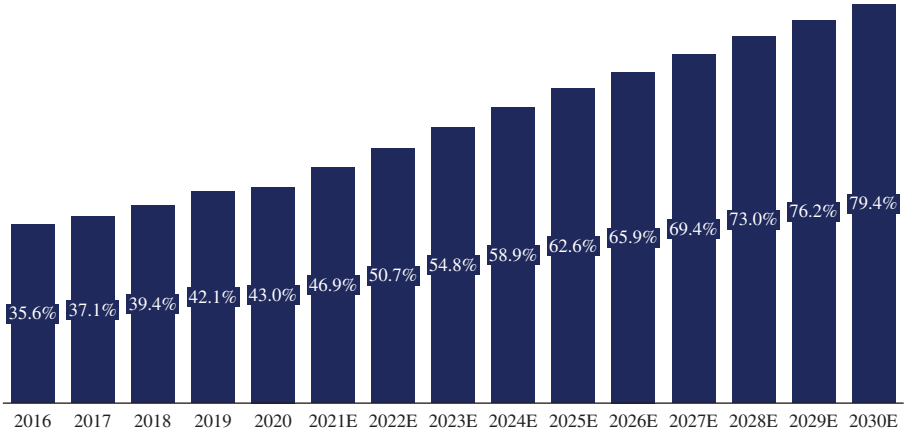
CAGR	Population Recommended for Regular Cervical Cancer Screening
2016-2020	0.4%
2020-2030E	0.2%



Source: China's National Bureau of Statistics, Comprehensive Prevention and Control Guidelines for Cervical Cancer in China and Frost & Sullivan Analysis

In 2020, 417.6 million people were recommended for routine cervical cancer screening in China (women aged between 25 and 65), and the penetration rate of cervical cancer screening among the recommended population was 43.0%. However, due to rising public awareness and updated cervical cancer screening guidelines, the penetration rate of cervical cancer screening has shown rapid growth from 35.6% in 2016 to 43.0% in 2020 and is expected to grow further to 62.6% in 2025 and 79.4% in 2030.

Cervical Cancer Screening Penetration Rate of Addressable Population (women aged 25-65) in China, 2016-2030E

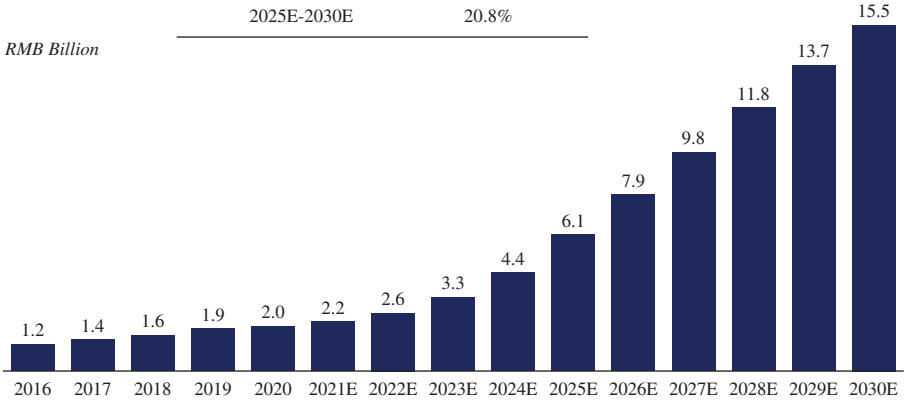


Source: Literature research, expert interviews and Frost & Sullivan Analysis

The cervical cancer screening market in China increased from RMB1.2 billion in 2016 to RMB2.0 billion in 2020 at a CAGR of 11.8% from 2016 to 2020, is expected to increase to RMB6.1 billion in 2025 at a CAGR of 25.4% from 2020 to 2025 and is expected to further increase to RMB15.5 billion in 2030 at a CAGR of 20.8% from 2025 to 2030. According to Frost & Sullivan, the CAGR for the cervical cancer screening market in China is expected to increase from 2020 to 2025 and remain at a relatively high level primarily due to population aging, increasing awareness of health management, increasing availability of genetic testing and continuous government support. The chart below shows the cervical cancer screening market in China:

Cervical Cancer Screening Market in China, 2016-2030E

Time Period	CAGR
2016-2020	11.8%
2020-2025E	25.4%
2025E-2030E	20.8%



Note: The calculation of the cervical cancer screening market includes only the revenue of IVD products for cancer screening at ex-factory level.

Source: Literature research, expert interviews and Frost & Sullivan Analysis

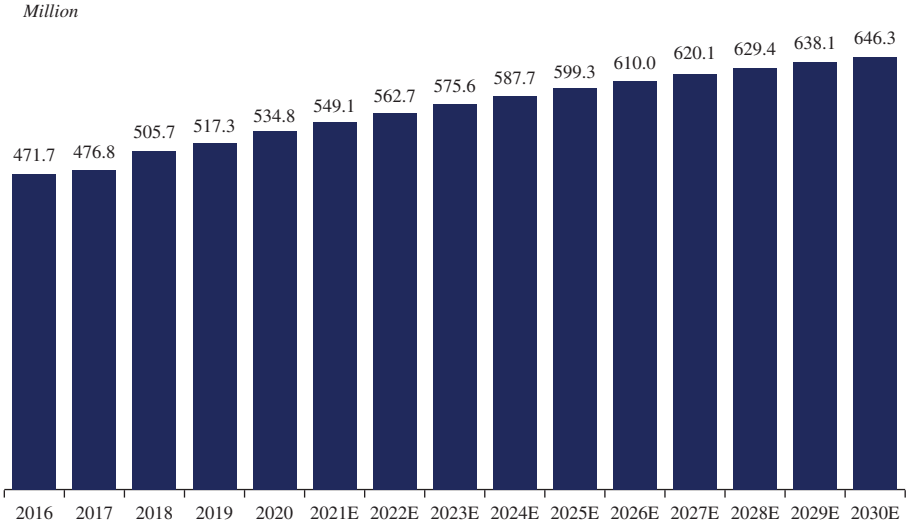
Lung Cancer

Due to minimal symptoms in the early stages, lung cancer is one of the most deadly cancers in the world with a relatively low five-year survival rate. In 2020, there were approximately 924,100 new cases in China, ranking first among all cancer types, with 743,600 lung cancer related death. Lung cancer is the leading cause of cancer death in both the United States and China. Lung cancer diagnosed at a localized stage has a significantly higher five-year survival rate than diagnosed at an advanced stage. However, the percentage of patients diagnosed at a localized stage in China was only around 8.4% in 2020, compared to 17.6% in the United States. Such difference was partially due to inadequate awareness about the availability of lung cancer screening options. Recent development in lung cancer screening, such as genetic testing, could potentially improve diagnosis rates in the future.

The population recommended for lung cancer screening are adults aged between 45 and 75, and adults with a smoking history of at least 20 pack-years, according to the Cancer Hospital of Chinese Academy of Medical Sciences. Such population increased from 471.7 million people in 2016 to 534.8 million people in 2020, and is expected to further increase to 646.3 million people in 2030. The following chart illustrates the historical and forecasted population recommended for lung cancer screening in China.

Population Recommended for Lung Cancer Screening in China, 2016-2030E

CAGR	Population Recommended for Regular Lung Cancer Screening
2016-2020	3.2%
2020-2030E	1.9%

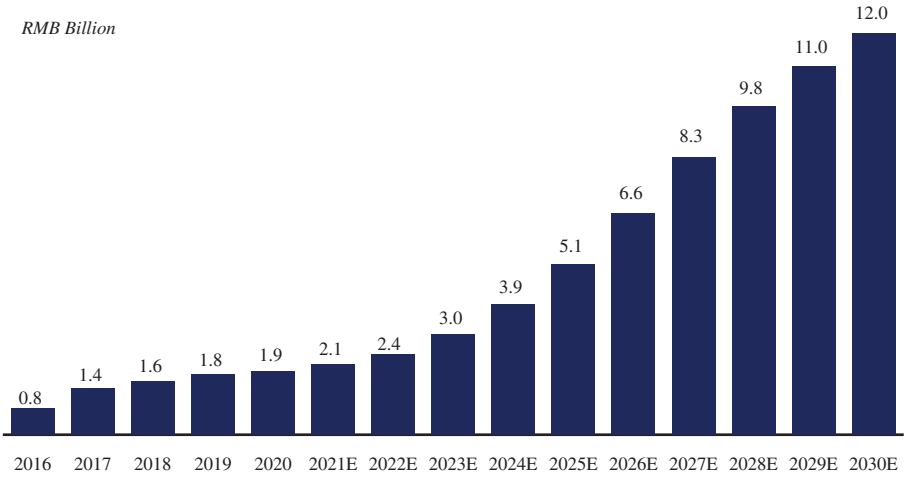


Source: China's National Bureau of Statistics, Guidelines for Clinical Diagnosis and Treatment of Lung Cancer and Frost & Sullivan Analysis

The lung cancer screening market in China increased from RMB0.8 billion in 2016 to RMB1.9 billion in 2020 at a CAGR of 27.0% from 2016 to 2020, is expected to increase to RMB5.1 billion in 2025 at a CAGR of 21.4% from 2020 to 2025 and is expected to further increase to RMB12.0 billion in 2030 at a CAGR of 18.5% from 2025 to 2030. According to Frost & Sullivan, CAGR for the lung cancer screening market in China is expected to remain at a relatively high level from 2020 to 2025, primarily due to population aging, increasing awareness of health management, increasing availability of genetic testing and continuous government support. The chart below shows the lung cancer screening market in China:

Historical and Forecasted Market Size of Lung Cancer Screening Market in China, 2016-2030E

Period	CAGR
2016-2020	27.0%
2020-2025E	21.4%
2025E-2030E	18.5%



Note: The calculation of the market size for lung cancer screening only includes revenue from IVD cancer screening products at ex-factory level.

Source: Literature research, expert interview and Frost & Sullivan Analysis

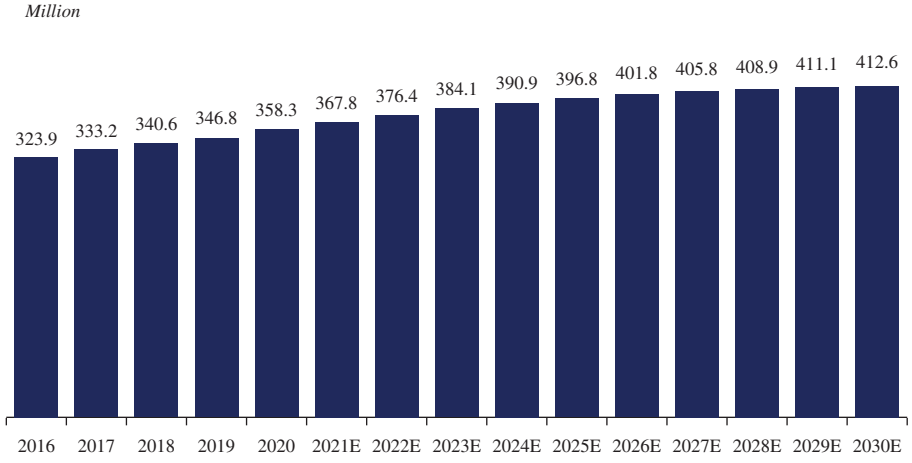
Breast Cancer

In 2020, there were approximately 331,600 new cases of breast cancer in China with 79,600 breast cancer related deaths. Digital breast tomosynthesis mammography is currently the gold standard for the breast cancer screening. However, it requires a medical professional to distinguish dense breast tissues from tumors. Tumor markers testing is an emerging trend for the breast cancer diagnosis. Tumor markers testing can be conducted free of radiation and can be used in multiple scenarios, including hospitals, clinics or at home. In addition to screening, consumers may choose to take BRCA1/2 gene testing to assess their hereditary risk of developing breast cancer and ovarian cancer, and take early intervention measures accordingly. The percentage of patients diagnosed at a localized stage in China is only around 32.1% in 2020, compared to 63.6% in the United States. Such difference was partially due to inadequate awareness about the availability of breast cancer screening options. Recent development in breast cancer screening could potentially improve diagnosis rates in the future.

Due to its high incidence, high mortality and heavy treatment burden, breast cancer is one of the cancer types recommended for regular screening. The population recommended for breast cancer screening is women aged over 40, according to the China Anti-Cancer Association. Such population increased from 323.9 million people in 2016 to 358.3 million people in 2020, is expected to increase to 396.8 million people in 2025 and is expected to further increase to 412.6 million people in 2030. The following chart illustrates the historical and forecasted population recommended for breast cancer screening in China.

Population Recommended for Breast Cancer Screening in China, 2016-2030E

CAGR	Population Recommended for Regular Breast Cancer Screening
2016-2020	2.6%
2020-2030E	1.4%

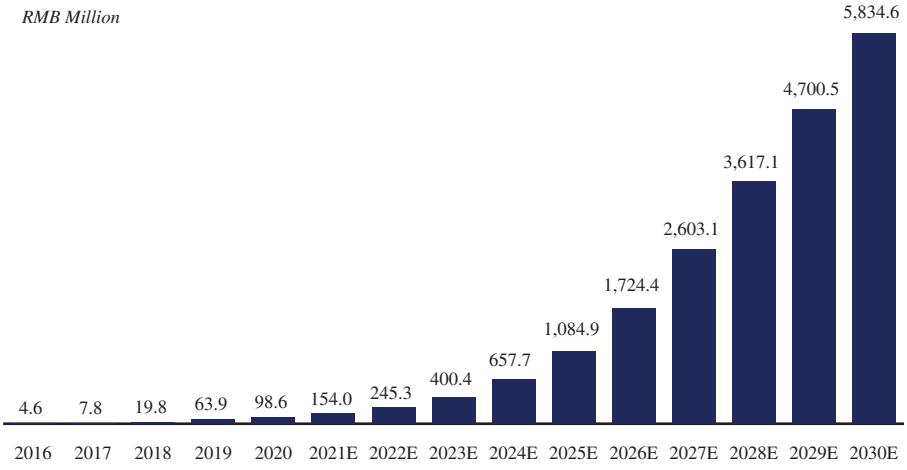


Source: China's National Bureau of Statistics, Screening Guidelines for Female Breast Cancer in China and Frost & Sullivan Analysis

The breast cancer screening market in China increased from RMB4.6 million in 2016 to RMB98.6 million in 2020 at a CAGR of 115.6% from 2016 to 2020, is expected to increase to RMB1.1 billion in 2025 at a CAGR of 61.6% from 2020 to 2025 and is expected to further increase to RMB5.8 billion in 2030 at a CAGR of 40% from 2025 to 2030. According to Frost & Sullivan, CAGR for the breast cancer screening market in China is expected to remain at a relatively high level from 2020 to 2025, primarily due to increasing awareness of breast cancer prevention and early intervention, increasing availability of genetic testing and continuous government support. The chart below shows the breast cancer screening market in China:

Historical and Forecasted Market Size of Breast Cancer Screening Market in China, 2016-2030E

Period	CAGR
2016-2020	115.6%
2020-2025E	61.6%
2025E-2030E	40.0%



Note: The calculation of the market size for breast cancer screening only includes revenue from IVD cancer screening products at ex-factory level.

Source: Literature research, expert interview and Frost & Sullivan Analysis

Entry Barriers of Cancer Screening Market

Similar to the consumer genetic testing market, leading companies in China's cancer screening industry have first-mover advantages, which create entry barriers for new entrants. These barriers are summarized as follows:

- *Industry relationships and channels.* Companies in the cancer screening industry typically need to build strong relationships with key opinion leaders, research institutes and hospitals in China in order to develop and commercialize testing products and services. New entrants may find it difficult to compete with well-established companies who have spent significant resources on building such relationships in the cancer screening community. In addition, collaboration with sales channels often helps market leaders to attract consumers, and new entrants may not be able to establish such collaboration with strong channel partners in a short period.

- *Technological barriers.* There are high technological barriers to develop new services and products. Many small and new entrants may not be able to develop technologies that can be used to increase their core competitiveness, such as targets selection, qPCR probe design, cfDNA methylation capture ability, sample stabilization technology and advanced sequencing technology requiring high-throughput and high-precision are main barriers in cancer screening.

- *Cost control.* The cost of commercialization, prospective clinical trials, reagents, maintenance of sequencing platform and production tend to be high. In order to generate profit and seize market share, market players have to manage their costs by actively exploring technology advancement and expanding sales channels, which also require a significant amount of resource.

- *Regulatory barriers.* A registration certificate of medical device from the NMPA is necessary to commercialize a cancer screening IVD product in China. The large-scale prospective clinical trials required for such IVD registration also create market barriers, as these clinical trials usually require a large sample size and a long time frame as well as high costs.

The early cancer screening market in China is expected to experience accelerated growth mainly due to the following drivers:

- *Rising demand for cancer screening.* Public awareness level for genetic testing is expected be further improved, as more information becomes available in the market and consumers are attracted by the accuracy and effectiveness of genetic testing. Accordingly, the demand for cancer screening is expected to rise. In addition, factors such as accelerated population aging and increase in cancer risk factors also promote an increase in demand for cancer screening. Cancer incidence and mortality rate in China also show an upward tendency, which further drive the growth of the cancer screening market.

- *Technical advancement of cancer screening*. Traditional screening paradigms may be replaced gradually due to the development of genetic diagnostics with decreasing sequencing costs and application of genomic data linked to disease pathology. In particular, blood-based methylation testing is convenient to conduct with high patient adherence and low costs, and is expected to drive adoption among the target population more rapidly compared to endoscopy.

- *More players in cancer genetic screening market.* Both the advancement of gene technology and capital inflow into the genetic testing market are expected to promote the emergence of new entrants into the genetic testing industry in China. Competition among market players may further promote technological advancement and the development of the cancer screening industry.

- *Continuous government support*. There is increased government support for cancer screening. In 2018, the NHC issued diagnosis and treatment guidelines regarding 18 types of cancers, which listed IVD early screening and traditional screening methods as mainstream cancer screening methods. In 2019, the State Council pointed out in the government work report that cancer prevention and screening, early diagnosis and treatment should be promoted. In 2021, State Council issued the Notice of Printing and Distributing the Key Tasks of Deepening the Reform of the Medical and Health System, which mentioned expanding the coverage of high-risk cancer screening and starting the pilot construction of county-level cancer screening, diagnosis and treatment centers. As such, increased support by the PRC government is expected to accelerate the development of cancer screening solutions.

Future Trends of Cancer Screening Market

The cancer screening market in China has demonstrated the following trends:

- *Increasing compliance.* With the advancement of cancer screening technologies to improve the availability and effectiveness of cancer screening tests, its compliance rate is expected to continue to increase. Traditional testing methods that are invasive and have low adoption are expected to be replaced by the more advanced screening methods such as genetic testing, which is less invasive, more convenient and more affordable to the general public. For example, blood-based methylation testing is easy to conduct with high patient adherence and low costs, and thus can be widely adopted among the target population.

- *Increasing Matthew Effect.* The "Matthew Effect" (winner takes all) in the cancer screening industry is expected to increase. More capital resources are expected to flow into the cancer screening market, and certain leading companies have already completed large-scale private equity financing transactions. While continuing to commercialize existing services and products, these market players are also actively expanding multiple product lines for cancer screening.

- *Behavior shift for cancer screening.* With the advancement of cancer screening technologies and the introduction of new screening products, consumers will have more testing options at health examination centers, hospitals and other places. The application of multi-omics technology is expected to further increase the efficiency and effectiveness of cancer screening. Blood-based tests performed at healthcare institutions are expected to become the ideal choice for consumers when selecting the cancer screening method, because they are more convenient, less invasive and with relatively high sensitivity and specificity.

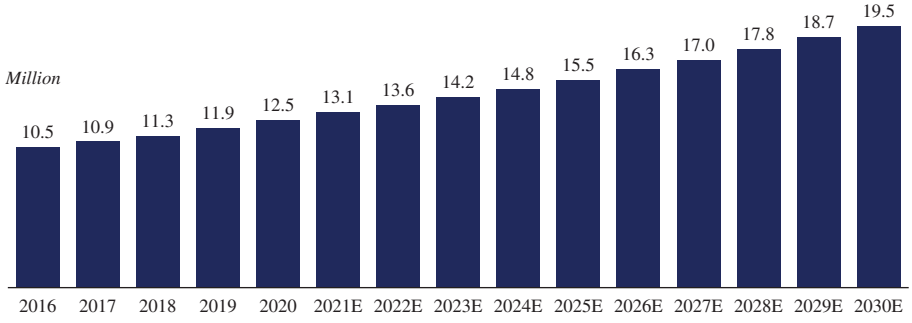
GENETIC TESTING MARKET FOR NEUROGENOMICS

Alzheimer's Disease Screening

The number of Alzheimer's disease patients in China is gradually increasing. From 2016 to 2020, the number of Alzheimer's disease patients in China increased from 10.5 million people to 12.5 million people with a CAGR of 4.5% from 2016 to 2020 and is forecasted to further increase to 15.5 million people in 2025 with a CAGR of 4.4% from 2020 to 2025 and 19.5 million people in 2030 with a CAGR of 4.7% from 2025 to 2030. The following chart illustrates the historical and forecasted prevalence of Alzheimer's disease in China from 2016 to 2030.

Prevalence of AD in China, 2016-2030E

Period	CAGR
2016-2020	4.5%
2020-2025E	4.4%
2025E-2030E	4.7%



Source: China's National Bureau of Statistics, literature research and Frost & Sullivan Analysis

The market currently does not have a sufficiently accurate method to screen and identify Alzheimer's disease. The main diagnostic method is combined diagnosis, which includes neuro-imaging, cerebrospinal fluid examination, peripheral blood antibody testing and genetic testing. Genetic testing is a less invasive testing method that checks the expression level of miRNA in plasma exosomes, which is different for Alzheimer's disease patients and for healthy individuals. In addition, ApoE gene testing can be used to assess an individual's genetic risk of developing Alzheimer's disease. Consumers who carry ϵ4 allele gene are identified as Alzheimer's disease high risk candidates. ApoE ϵ4 carriers who have enhanced Alzheimer's disease pathology, accelerated age-dependent cognitive decline and declining memory performance can be advised to adopt prevention strategies, including dietary modification, physical activity and cognitive engagement.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, the Company engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the cancer screening market. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

The Company has included certain information from the Frost & Sullivan Report in this Prospectus because the Company believes such information facilitates an understanding of consumer genetic testing and cancer screening market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

The Company has agreed to pay Frost & Sullivan a fee of RMB550,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon the Company's successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, the Company did not commission any other industry report in connection with the Global Offering. The Company confirms that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

This section primarily summarizes the principal PRC laws, rules and regulations relevant to our business and operations. The applicable PRC laws, rules and regulations governing our business and operation may change in the future. We may be required to obtain additional approvals, licenses and permits and to comply with any new regulatory requirements adopted from time to time. Moreover, substantial uncertainties exist with respect to the interpretation and implementation of these PRC laws, rules and regulations. See "Risk Factors - RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC AND RELATED REGULATIONS – Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us."

GOVERNMENTAL CONSULTATIONS

As confirmed by our PRC Legal Advisor, pursuant to Article 53 of the 2021 Rules, the NMPA and the BMHC both have the authorities to confirm the legality of our LDT services, so we consulted both agencies and the scope of confirmations provided are the same for the NMPA and the BMHC with respect to the legality of our LDT services. For other matters related to our genetic testing business, we consulted the BMHC, because it is the government agency that oversees such matters. Details of our governmental consultations are provided below.

Governmental Consultations with the NMPA

In July 2021, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor conducted consultations verbally with a division head of NMPA on the legality of our LDT services (the "**Governmental Consultations with the NMPA**"). For the specific content and result of consultation, please see "– Regulation of LDTs".

As advised by our PRC Legal Advisor, according to Article 53 of the 2021 Rules, drug regulatory agencies in conjunction with the appropriate healthcare departments are responsible for the adoption and implementation of specific administrative measures on LDT-related matters. Therefore, the NMPA and the BMHC both have the authorities to confirm the above-mentioned matters related to the legality of LDT services. The interviewee, who is a division head of the NMPA, holds a position that is functionally responsible for the formulation of laws, regulations and regulatory documents on medical device registration and management. Therefore, the interviewee is competent to provide a confirmation regarding the legality of LDT services as confirmed by our PRC Legal Advisor.

Governmental Consultations with BMHC

In August 2021, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor verbally consulted a department director of BMHC (the "**Governmental Consultations with the BMHC**") on the following matters: (i) the legality of LDT services, as detailed in "– LDT Regulations", (ii) matters related to the adoption of NGS technology, as detailed in "– Regulation of Medical Technologies", (iii) provision of testing services that are not included in the Testing Items Catalogue, as detailed in "– Regulation of Laboratories", (iv) matters

related to occupational disease protection, as detailed in "Business – Health, Safety and Environmental Matters", (v) engagement in genetic testing business through contractual arrangements, as detailed in "Contractual Arrangement – Legality of the Contractual Arrangements" and (vi) nature and purpose of our genetic testing business, as detailed in "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – We face risks associated with uncertainties relating to Regulation for the Administration of Human Genetic Resources". We believe that our business is not at significant risk of regulatory enforcement by the BMHC, and the BMHC's confirmation reinforced such belief. For more details about the Governmental Consultations with the BMHC and the confirmations received, please see the references set forth above.

As advised by our PRC Legal Advisor, pursuant to the Administrative Regulations on Medical Institutions, the Interim Administrative Measures on Clinical Laboratories, the Administrative Measures on Clinical Laboratories of Medical Institutions, the Clinical Laboratories Administrative Standards (For Trial Implementation) and other relevant laws and regulations, each provincial or municipal counterpart of NHC has establishment approval authority and oversight over the supervision, administration and quality control of clinical laboratories located within its province or municipality. For our genetic testing services, samples are typically collected by our institutional customers (such as health checkup centers and hospitals), regardless of whether such samples are collected in Beijing or in other cities, and then delivered to our laboratory located in Beijing for us to perform testing services. Therefore, the BMHC has the authority to regulate our genetic testing services, Governmental Consultations with the BMHC cover our operations as a whole, and the BMHC is the competent authority to confirm the above-mentioned consultation matters. In addition, the interviewee, who is a department director, holds a position that is responsible for (i) the supervision of the operation of medical institutions, (ii) the review of medical technology applications, (iii) the formulation and implementation of relevant policies, regulations and standards for medical institutions, (iv) the review of medical institutions' business involving clinical testing projects in his jurisdiction, and (v) the interpretation and implementation of relevant laws and regulations. Therefore, the BMHC interviewee is competent to provide confirmation regarding the above-mentioned matters of consultation as confirmed by our PRC Legal Advisor.

REGULATION OF LABORATORIES

Medical Test Laboratories

Pursuant to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), promulgated by the State Council, effective on September 1, 1994, and amended on February 6, 2016, and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》), effective on September 1, 1994, most recently amended by National Health and Family Planning Commission, or NHFPC, the former of NHC, and effective from April 1, 2017, the establishment of a medical institution, including but not limited to medical test laboratory, shall comply with the setting up plan and basic standards for medical institutions, and shall apply for an approval from NHC or its local

counterparts to obtain a medical institution practicing license. The Administrative Measures for the Examination of Medical Institutions (for Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which were promulgated by the Ministry of Health, or MOH, the former of NHFPC, and became effective on June 15, 2009, stipulate that a medical institution's practicing license is subject to periodic examinations and verifications by the registration authorities, and will be canceled if such medical institution fails to pass the examination.

Pursuant to the Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), promulgated by NHFPC and effective from July 20, 2016, a medical test laboratory, which conducts clinical tests, including clinical hematology tests and body fluid tests, clinical chemistry tests, clinical immunology tests, clinical microbiology tests, clinical molecular cytogenetic tests and clinical pathology tests, for the purpose of diagnosis, management, prevention or treatment of diseases and health assessment, shall be regulated as a medical institution and obtain a medical institution practicing license from the NHC at the provincial level.

During the COVID-19 epidemic prevention and control period, independent medical test laboratories have been playing an active role in nucleic acid detection. Pursuant to the Notice of the General Office of the National Health Commission on Requirements for Medical Institutions to Carry out COVID-19 – related Testing (《國家衛生健康委辦公廳關於醫療機構開展新型冠狀病毒核酸檢測有關要求的通知》), or the COVID-19 Notice, issued by the General Office of the NHC on January 22, 2020, each province can procure COVID-19 related testing services and cooperate with qualified third-party testing institutions to carry out testing. The COVID-19 Notice further provided various testing requirements on COVID-19 related testing to regulate testing procedure, including sample collection, sample storage and transportation, quality control, etc. To further strengthen the management on independent medical test laboratories and ensure medical quality and safety, the medical treatment team under the Joint Prevention and Control Mechanism of the State Council has formulated and issued the Interim Administrative Measures for Medical Test Laboratories (《醫學檢驗實驗室管理暫行辦法》), which became effective from August 1, 2020, on the basis of the Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室管理規範(試行)》). Meanwhile, the laboratories shall strictly comply with the Measures for the Administration of Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), and shall participate in the medical test external quality assessment activities at or above the provincial level, so as to ensure the impartiality and accuracy of testing results.

Clinical Gene Amplification Test Laboratories

Pursuant to the Administrative Measures for Clinical Gene Amplification Test Laboratories of Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), promulgated by the Ministry of Health, the former of NHFPC, and effective from December 6, 2010, the NHC's provincial offices are responsible for the supervision and administration of clinical gene amplification test laboratories of medical institutions, and shall carry out the registration of clinical gene amplification test items in medical institutions in accordance with the Administrative Measures for Clinical Laboratory of Medical Institutions and the Catalogue

of Clinical Laboratory Items for Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄(2013年版)》) promulgated by NHFPC on August 5, 2013, or the Testing Items Catalogue. A clinical gene amplification test laboratory shall register its clinical testing items with the NHC's provincial office. Our PRC Legal Advisor has advised us that many of our genetics testing services are beyond the scope of the Testing Items Catalogue, so we are not able to register or file such services with the applicable health administrative authorities.

In addition, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》), or Circular 167, promulgated by the NHFPC on February 25, 2016, the clinical testing items which are not included in the Testing Items Catalogue, but with clear clinical significance, relatively high specificity and sensitivity, and reasonable price, shall be validated in time to meet clinical needs.

Based on the above-mentioned laws and regulations, the provincial health administrative department is responsible for the registration of clinical gene amplification testing items. Also pursuant to the above-mentioned laws and regulations and as advised by our PRC Legal Advisor, the BMHC is the competent authority to provide confirmation on matters related to our unregistered development of clinical gene amplification testing items that are not included in the Testing Items Catalogue, considering that all testing procedures are performed in our laboratory in Beijing, even though our business covers a large number of regions in China and our testing samples are collected by our institutional customers (including health checkup centers and hospitals) from many different parts of the country. Based on such authorities, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor verbally consulted the BMHC on this matter. As advised by our PRC Legal Advisor, and according to the Governmental Consultations with the BMHC and the above regulations:

(1) It is understood that the Testing Items Catalogue is usually cited by the NHC or its local counterparts to determine the diagnostic subject of a medical institution when issuing a medical practice license as well as the reference documents for registration of clinical testing items.

(2) The clinical gene amplification test not included in the Testing Items Catalogue, but in compliance with the requirements under Circular 167, shall be validated in time to meet clinical needs.

(3) The clinical gene amplification tests conducted by us complied, in principle, with the requirements of Circular 167, and historical clinical gene amplification tests provided by us will not be penalized or investigated, and the possibility of suspension of the testing items that are not included in the Testing Items Catalogue is relatively low.

Pathogenic Microorganism Laboratories

Pursuant to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), promulgated by the State Council, effective on November 12, 2004, and most recently amended on March 19, 2018, pathogenic microorganism laboratories are classified into four levels, namely bio-safety levels 1,2,3 and 4 in terms of bio-safety protection levels in accordance with national standards on biosafety of laboratories. Laboratories at bio-safety levels l and 2 shall not engage in laboratory activities related to highly pathogenic microorganisms. The construction, alternation or expansion of a laboratory at bio-safety level 1 or 2 shall be filed for record with the local counterparts of NHC. The entity launched a pathogenic microorganism laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards.

REGULATION OF LDTS

Due to the relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by our PRC Legal Advisor, there is no specific or industry-accepted definition for LDTs under PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry. As of the Latest Practicable Date, all LDT services we provided were based on identification of genetic variants of DNA and/or RNA, which were classified as genomic LDT services, as opposed to non-genomic LDT services, according to Frost & Sullivan.

Pursuant to the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Gene Sequencin, jointly promulgated by General Office of NHFPC and CFDA, on February 9, 2014, gene sequencing products that meet the definition of medical devices shall be regulated as medical devices, and should apply for product registration in accordance with related product registration regulations.

The State Council adopted the revised Regulations on Supervision and Administration of Medical Devices in 2020, which became effective on June 1, 2021. Pursuant to Article 53 of the 2021 Rules, with regards to in vitro diagnostic reagents for which no product of the same variety is available on the market in China, a qualified medical institution may, according to its clinical needs, develop them by itself and use them for its own entity under the guidance of medical practitioners, and the specific administrative measures shall be formulated by the drug regulatory department under the State Council in conjunction with the competent department of health under the State Council."

Pursuant to the Announcement on the Implementation of the Regulations on the Supervision and Administration of Medical Devices (2021 Revision) (《國家藥監局關於貫徹實施<醫療器械監督管理條例>有關事項的公告》), which was issued by the NMPA on May 31, 2021 ("**Announcement of the 2021 Rules**"), if potential violations occurred before June 1, 2021, the prior version of the regulations, called the Regulation on the Supervision and Administration of Medical Devices (2017 Revision) (the "**2017 Rules**"), will be applicable. However, if the actions are not considered violations or the punishment for potential violations is not as severe as 2017 Rules according to the 2021 Rules or potential violations occurred after June 1, 2021, then the 2021 Rules will be applicable.

Our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor consulted the NMPA and the BMHC regarding the legality of our LDT services, and the interviewees of the NMPA and the BMHC are both authorized to provide the relevant confirmation, as confirmed by our PRC Legal Advisor. According to the Governmental Consultations with the NMPA and the Governmental Consultations with the BMHC, and as advised by our PRC Legal Advisor:

(1) Article 53 of the 2021 Rules has further confirmed the legality of LDTs;

(2) Provision of LDT services by using self-developed testing reagents shall not be deemed as distribution and sale of these products, and the likelihood of being penalized by the NMPA and BMHC for providing LDTs services has been substantially reduced; and

(3) We are entitled to continue to conduct LDTs services without substantive obstacles, and if the NMPA and NHC promulgate new and specific regulations, we should take necessary measures to comply with such regulations.

We therefore understand from such consultations that there are no definite legal grounds suggesting that we will be penalized for historically providing LDTs services, and we are entitled to provide LDTs services without substantive obstacles.

During the Track Record Period, we provided LDT services with in-vitro diagnostic reagents that had the same type of reagents which obtained medical device registration certificates in China (including ApoE gene testing and folate metabolic capacity assessment), and we discontinued the provision of such services since May 2021 to comply with requirements under Article 53 of the 2021 Rules. As advised by our PRC Legal Advisor, our provision of such services are compliant activities during the Track Record Period and as of the Latest Practicable Date, for the following reasons:

(i) Our provision of such services existed before the promulgation of the 2021 Rules, which impose a new requirement that medical institutions may use self-developed testing kits without medical registration certificate only under the circumstance that products of the same type are not available in the China market, and according to the Announcement of the 2021 Rules, if the violation occurred before June 1, 2021, the 2021 Rules are not applicable.

(ii) Our provision of such services and generation of revenue from such services comply with the 2017 Rules based on the following reasons: (a) the 2017 Rules do not have the same requirement or related punishment as the requirement mentioned in paragraph (i) above, which is newly added by the 2021 Rules; and (b) the core requirements of the 2017 Rules include that for sales of the Class III medical devices which have not obtained medical device registration certificates, the relevant food and drug supervision and administration authorities can confiscate the illegal gains, the medical devices sold in violation of laws as well as the tools, equipment, raw materials and other articles used for the illegal sales, and such authorities can impose a fine of more than RMB50,000 but less than RMB100,000 if the value of the medical devices sold in violation of laws is less than RMB10,000, or impose a fine of more than ten times but less than 20 times the value of the medical devices if the value of the medical devices is RMB10,000 or more, and, if the circumstances are serious, refuse to accept the medical device licensing applications filed by the relevant persons in charge and enterprises within five years. During the Track Record Period, as we did not sell, distribute or resell any testing kits, our provision of such services should not be penalized under the 2017 Rules, and there was no penalty or sanctions imposed on us for any violation of the 2017 Rules up to the Latest Practicable Date.

(iii) According to the Governmental Consultations with the NMPA and the BMHC, both authorities confirmed our compliance based on their understanding of our overall business operations, which include our provision of LDT services before the 2021 Rules were promulgated and related revenues generated from the provision of LDT services with *in-vitro* diagnostic reagents that had the same type of reagents which obtained medical device registration certificates. The authorities confirmed that we will not be subject to any penalty or punishment regarding the compliance of our provision of LDT services before the promulgation of the 2021 Rules, and the relevant revenue generated from our provision of LDT services before the promulgation of the 2021 Rules is compliant with all relevant laws and regulations, since we used self-developed *in-vitro* diagnostic reagents only to provide testing services, rather than sell such *in-vitro* diagnostic reagents.

REGULATION OF MEDICAL TECHNOLOGIES

Pursuant to the Administration Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》) promulgated by NHC on August 13, 2018 and effective from November 1, 2018, a negative list is set up regarding the clinical application of medical technologies, which are classified into two categories: "restricted" and "prohibited". Any medical institution shall refrain from conducting any clinical application of medical technologies that fall within the "prohibited" category, while a medical institution which engages in clinical application of medical technologies falling within the "restricted" category shall file with the NHC or its local counterpart within fifteen working days after the first clinical application of such technologies. In addition, pursuant to the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Gene Sequencing (《關

於加強臨床使用基因測序相關產品和技術管理的通知》), jointly promulgated by General Office of NHFPC and China Food and Drug Administration, or CFDA, on February 9, 2014, no medical institutions may apply gene sequencing technologies or products for clinical use before the issuance of relevant access standards and management regulations.

According to (i) Notice on Application for Pilot Program on Clinical Use of NGS-based Testing and (ii) Notice on Commencement of Pilot Program on NGS Technology Clinical Use issued by the NHFPC in 2014 (the "**2014 Notices**"), provincial health administrative departments are responsible for the approval of application for pilot use of NGS technology. Based on the above-mentioned laws and regulations and as advised by our PRC Legal Advisor, BMHC is competent to provide confirmation on matters related to our use of NGS technology. Therefore, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor verbally consulted the BMHC on this matter.

As advised by our PRC Legal Advisor, and according to the Governmental Consultations with the BMHC and the above regulations:

(1) The pilot enterprises identified by the NHFPC pursuant to the 2014 Notices can carry out NGS testing for pilot clinical use, and if the results of such pilot clinical use are promising, NGS technology may be adopted for wider clinical use.

(2) As there are market demand and clinical needs for clinical laboratories conducting NGS testing, medical institutions that have been registered and obtained a Practice License for Medical Institutions and approval to conduct clinical gene amplification, including us, are not strictly prohibited from continuing to provide NGS-based testing services.

(3) Article 53 of the 2021 Rules have further confirmed the legality of LDTs and NGS technology can be applied when providing LDTs services.

We therefore understand from such consultation that there are no definite legal grounds suggesting that we will be penalized for historically providing gene testing services through NGS technology, and we are entitled to provide gene testing services through NGS technology without substantive obstacles.

REGULATION OF MEDICAL DEVICES

The using and operation of medical devices in China are subject to extensive regulations.

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), or the Medical Devices Regulation, promulgated by the State Council and effective from January 4, 2000, and most recently amended on December 21, 2020 and came into effect on June 1, 2021, and the Administrative Measures of Registration of In-vitro Diagnostic Reagents (《體外診斷試劑註冊管理辦法》), promulgated by CFDA and effective from October 1, 2014 and amended on January 25, 2017, medical devices, including in-vitro diagnostic reagents, are classified into three different categories, Class I, II and III on

the basis of their respective degrees of risk. In accordance to the Medical Devices Regulations, Class I medical devices shall refer to those devices with low risk whose safety and effectiveness can be guaranteed through routine administration. Class II medical devices shall refer to those devices with moderate risk whose safety and effectiveness should be ensured by strict control and administration. Class III medical devices shall refer to those devices with relatively high risk whose safety and effectiveness should be ensured by taking special measures to conduct strict control and administration. Pursuant to the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Gene Sequencing (《關於加強臨床使用基因測序相關產品和技術管理的通知》), gene sequencing diagnostic products, including gene sequencers and relevant diagnostic reagents and software, shall be regulated as medical devices. In addition, the classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the CFDA on August 31, 2017, became executive on August 1, 2018 and revised on December 18, 2020.

ENCOURAGEMENT OF INNOVATION IN MEDICAL DEVICES

There are certain laws, regulations and policies that encourages innovation in medical devices in China.

Pursuant to the Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Deepening the Reform on the System for Review and Approval to Encourage Innovation of Drugs and Medical Devices (中共中央辦公廳、國務院辦公廳《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) which was issued in October 2017, in order to encourage the research and development of innovative medical devices, priority processing shall be given to the review and approval of those innovative medical devices that are supported by the National Science and Technology Major Projects (國家科技重大專項), the National Key Research and Development (國家重點研發計劃), and the clinical trials carried out and recognized by the National Clinical Medical Research Center (國家臨床醫學研究中心).

Pursuant to the Opinions of the State Council on Reform of the System of Evaluation, Review and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》), which was issued by State Council on August 9, 2015, in order to encourage the research, development and innovation of medical devices, priority processing shall be given to registration application for innovative medical devices that consist of the core technology invention patent and are of major clinical value; such medical devices shall be listed into the scope of special review and approval by the relevant regulatory departments.

Any of our testing kits under development, if qualified as innovative medical devices in the future, will be entitled to the preferential treatments as mentioned above.

Registration and Filing of Medical Devices

Pursuant to The Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》), which were promulgated by the CFDA and took effect on October 1, 2014, provide that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration. According to the Administrative Measures for the Registration of Medical Devices, the registration and record-filing of IVD reagents that are regulated as medical devices are governed by the Administrative Measures for the Registration of IVD Reagents (《體外診斷試劑註冊管理辦法》) (the "**IVD Registration Measures**"), which was first promulgated by the CFDA and took effect on October 1, 2014, and amended on January 25, 2017. Pursuant to the IVD Registration Measures, Class I IVD reagents are subject to filing, and Class II and Class III IVD reagents are subject to inspection, clinical trials and registration. The Administrative Measures for Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) and the Administrative Measures for the Registration and Filing of IVD Reagents (《體外診斷試劑註冊與備案管理辦法》) were promulgated by the State Administration for Market Regulation and took effect on October 1, 2021, which replaced the aforementioned regulations.

Production Permit and GMP for Medical Devices

Pursuant to the Medical Devices Regulation and the Administrative Measures for Production of Medical Devices (《醫療器械生產監督管理辦法》), promulgated by the CFDA, amended and effective from November 17, 2017, an entity engaging in the production of medical devices of Class I shall complete record-filing with NMPA at city level where such entity is located; and an entity engaging in the production of medical devices of Class II or III shall obtain a production permit of medical devices from NMPA at provincial level.

Pursuant to the Good Manufacturing Practice of Medical Devices (《醫療器械生產質量管理規範》) promulgated by CFDA on December 29, 2014 and effective from March 1, 2015, the manufacturer of medical devices shall abide by the requirements of these measures in the process of design, development, production, sales and after-sales service of medical devices. The manufacturer of medical devices shall, in accordance with the requirements of these measures and, having taken into account product characteristics, establish and improve a quality management system that is compatible with the medical devices produced, and ensure their effective operation. The manufacturer of medical devices shall implement risk management throughout the entire process of design development, production, sales and after-sales service, for which the measures taken should be proportionate to the risks of the products.

Operation Permit and GSP for Medical Devices

Pursuant to the Medical Devices Regulation and the Administrative Measures for Operation of Medical Devices (《醫療器械經營監督管理辦法》), promulgated by the CFDA, and amended and effective from November 17, 2017, an entity engaging in the operation of medical devices of Class I is not required to obtain approval or filing for record with NMPA or its local counterparts; an entity engaging in the operation of medical devices of Class II shall file for record with NMPA at city level where such entity is located; an entity engaging in the operation of medical devices of Class III shall apply for an operation permit from NMPA at city level. The operation permit of medical devices is valid for five years and the holder of such permit shall apply for extension within six months prior to its expiration. According to Medical Devices Regulation, any entity shall not sell or use medical devices which are not properly registered or filed with NMPA or its local counterparts. In addition, according to the Administrative Measures for Operation of Medical Devices (《醫療器械經營監督管理辦法》), no additional operation permit or filing is required for any registered holder or record holder of medical devices or manufacturer of medical devices if it sells the medical devices at the place where it is domiciled or where the medical devices are manufactured.

Pursuant to the Good Sales Practice of Medical Devices (《醫療器械經營質量管理規範》) promulgated by CFDA and effective from December 12, 2014, an entity engaging in the procurement, acceptance, preservation, sales, transportation and after-sales of medical devices shall take effectively quality control measures.

Use of Medical Devices

Pursuant to the Administrative Measures for Quality Supervision on the Use of Medical Devices (《醫療器械使用質量監督管理辦法》), promulgated by the CFDA and effective from February 1, 2016, medical device users are required to purchase medical devices from qualified medical device manufacturers and are required to request and verify proof documents such as supplier qualification, medical device registration certificate or record-filing document. They are required to verify the product qualification documents of medical devices to be purchased, and check such devices before acceptance of delivery. For a medical device with special storage and transportation requirements, verification are required to be made as to whether its storage and transportation status meet the requirements specified in its product manual and label.

REGULATIONS RELATING TO IMPORTED AND EXPORTED GOODS

Pursuant to the Administrative Provisions of the Customs of the People's Republic of China on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs of China, or GACC, on March 13, 2014 and most recently amended on May 29, 2018 and the Administrative Provisions of the Customs of the People's Republic of China on the Declaration of Imported and Exported Goods (《中華人民共和國海關進出口貨物申報管理規定》) promulgated by GACC on September 18, 2003 and newly revised on November 23, 2018, consignors and consignees of exported and imported goods shall declare to the customs by themselves or appoint a customs declaration enterprise to declare to the customs on their behalf, and shall go through customs declaration entity registration formalities with their local customs in accordance with the applicable provisions.

According to the Medical Devices Regulation, imported medical devices shall be registered or filed with NMPA or its local counterparts in accordance with the provisions of the Medical Devices Regulation. Imported medical devices shall have instructions and labels in Chinese.

REGULATION OF PRICE OF HEALTHCARE SERVICES

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated and implemented on March 25, 2014 by the National Development and Reform Commission of the PRC, or NDRC, the NHFPC and the Ministry of Human Resources and Social Security, or MOHRSS, prices on healthcare services provided by non-public medical institutions shall be set with reference to the market level.

In addition, the Circular on the Issuance of the Reform of the Pharmaceutical and Healthcare Services Price Formulation Mechanism (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》) was jointly promulgated by NDRC, NHFPC and MOHRSS, and came into effect on 9 November 2009. It provides that both the government-directed price and market-based price shall apply to the provision of healthcare services: price for basic healthcare services provided by non-profit medical institutions shall be directed by government-directed pricing guidelines, while price for healthcare services provided by profitable medical institutions and certain special categories of healthcare services provided by non-profit medical institutions can be determined by the market.

REGULATION OF MEDICAL PERSONNEL

The Law on Medical Practitioners of the PRC (《中華人民共和國執業醫師法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**"), came into effect on May 1, 1999, and amended on August 27, 2009, provides that physicians in the PRC must obtain qualification licenses for their medical profession. Qualified physicians and qualified assistant physicians must register with the relevant public health administrative authorities at or above the county level. After registration, physicians may work at healthcare institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration. On February 28, 2017, the NHC promulgated the Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》) (the "**Medical Practitioners Registration Measures**"), which became effective on April 1, 2017, further stipulate that medical practitioners shall obtain the Practicing Certificate to practice upon registration and provide in detail the requirements and procedures for the registration and the modifications to be made to such registration upon occurrence of certain prescribe circumstances.

REGULATION OF MEDICAL ETHICS

The Biosecurity Law of the People's Republic of China (《中華人民共和國生物安全法》) promulgated by the SCNPC on October 17, 2020 and came into effect on April 15, 2021, establishes a comprehensive legislative framework for the pre-existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microbials laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons.

Except for activities relating to human genetic resources conducted for certain specific purposes, including clinical diagnosis and treatment, the collection, preservation, usage and outbound provision of human genetic resources in the PRC are governed by Regulation for the Administration of Human Genetic Resources, or the HGR Regulation, which was promulgated by the State Council on May 28, 2019 and came into effect on July 1, 2019. Failure to comply with such regulation when collecting, preserving, using and providing human genetic resources may result in the imposition of a fine of not less than RMB500,000 but not more than RMB5 million, and if the illegal gains are more than RMB1 million, the fine shall be more than five times and less than ten times the illegal gains. On March 21, 2022, the Ministry of Science and Technology of the People's Republic of China published the Draft Implementation Measures of HGR to further clarify and refine relevant content of the HGR Regulation, and activities relating to human genetic resources conducted for certain specific purposes, including clinical diagnosis and treatment, are not governed by the Draft Implementation Measures of HGR, which is consistent with the HGR Regulation.

As advised by our PRC Legal Advisor and taking into consideration of the Governmental Consultations conducted by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor with a department director of the BMHC, which has the authority to confirm the nature and purpose of our genetic testing business, we believe that our consumer genetic testing and cancer screening businesses are for the purpose of clinical diagnosis and treatment, and therefore activities relating to human genetic resources in our consumer genetic testing and cancer screening businesses would not be governed by the HGR Regulation or the Draft Implementation Measures of HGR.

During the Track Record Period, we also provided genetic research and analysis services related to human genetic resources, which only accounted for an insignificant portion of our business and existed before we entered into the Contractual Arrangements. Such services are not clinical diagnosis or treatment, and therefore such services, which are different from the aforementioned genetic testing services, are not covered under the aforementioned exceptions of the HGR Regulation, and therefore such genetic research and analysis services are governed by the HGR Regulation. Pursuant to the HGR Regulation, there are certain limitations for foreign entities as well as individuals and entities established or actually controlled by foreign entities ("**Restricted Entities**") to engage in activities relating to human genetic resources under the HGR Regulation. As advised by our PRC Legal Advisor, although an entity

controlled, directly or indirectly, by foreign persons through shareholding ownership would be deemed as a Restricted Entity, the HGR Regulation does not expressly state that our PRC Consolidated Entities, which are controlled by a wholly foreign owned enterprise through contractual arrangements, would be deemed as Restricted Entities. However, the Draft Implementation Measures of HGR provides that Restricted Entities include those entities upon which overseas organizations and individuals are sufficient to exert significant influence through contracts or other arrangements in terms of major matters such as decision-making, operation and management of the organization, and our PRC Consolidated Entities controlled through our contractual arrangements may be identified as Restricted Entities under the Draft Implementation Measures of HGR if the Draft Implementation Measures of HGR becomes effective in its current form. As our genetic research and analysis services related to the human genetic resources were conducted before we entered into contractual arrangements and before the Draft Implementation Measures of HGR is published, and as of the Latest Practicable Date, we have discontinued it, even if our PRC Consolidated Entities are identified as Restricted Entities, it would not have a material adverse effect on our business.

Our Directors are of the view that even if the PRC Consolidated Entities are identified as Restricted Entities, such identification should not have a material adverse impact on our business on the following basis: (i) we mainly focus on the provision of consumer genetic testing services and cancer screening services as well as the development of our IVD registration pipeline; (ii) during the Track Record Period, our cumulative revenue from genetic research and analysis services related to human genetic resources was approximately RMB0.1 million, which represented less than 0.02% of our total cumulative revenue for the same period and only accounted for an insignificant portion of our business; and (iii) as of the Latest Practicable Date, we discontinued the provision of genetic research and analysis services relating to human resources, and we do not expect to provide such services in the foreseeable future.

Nothing has come to the attention of the Sole Sponsor which causes or casts doubt on the view of the Directors above, taking into account (i) the view of the PRC Legal Advisor provided above, (ii) the view and basis of the Directors mentioned above, (iii) the insignificant cumulative revenue amount from genetic research and analysis services related to human genetic resources during the Track Record Period, and (iv) the due diligence conducted by the Sole Sponsor, such as discussions with the management of the Company to understand the business focus and key drivers, obtaining the breakdown of the revenue from genetic research and analysis services related to human genetic resources during the Track Record Period, and reviewing the business expansion plan and strategies provided by the Company.

REGULATION OF ENVIRONMENT PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and came into effect on January 1, 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor

the environmental protection scheme of the PRC. Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, and most recently amended on December 29, 2018, the PRC government implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

The Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003, and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which were promulgated by the NHC on October 15, 2003 and came into effect on the same day, stipulate that healthcare institutions must timely deliver medical waste to a specially designated location for centralized disposal of medical waste and categorize the medical waste in accordance with the Classified Catalog of Medical Waste.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

The Measures for the Bio-safety Environmental Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全環境管理辦法》), which was promulgated by the State Environmental Protection Administration on March 8, 2006 and came into effect on May 1, 2006, stipulate that where a laboratory intends to discharge waste water or waste gas, it shall comply with the relevant provisions of the State Environmental Protection Administration, and implement the system for report and registration of discharged pollutants.

The Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect on October 1, 2017, stipulate that, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form.

REGULATIONS OF THE FIRE PREVENTION SECTOR IN THE PRC

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), which was promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021, and the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and came into effect on June 1, 2020, stipulate that all construction projects must be designed to prevent fires under national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes. Upon completion of such construction project, the construction unit must apply for fire protection approval or conduct fire protection filing for fire protection design and completion approval, as applicable.

REGULATIONS OF THE SECURITY PROTECTION OF COMPUTER INFORMATION SYSTEMS IN THE PRC

The Administrative Measures for Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), which was promulgated by the Ministry of Public Security, State Secrecy Bureau, State Encryption Administration on June 26, 2007, stipulate that entities operating or using information systems shall protect information systems in accordance with these measures and relevant technical standards, and relevant information security regulatory departments of the government shall conduct supervision and administration of the hierarchical protection of information security by such entities. An information system of the second or higher standard of security protection shall be filed with the public security bureau at or above the level of cities.

REGULATION OF PRODUCT QUALITY AND CONSUMER PROTECTION

Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), as most recently amended and effective as of December 29, 2018, applies to all production and sale activities in the PRC. Pursuant to the Product Quality Law of the PRC, products offered for sale must satisfy relevant quality and safety standards. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. Where the responsibility for product defects lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

Pursuant to the PRC Civil Code which was promulgated on May 5, 2020 and effective from January 1,2021, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Consumer Protection

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), as amended and effective as of March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers in the PRC. Pursuant to Consumer Protection Law of the PRC, business operators must ensure that the goods they sell satisfy the requirements for personal or property safety protection, provide consumers with authentic information about the goods, and guarantee the quality, function, usage and term of validity of the goods. Failure to comply with Consumer Protection Law could result in administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of a fine, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

REGULATION OF FOREIGN INVESTMENT

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which became effective on January 1, 2020 and replaced the major former laws and regulations governing foreign investment in the PRC. Pursuant to the Foreign Investment Law of the PRC, "foreign investments" refer to investment activities conducted by foreign investors directly or "indirectly" in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the PRC State Council.

According to the Foreign Investment Law of the PRC and its implementing rules, China adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration. The negative list will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval.

Foreign investment beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited industries as specified in the negative list, while foreign investment must satisfy certain conditions stipulated in the negative list for investment in the restricted industries. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely (i) the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》) (2021年版), which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect on January 1, 2022, or the Negative List (2021 Version), and (ii) the Encouraged Industry Catalogue for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》), or the 2020 Encouraged Industry Catalogue. Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless otherwise restricted by other PRC laws. Our PRC subsidiary has obtained all material approvals required for their business operations. Development and application of gene diagnosis and treatment technology is prohibited to foreign investment pursuant to the Negative List (2021 Version). We conduct business operations that are prohibited to foreign investment, including collection of genetic information for cancer screening, and the research, development and application of such screening technology and test for diagnosis purposes, through our PRC Consolidated Entity and its subsidiaries.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment related information to the competent commerce authority for further handling.

REGULATION OF INTELLECTUAL PROPERTY RIGHTS

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》), or the Patent Law. The Patent Law and its implementation rules provide for three types of patent: "invention", "utility model" and "design". The protection period is 20 years for invention patents, 15 years for design patents, 10 years for utility model patents, commencing from their respective application dates. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use of such patent constitutes an infringement of the patent rights, and an infringing party is required to pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if such infringement constitutes a crime, shall be held criminally liable in accordance with law.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) which took effect in 1991 and was most recently amended on November 11, 2020 and related rules and regulations. Under the Copyright Law of the PRC, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the State Copyright Bureau issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

The Basic Standards for Medical Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準(試行)》), as promulgated by the NHFPC in 2016, provides that medical laboratories must establish information management and patient privacy protection policies. The Measures for the Administration of General Population Health Information (for Trial Implementation) (《人口健康信息管理辦法(試行)》) as promulgated by the NHFPC on May 5,

2014 sets forth the operational measures for patient privacy protection in medical institutions. The measures regulate the collection, use, management, safety and privacy protection of general population health information by medical institutions. On June 10, 2021, the SCNPC promulgated the Data Security Law (《數據安全法》), which took effect on September 1, 2021. The Data Security Law sets forth the regulatory framework, the responsibilities of relevant governmental authorities in regulating data security and the responsibilities of data processors. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《個人信息保護法》), which took effect on November 1, 2021 and aims to protect personal information rights and interests, regulate the processing of personal information, ensure the orderly and free flow of personal information and promote reasonable use of personal information.

REGULATION OF ADVERTISEMENT

Pursuant to the Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994, and most recently amended and effective from April 29, 2021, advertisements shall not contain false statements or be deceitful or misleading to consumers. Advertisements relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with applicable rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise.

Pursuant to the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) which was promulgated by the SAIC on July 4, 2016 and became effective as of September 1, 2016, the Internet advertisement must be visibly marked as "advertisement". Advertisements for special commodities or services such as medical treatment, pharmaceuticals, foods for special medical purposes and other health foods must be reviewed by competent authorities before online publication.

Pursuant to the Measures for Administration of Medical Advertisement (《醫療廣告管理辦法》), which were jointly promulgated by the SAIC and the MOH on November 10, 2006 and effective on January 1, 2007, medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate before being released. Medical Advertisement Examination Certificate is valid for one year and may be renewed upon application.

Pursuant to the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) which were promulgated by the SAMR on December 24, 2019 and effective from March 1, 2020, for medical devices advertisement to be released and published, a manufacturer of medical devices shall obtain an approval from NMPA at provincial level.

Pursuant to the Measures Regarding the Administration of Drug Information Service through the Internet (《互聯網藥品信息服務管理辦法》), which was promulgated by the CFDA and effective from July 8, 2004, and amended and effective from November 17, 2017, the Internet drug information services, referring to that of providing medical information (including medical devices information) services to Internet users through the Internet, are classified into two categories, namely, profit-making services and non-profit services. Any website intending to provide drug information services through Internet, shall be approved by NMPA at provincial level before applying for an operation permit or record-filing from the authority in charge of information industry under the State Council or the administration of telecommunication at the provincial level.

REGULATION OF ANTI-BRIBERY

According to the Anti-Unfair Competition Law (《反不正當競爭法》) promulgated by the SCNPC, as amended and effective as of April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the SAIC on November 15, 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or a competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

TAX REGULATIONS

PRC Enterprise Income Tax

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the applicable EIT Law of the PRC (《中華人民共和國企業所得税法》) and its implementation rules, both of which became effective on January 1, 2008 and were most recently amended on December 29, 2018 and April 23, 2019, respectively. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% enterprise income tax rate if they meet certain criteria and are officially acknowledged.

PRC Value Added Tax

On March 23, 2016, the MOF and the STA jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), or Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay value-added tax, or VAT, in lieu of business tax. A VAT rate of 6% applies to revenue derived from the provision of certain services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On March 20, 2019, the MOF, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》), or Announcement 39, which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (i) the 16% or 10% VAT previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (ii) the 10% purchase VAT credit rate allowed for the procured agricultural products is reduced to 9%; (iii) the 13% purchase VAT credit rate allowed for the agricultural products procured for production or commissioned processing is reduced to 10%; and (iv) the 16% or 10% export VAT refund rate previously granted to the exportation of goods or labor services is reduced to 13% or 9%, respectively.

REGULATION OF FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》). Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), as amended, which substantially amends and simplifies the foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《關於進一步簡化和改進直接投資

外匯管理政策的通知》), or **SAFE Circular 13**, which became effective on June 1,2015. Under SAFE Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or Circular 16,which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On January 18, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or Circular 3, which took effect on the same day. Circular 3 sets out various measures, including the following:

- relaxing the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation, including:
    - expanding the scope of foreign exchange settlement for domestic foreign exchange loans,
    - allowing the capital repatriation for offshore financing against domestic guarantee,
    - facilitating the centralized management of foreign exchange funds of multinational companies, and
- allowing offshore institutions within pilot free trade zones to settle foreign exchange in domestic foreign exchange accounts; and
- tightening genuineness and compliance verification of cross-border transactions and cross-border capital flow, including:
    - improving the statistics of current account foreign currency earnings deposited offshore,
    - requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US$50,000,

- strengthening genuineness and compliance verification of foreign direct investments, and

- implementing full scale management of offshore loans in Renminbi and foreign currencies by requiring the total amount of offshore loans be no higher than 30% of the onshore owner's equity shown on its audited financial statements of the last year.

On October 23, 2019, SAFE issued Circular on Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or **Circular 28**, which took effect on the same day. Circular 28 allows noninvestment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

To use our offshore foreign currency to fund our PRC operations, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiary's distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4,2014, which replaced the former circular commonly known as "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released SAFE Circular 13, under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015. There exist substantial uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Share option rules

Under the Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Option Rules, issued by SAFE on February 15, 2012, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches; (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants; and (iii) retain an overseas entrusted institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Regulation of dividend distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary, which is a wholly foreign-owned enterprise incorporated in the PRC, to fund any cash and financing requirements we may have. The principal laws, rules and regulations governing dividend distribution by wholly foreign-owned enterprise in the PRC are the PRC Company Law, and, the Foreign Investment Law of the PRC. Under these laws, rules and regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A wholly foreign-owned enterprise is required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LABOR LAWS AND SOCIAL INSURANCE

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and amended and came into effect on December 29, 2018 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) amended by the SCNPC on December 28, 2012 and came into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on September 18, 2008, employers shall establish and improve labor rules and regulations according to the laws and regulations and shall strictly comply with

the national standards, provide trainings to its employees, protect their labor rights and perform its labor obligations. Employers shall execute written labor contracts with full-time employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. All employers must comply with local minimum wage standards. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

In addition, according to the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, amended and came into effect on December 29, 2018 and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) amended by the State Council and came into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and came into effect on March 24, 2019, employers in China shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing funds for its employees at the applicable rates based on the amounts stipulated by the laws. If it fails to pay required amount of premium to local administrative authorities on time or in full, it may be required to settle the overdue amount or subject to fine.

RECENT DEVELOPMENT

Draft Regulations on Cyber Data Security

On July 10, 2021, the Cyberspace Administration of China, or the CAC released the Draft Cybersecurity Review Measures (Revised Draft for Comments) (網絡安全審查辦法(修訂草案徵求意見稿)), and on December 28, 2021, the CAC and twelve other PRC regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. The Cybersecurity Review Measures provides that (i) the purchase of cyber products and services by critical information infrastructure operators (the "**CIIOs**") and the network platform operators (the "**Network Platform Operators**") which engage in data processing activities that affect or may affect national security will be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) where a member of the cybersecurity review working mechanism believes that a network product or service or data processing activity affects or may affect national security, the Cybersecurity Review Office should report the matter to the Central Cyberspace Affairs Commission (中央網絡安全和信息化委員會) for approval under procedures, and then conduct review in accordance with the present measures.

On November 14, 2021, the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿), together with the Cybersecurity Review Measures (《網絡安全審查辦法》), collectively referred to as "**the Draft Regulations**"), was promulgated by the CAC for public comments until December 13, 2021, and as of the Latest Practicable Date, it has not been formally adopted. Article 13 of the Draft Regulations requires data processors that carry out the following activities to apply for the cybersecurity review procedures in accordance with the relevant laws and regulations: (i) merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests that affect or may affect national security; (ii) seeking of listing in foreign countries by data processors who process the personal information of at least one million users; (iii) listing of the data processor in Hong Kong which affects or may affect the national security; and (iv) other data processing activities that affect or may affect national security. In addition to the cybersecurity review procedures mentioned above, the Draft Regulations also specify the principles for data processors to carry out data processing activities, relevant measures to be taken and mechanisms to be established.

Based on our assessment and as advised by our PRC Legal Advisor, we believe that the Draft Regulations should not have a material adverse impact on our business operations or our proposed listing in Hong Kong on the following basis,

(1) As advised by our PRC Legal Advisor, we do not need to proactively apply for cybersecurity review for the following reasons,

    (i) Pursuant to the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**CII Regulations**"), which was issued by the PRC State Council and came into effect on September 1, 2021, CIIOs refer to the operators of important network facilities and information systems of important industries and sectors, such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may significantly endanger national security, national economy and the people's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of CIIOs (the "**Protection Authorities**"). The Protection Authorities will establish the rules for the identification of CIIOs based on the particular situation of the industry and report such rules to the public security department of the PRC State Council for record. The Protection Authorities are responsible for organizing the identification of CIIOs in their own industries and sectors in accordance with relevant identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the

PRC State Council. As of the Latest Practicable Date, the Company has not received any notification from the critical information infrastructure protection authorities about being identified as CIIOs, and according to the current laws and regulations, the likelihood that the Company will be classified as CIIOs in the near future is relatively remote;

(ii) The Cybersecurity Review Measures provide no further explanation or interpretation for "Network Platform Operators," which remains to be clarified and elaborated by the CAC. The Regulations on the Administration of Cyber Data Security (Draft for Comments) defines "Internet Platform Operators" as data processors that provide users with Internet platform services such as information release, social networking, transactions, payments and audio-visual services, which usually refer to services provided by e-commerce platform and social networks. Our main business is the provision of genetic testing services, and the information we collect in our genetic testing services is used for identification information in testing reports in order to deliver such testing reports to consumers, or for government reporting purposes. As a result, as advised by our PRC Legal Advisor, we do not fall within the scope of "Internet Platform Operators" or "Network Platform Operators";

(iii) The Company is applying for listing in Hong Kong, and Hong Kong does not fall within the scope of "foreign country"; and

(iv) The Company does not commit any act that threatens or endangers national security, and as of the Latest Practicable Date, the Company has not received any investigation, notice, warning or sanction from any governmental authority with respect to national security issues arising from the Company's operations or the proposed listing as of the Latest Practicable Date;

Furthermore, as of the Latest Practicable Date, we have not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to the cybersecurity review procedures.

(2) As advised by our PRC Legal Advisor, we have implemented comprehensive measures to ensure continuous regulatory compliance with relevant laws and regulations, including the Cybersecurity Review Measures (which came into effect on February 15, 2022) and the Regulations on the Administration of Cyber Data Security (Draft for Comments) (assuming they are implemented in their current forms), in all material aspects. For example, (i) we provide our privacy policy and user agreement to consumers to review and ask for consent before we provide our services; (ii) we have established internal protocols to regulate confidentiality and privacy issues related to consumer samples and data, and we encrypt and store user data and severely limit who can access personal data; (iii) we also established a data governance committee to supervise data privacy and data security matters, and an information security group that is responsible for network security and data security;

we require our employees to adhere to a number of data governance policies and rules when processing consumer data and other important data; (iv) our integrated management system has obtained the Filing Certificate for Information System Security Protection (Level III) issued by Haidian Branch of Beijing Municipal Public Security Bureau to ensure the security of information related to our business; (v) as of the Latest Practicable Date, we have not been subject to any claims or penalties relating to cyber security, data security, personal data protection and other data compliance matters; and (vi) we also continue to follow the development of laws and regulations on data security, provide training on the latest legal and regulatory enforcement cases and develop compliance programs to meet the latest regulatory requirements. For details, please refer to "Business – Data and Privacy Protection" in this Prospectus. Based on our assessment and as advised by our PRC Legal Advisor, with the abovementioned measures in place, we comply with the Draft Regulations in all material aspects as of the Latest Practicable Date.

(3) Article 10 of the Cybersecurity Review Measures specifies the national security risk factors to be assessed in the cybersecurity review, and according to the phone consultations conducted by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor with the China Cybersecurity Review Technology and Certification Center (the "**Cybersecurity Consultation**"), Article 10 of the Cybersecurity Review Measures needs to be referred to only if a company is actually subject to cybersecurity review. Based on the Cybersecurity Consultation and as advised by our PRC Legal Advisor, we are not required to file an application for cybersecurity review for our proposed listing in Hong Kong under Article 7 of the Cybersecurity Review Measures as of the Latest Practicable Date. Although we do not need to proactively apply for cybersecurity review, we still assess these factors prudently, and as advised by our PRC Legal Advisor, our proposed listing in Hong Kong should not give rise to any national security risk, since (i) as of the Latest Practicable Date, we have not received any notification from the critical information infrastructure protection authorities about being identified as CIIOs, and according to the current laws and regulations, the likelihood that the Company will be classified as CIIOs in the near future is relatively remote; (ii) we have purchased products and services relating to cybersecurity from reliable providers and diversified channels, and we use a quality control mechanism to assess the qualification of these suppliers; (iii) our integrated management system has obtained the Filing Certificate for Information System Security Protection (Level III) issued by Haidian Branch of Beijing Municipal Public Security Bureau to ensure the security of information related to our business; and (iv) during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident, nor have we been subject to or involved in any official inquiry, examination, warning and interview on cybersecurity, data security and personal information protection by relevant regulatory authorities.

(4) We do not commit any act that threatens or endangers national security, and as of the Latest Practicable Date, we have not received any investigation, notice, warning or sanction from any governmental authority with respect to national security issues arising in the operation of our business; we have complied with and required the relevant intermediaries to perform the confidentiality obligations in accordance with the Provisions on Strengthening the Relevant Confidentiality and Archives Management Work Relating to the Overseas Issuance of Securities and Listing. As of the Latest Practicable Date, we have not received any request for review of the overseas offering and listing of the Company or any determination from any governmental authority that the overseas offering and listing constitutes a threat to or endangers national security.

(5) We expect to continue to pay close attention to the legislations and regulatory developments in data security and comply with the latest regulatory requirements with the assistance of our onshore and offshore counsel teams.

In conclusion, based on our assessment of relevant facts and analyses and as advised by our PRC Legal Advisor, (i) as of the Latest Practicable Date, according to the Cybersecurity Consultation, we are not required to file an application for cybersecurity review under Article 7 of the Cybersecurity Review Measures; (ii) we comply with the Cybersecurity Review Measures (which came into effect on February 15, 2022) and the Regulations on the Administration of Cyber Data Security (Draft for Comments) (assuming they are implemented in their current forms) in all material aspects; (iii) as of the Latest Practicable Date, we have not received any investigation, notice, warning or sanction from any governmental authority with respect to national security issues arising from our operations or the proposed listing; and (iv) the Draft Regulations should not have a material adverse impact on our business operations or our proposed listing in Hong Kong.

Draft Regulations on Listing

On December 24, 2021, the China Securities Regulatory Commission (the "**CSRC**"), in conjunction with the relevant departments of the PRC State Council, promulgated the Administrative Provisions of the State Council for Domestic Enterprises Issuing Securities and Listing Abroad (Draft for Comments) (the "**Administrative Provisions**") and the Administrative Measures on Recordation of Domestic Enterprises Issuing Securities and Listing Abroad (Draft for Comments) (the "**Administrative Measures**", and together with the Administrative Provisions, the "**Draft Regulations on Listing**") for public comments. As of the Latest Practicable Date, the Draft Regulations on Listing have not come into effect. As advised by our PRC Legal Advisor, the Draft Regulations on Listing will not have material adverse impact on the listing and business operations of our Company for the following reasons:

1. The responsible person of the CSRC stated in a press conference that the purpose of the Draft Regulations on Listing is to "improve the supervisory and regulatory institution for overseas listing of enterprises, not to tighten the regulatory policies for overseas listing" and "to support enterprises to use overseas capital markets for financing and development in accordance with laws and regulations."

2. As of the Latest Practicable Date, the Draft Regulations on Listing have not come into effect. Therefore, as advised by our PRC Legal Advisor, we do not need to perform the relevant filing or information reporting procedures for the listing of our Company in accordance with the Draft Regulations on Listing.

3. Assuming that the Draft Regulations on Listing subsequently come into effect in accordance with the current Draft version, as advised by our PRC Legal Advisor, our Group can comply with the Draft Regulations on Listing in all material aspects, and the Draft Regulations on Listing should still not have any material adverse impact on the listing and business operations of our Company for the following reasons:

   (1) as advised by our PRC Legal Advisor, our Company does not fall within any of the circumstances specified in Article 7 of the Administrative Provisions in which overseas issuance and listing are prohibited;

   (2) as advised by our PRC Legal Advisor, the Contractual Arrangements we adopt do not violate relevant requirements of the Draft Regulations on Listing in any material aspect; and

   (3) Our Company has taken comprehensive measures to ensure its compliance with the relevant laws and regulations and will continue to pay close attention to the legislative and regulatory developments in respect of overseas listing of domestic enterprises, comply with the specific regulatory requirements and perform the filing procedures or information reporting procedures in accordance with the requirements of the Draft Regulations on Listing where applicable to our Company, with the assistance of our Company's onshore and offshore counsel teams.

OVERVIEW

We are a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services. The history of our Group can be traced back to 2016 when Dr. Yu, our executive Director and one of our Controlling Shareholders, established Mega Genomics Beijing, our major subsidiary of the Group. For the biography and experience of Dr. Yu, please see the section headed "Directors and Senior Management" in this Prospectus. As part of the Reorganization, our Company was incorporated in the Cayman Islands as an exempted limited liability company on April 22, 2021.

OUR MILESTONES

The following table sets out a summary of our Group's key business development milestones:

Year	Milestone Event
2016	• In January, Mega Genomics Beijing, our major subsidiary, was established in Beijing and we commenced our genetic testing service.
2017	• In May, we launched our cancer screening service.
	• In October, Mega Genomics Beijing was recognized as a "High-tech Enterprise" (高新技術企業).
	• In December, Mega Genomics Beijing was recognized as a "Zhongguancun Golden Seed Enterprise" (中關村金種子企業) by Administrative Commission of Zhongguancun Science Park (中關村科技園區管理委員會).
2018	• As of August, the total number of tests administered for cancer screening exceeded 15,000.
	• In October, we completed the development of our endpoint fluorescent PCR platform, and its testing capacity reached 15,000 tests per day.
2019	• In January, we launched our extraction-free blood nucleic acid technology.
	• In February, we established a diversified testing portfolio covering different price ranges; as of the same month, we covered over 1,000 institutional customers.

Year	Milestone Event
2020	• In May, we started to develop our fully automated testing process platform and its testing capacity reached 30,000 tests per day.
2021	• As of December, the total number of tests administered for cancer screening exceeded 453,000; the total number of tests administered since our establishment exceeded 12,000,000; we further expanded testing capacity to 50,000 tests per day.

OUR MAJOR SUBSIDIARIES

A subsidiary of our Company is considered a major subsidiary if it contributed 5% or more to the total asset, revenue and/or gross profit of our Group during any year of the Track Record Period. We conducted our business principally through the following major subsidiaries which made material contributions to our results of operations and financials during the Track Record Period.

1. Mega Genomics Beijing

Mega Genomics Beijing was established in the PRC on January 5, 2016 with an initial registered capital of RMB10,000,000. Mega Genomics Beijing is mainly engaged in the provision of technical services related to gene testing. After the Reorganization, Mega Genomics Beijing is controlled by our Company through the Contractual Arrangements. For details, please see the section headed "Contractual Arrangements" in this Prospectus.

2. Beijing Mega Lab

Beijing Mega Lab was established in the PRC on February 22, 2016 with a registered capital of RMB10,000,000. Beijing Mega Lab has been wholly owned by Mega Genomics Beijing since its establishment. It is mainly engaged in the provision of clinical laboratory testing services.

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP AND THE REORGANIZATION

Shareholding Changes of Mega Genomics Beijing

The following information sets forth the major corporate history and shareholding changes of Mega Genomics Beijing.

1. The establishment and the equity transfer prior to the series A financing

On January 5, 2016, Mega Genomics Beijing was established in the following manner:

Shareholder	Amount of registered capital subscribed *(RMB)*	Percentage ownership *(%)*
Shanghai Tianyi Asset Management Co., Ltd. (上海天億資產管理有限公司)	5,900,000	59.00
Tianjin Hongyin	2,000,000	20.00
Beijing Yinwei	1,000,000	10.00
Xiao Zhe (肖哲)	1,000,000	10.00
Xiong Xingchi (熊星馳)	100,000	1.00
Total	10,000,000	100.00

As of the Latest Practicable Date, Shanghai Tianyi Asset Management Co., Ltd. (上海天億資產管理有限公司) ("**Shanghai Tianyi**") was directly held as to 70% by Dr. Yu[1], our executive Director; Beijing Yinwei was ultimately controlled by Dr. Yu, who was its general partner and also held its 80% equity interests directly by himself and the remaining 20% equity interests indirectly through Shanghai Tianyi, and therefore both Shanghai Tianyi and Beijing Yinwei are connected persons of our Company.

As of the Latest Practicable Date, Tianjin Hongyin (formerly known as 北京宏因科技中心(有限合夥)) was held as to approximately 30.21% by Ms. Lin Lin (林琳)[2], our executive Director, and therefore it is a connected person of our Company.

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1 As of the Latest Practicable Date, Shanghai Tianyi was a limited liability company directly held as to 70% by Dr. Yu and 30% by Shanghai Tianyi Investment (Group) Co., Ltd. (上海天億實業控股集團有限公司), a company owned as to 70% by Dr. Yu, 29.60% by Shanghai Guanyuanshen Business Consulting Co., Ltd. (上海冠元申商務諮詢有限責任公司) and 0.40% by Lin Xi (林熙). Shanghai Guanyuanshen Business Consulting Co., Ltd. is a company owned as to 80% by Dr. Yu and 20% by Lin Xi, while Lin Xi is an associate of Dr. Yu under the Listing Rules.

2 As of the Latest Practicable Date, Tianjin Hongyin was a limited partnership held as to approximately (1) 19.41% by Xu Ke, its general partner; and (2) 30.21% by Ms. Lin Lin, 8.92% by Sun Tong, 7.39% by Li Bin, 4.84% by Huang Yufeng, 4.66% by Yin Jianchun, 0.58% by Zhai Yong and 23.99% in aggregate by other minority limited partners who respectively held less than 4.00% partnership interests in Tianjin Hongyin. Except for Ms. Lin Lin, Huang Yufeng and Zhai Yong who constitute connected persons of our Group, the remaining members of Tianjin Hongyin (including An Xia and Li Yan as the employees of our Group) are Independent Third Parties of our Group.

Apart from Shanghai Tianyi, Beijing Yinwei and Tianjin Hongyin, the other shareholders of Mega Genomics Beijing set out above were Independent Third Parties as of the Latest Practicable Date.

On June 22, 2016, Shanghai Tianyi entered into an investment cooperation agreement with Meinian OneHealth, pursuant to which Shanghai Tianyi agreed to transfer 20% of the equity interests in Mega Genomics Beijing to Meinian OneHealth at the consideration of RMB2,000,000 (the "**First Equity Transfer**"), which was fully settled on August 26, 2016. The price was determined based on arm's length negotiations among the parties taking into account various factors such as expected synergies, Mega Genomics Beijing's strategy and future development.

2. The series A financing

On October 27, 2016, the then shareholders of Mega Genomics Beijing entered into a capital increase agreement with our investors (including Zhuhai Zhongwei, Tibet Tengyun (formerly known as 西藏山南世紀金源投資管理有限公司), Maccura Biotechnology (formerly known as 四川邁克生物科技股份有限公司), Shanghai Hengsai Qingxi Venture Capital Center (LP) (上海恒賽青熙創業投資中心(有限合夥)) ("**Hengsai Qingxi**"), Zhang Yajun (張雅軍), Hu Jianping (胡劍萍), Shanghai Yifangda (collectively, the "**Series A Investors**" and the "**Series A Financing Agreement**"), pursuant to which the Series A Investors agreed to invest in Mega Genomics Beijing by subscription of the increased registered capital of Mega Genomics Beijing of RMB1,670,000 at a subscription price of RMB167,000,000. This capital injection was fully settled on October 31, 2016. The subscription price was determined based on arm's length negotiations among the parties taking into account the fair value of Mega Genomics Beijing in the amount of RMB1,000,000,000 agreed by the parties. As of the Latest Practicable Date, apart from Zhuhai Zhongwei[1], the other Series A Investors were Independent Third Parties.

[1] A limited partnership owned as to 16.9% by Shanghai Tianyi, the second largest shareholder of Zhuhai Zhongwei and also 100% owns the general partner of Zhuhai Zhongwei.

The following table sets forth the shareholding structure of Mega Genomics Beijing upon completion of the equity interest transfer and series A financing in 2016:

Shareholder	Amount of registered capital subscribed *(RMB)*	Percentage ownership *(%)*
Shanghai Tianyi Asset Management Co., Ltd. (上海天億資產管理有限公司)	3,900,000	33.42
Meinian OneHealth	2,000,000	17.14
Tianjin Hongyin	2,000,000	17.14
Beijing Yinwei	1,000,000	8.57
Xiao Zhe (肖哲)	1,000,000	8.57
Zhuhai Zhongwei	500,000	4.28
Tibet Tengyun	300,000	2.57
Maccura Biotechnology	300,000	2.57
Shanghai Hengsai Qingxi Venture Capital Center (LP) (上海恒賽青熙創業投資中心(有限合夥))	200,000	1.71
Zhang Yajun (張雅軍)	150,000	1.29
Hu Jianping (胡劍萍)	120,000	1.03
Shanghai Yifangda	100,000	0.86
Xiong Xingchi (熊星馳)	100,000	0.86
Total	11,670,000	100.00

3. Equity transfers subsequent to the series A financing

On December 29, 2017, Xiong Xingchi entered into an equity transfer agreement with Dr. Yu pursuant to which Xiong Xingchi agreed to transfer approximately 0.43% of the equity interests in Mega Genomics Beijing to Dr. Yu at the consideration of RMB5,000,000. On January 1, 2018, Shanghai Tianyi entered into an equity transfer agreement with Pan Qin (潘勤), an Independent Third Party, pursuant to which Shanghai Tianyi agreed to transfer 1% of the equity interests in Mega Genomics Beijing to Pan Qin at the consideration of RMB11,670,000. Each of the consideration of the above equity transfers was determined based on arm's length negotiations between the parties taking into account the fair value of Mega Genomics Beijing as agreed by the parties. These equity transfers were completed on February 11, 2018.

On May 10, 2018, Beijing Yinwei entered into an equity transfer agreement with Shanghai Tianyi, pursuant to which Beijing Yinwei agreed to transfer 1% of the equity interests in Mega Genomics Beijing to Shanghai Tianyi at the consideration of RMB116,700. The transfer was completed in May 2018. The price was determined based on arm's length negotiations between the parties with reference to the registered capital of Mega Genomics Beijing at that time.

On May 8, 2018, Shanghai Tianyi entered into an investment cooperation agreement with Meinian OneHealth pursuant to which Shanghai Tianyi agreed to transfer 33.42% of the equity interests in Mega Genomics Beijing to Meinian OneHealth at the consideration of RMB387,672,000 (the "**Second Equity Transfer**"), which was fully settled on July 6, 2018. After the completion of the equity transfer between Beijing Yinwei and Shanghai Tianyi in May 2018, Shanghai Tianyi subsequently completed the transfer of all of its equity interests in Mega Genomics Beijing (including 1% of the equity interests from Beijing Yinwei) to Meinian OneHealth in July 2018. Thus, upon completion of such Second Equity Transfer, Shanghai Tianyi was no longer a shareholder of Mega Genomics Beijing. The price was determined based on arm's length negotiations between the parties taking into account the fair value of Mega Genomics Beijing in the amount of RMB1,160,000,000 as assessed by an independent appraiser.

On February 28, 2019, Xiao Zhe entered into an equity transfer agreement with Tianjin Hongyin pursuant to which Xiao Zhe agreed to transfer 6.57% of the equity interests in Mega Genomics Beijing to Tianjin Hongyin at the consideration of RMB20,363,100. The transfer was completed in June 2019. The price was determined based on arm's length negotiations between the parties taking into account the fair value of Mega Genomics Beijing as agreed by the parties.

On November 27, 2019, each of Pan Qin, Hengsai Qingxi, Xiao Zhe, Xiong Xingchi and Dr. Yu entered into an equity transfer agreement with Tianjin Hongyin, pursuant to which Pan Qin, Hengsai Qingxi, Xiao Zhe, Xiong Xingchi, Dr. Yu agreed to transfer 5.57% of the equity interests in aggregate in Mega Genomics Beijing to Tianjin Hongyin at the total consideration of RMB81,130,000, which was fully settled on January 21, 2020. The price was determined based on arm's length negotiations between the parties primarily taking into account the fair value of Mega Genomics Beijing in the amount of RMB1,160,000,000 as assessed by an independent appraiser.

The following table sets forth the shareholding structure of Mega Genomics Beijing upon completion of the equity transfers subsequent to the series A financing:

Shareholder	**Amount of registered capital subscribed** *(RMB)*	**Percentage ownership** *(%)*
Meinian OneHealth	5,900,000	50.56
Tianjin Hongyin	3,416,700	29.28
Beijing Yinwei	883,000	7.57
Zhuhai Zhongwei	500,000	4.28
Tibet Tengyun	300,000	2.57
Maccura Biotechnology	300,000	2.57
Zhang Yajun (張雅軍)	150,000	1.29
Hu Jianping (胡劍萍)	120,000	1.03
Shanghai Yifangda	100,000	0.86
Total	11,670,000	100.00

4. The series B financing

On January 20, 2020, Mega Genomics Beijing entered into a capital increase agreement with each of Ganzhou Zhangxin and Suzhou Ruihua (collectively, the "**Series B Investors**"), pursuant to which Ganzhou Zhangxin and Suzhou Ruihua agreed to invest in Mega Genomics Beijing by subscription of the increased registered capital of Mega Genomics Beijing of RMB466,800 at a subscription price of RMB100,000,000, which was fully settled on July 30, 2020. The subscription price was determined based on arm's length negotiations between the parties taking into account the fair value of Mega Genomics Beijing in the amount of RMB2,500,000,000 as agreed by the parties. As of the Latest Practicable Date, the Series B Investors are Independent Third Parties.

The shareholding structure of Mega Genomics Beijing upon completion of the series B financing in 2020 was set forth below:

Shareholder	Amount of registered capital subscribed *(RMB)*	Percentage ownership *(%)*
Meinian OneHealth	5,900,000	48.61
Tianjin Hongyin	3,416,700	28.15
Beijing Yinwei	883,300	7.28
Zhuhai Zhongwei	500,000	4.12
Tibet Tengyun	300,000	2.47
Maccura Biotechnology	300,000	2.47
Ganzhou Zhangxin	233,400	1.92
Suzhou Ruihua	233,400	1.92
Zhang Yajun (張雅軍)	150,000	1.24
Hu Jianping (胡劍萍)	120,000	0.99
Shanghai Yifangda	100,000	0.82
Total	12,136,800	100.00

5. Equity transfers subsequent to the series B financing

On December 11, 2020, Meinian OneHealth entered into an equity transfer agreement with each of Xiamen Fanding Jiayin, Qingdao Huichuang, Liu Yi (劉伊), Si Yali (司亞麗) (the "**Third Equity Transfer**"), pursuant to which Meinian OneHealth agreed to transfer 5.06% of the equity interests in aggregate in Mega Genomics Beijing to Xiamen Fanding Jiayin, Qingdao Huichuang, Liu Yi and Si Yali at the total consideration of RMB136,640,000, which was fully settled on December 21, 2020. On November 20, 2020, Meinian OneHealth entered into an equity transfer agreement with Qingdao Lingze Medical Health Technology Partnership (LP) (青島靈澤醫療健康科技合夥企業(有限合夥)) ("**Qingdao Lingze**"), pursuant to which Meinian OneHealth agreed to transfer 15% equity interests in Mega Genomics Beijing to Qingdao Lingze, at the total consideration of RMB405,000,000, the transfer was completed on December 11, 2020. The prices were determined based on arm's length negotiations among the parties taking into account the fair value of Mega Genomics Beijing in the amount of approximately RMB2,700,000,000 as assessed by an independent appraiser.

On March 1, 2021, Meinian OneHealth entered into an equity transfer agreement with Gong Yudong (宮玉棟), and Zhou Quan (周全) respectively (the "**Fourth Equity Transfer**"), pursuant to which Meinian OneHealth agreed to transfer 0.89% of the equity interests in aggregate in Mega Genomics Beijing to Gong Yudong and Zhou Quan at the total consideration of RMB23,900,000, which was fully settled on March 26, 2021. On March 1, 2021, Meinian OneHealth entered into an equity transfer agreement with Beijing Weilai Shengjian Technology Co., Ltd. (北京未來生健科技有限公司) ("**Weilai Shengjian**") and Shanghai Peizhan Investment Management Center (LP) (上海佩展投資管理中心(有限合夥)) ("**Shanghai Peizhan**") respectively, pursuant to which Meinian OneHealth agreed to transfer 6.6667%

equity interests in Mega Genomics Beijing to Weilai Shengjian and Shanghai Peizhan at the consideration of RMB180,000,000. The prices were determined based on arm's length negotiations among the parties taking into account the fair value of Mega Genomics Beijing in the amount of approximately RMB2,700,000,000 as assessed by an independent appraiser.

On April 12, 2021, Tianjin Hongyin entered into an equity transfer agreement with Beijing Shiji and Tianjin Meihong, pursuant to which Tianjin Hongyin agreed to transfer 2.05% of the equity interests to Beijing Shiji and 9.59% of the equity interests to Tianjin Meihong at nil consideration as a result of the reorganization of Tianjin Hongyin.

On April 12, 2021, some of the then existing shareholders of Mega Genomics Beijing entered into a series of equity transfers as set out below (the "**Fifth Equity Transfer**"). The consideration for each of the equity transfers was determined based on arm's length negotiations among the parties taking into account the fair value of Mega Genomics Beijing in the amount of approximately RMB2,700,000,000 as assessed by an independent appraiser.

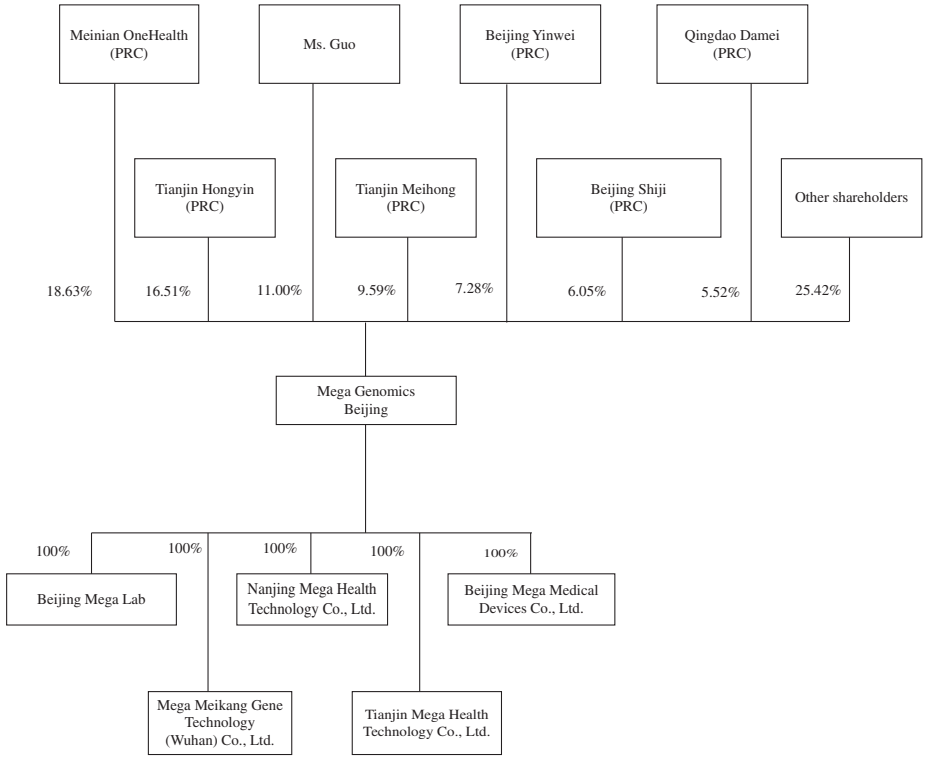
Transferor	**Transferee**	**Percentage of equity interests purchased** *(%)*	**Consideration** *(RMB)*
Qingdao Lingze Medical Health Technology Partnership (LP) (青島靈澤醫療健康科技合夥企業(有限合夥))	Ms. Guo	11.00	297,000,000
	Beijing Shiji	4.00	108,000,000
Meinian OneHealth	Tianjin Meizhiyin	1.85	49,960,000
	Qingdao Damei	0.52	14,040,000
Shanghai Peizhan Investment Management Center (LP) (上海佩展投資管理中心(有限合夥))	Song Xinbo (宋新波)	0.56	15,000,000
	Deng Zhenguo (鄧振國)	1.11	30,000,000
Beijing Weilai Shengjian Technology Co., Ltd. (北京未來生健科技有限公司)	Qingdao Damei	5.00	135,000,000

These equity transfers entered into on April 12, 2021 were completed on April 14, 2021. The shareholding structure of Mega Genomics Beijing upon completion of the above equity transfers subsequent to the series B financing were set forth below:

Shareholder	**Amount of registered capital subscribed** *(RMB)*	**Percentage ownership** *(%)*
Meinian OneHealth	2,261,021	18.63
Tianjin Hongyin	2,004,035	16.51
Ms. Guo	1,335,048	11.00
Tianjin Meihong	1,164,092	9.59
Beijing Yinwei	883,000	7.28
Beijing Shiji	734,046	6.05
Qingdao Damei	669,951	5.52
Zhuhai Zhongwei	500,000	4.12
Tibet Tengyun	300,000	2.47
Maccura Biotechnology	300,000	2.47
Xiamen Fanding Jiayin	242,736	2.00
Ganzhou Zhangxin	233,400	1.92
Suzhou Ruihua	233,400	1.92
Tianjin Meizhiyin	224,576	1.85
Qingdao Huichuang	160,206	1.32
Zhang Yajun (張雅軍)	150,000	1.24
Deng Zhenguo (鄧振國)	134,852	1.11
Liu Yi (劉伊)	121,368	1.00
Hu Jianping (胡劍萍)	120,000	0.99
Shanghai Yifangda	100,000	0.82
Si Yali (司亞麗)	89,902	0.74
Gong Yudong (宮玉棟)	84,958	0.70
Song Xinbo (宋新波)	67,432	0.56
Zhou Quan (周全)	22,477	0.19
Total	12,136,800	100.00

Reorganization

The following chart illustrates the shareholding structure of Mega Genomics Beijing immediately prior to the Reorganization:



Note: No substantive businesses are operated by the subsidiaries (other than Beijing Mega Lab) of Mega Genomics Beijing, and our Company operates principally at the level of Mega Genomics Beijing.

In anticipation of our Listing, we underwent the following Reorganization steps:

1. Incorporation of our Company

Our Company is the holding company of our Group. Our Company was incorporated on April 22, 2021 as an exempted company with limited liability in the Cayman Islands.

2. Incorporation of Mega Genomics HK

Mega Genomics HK is a limited liability company incorporated in Hong Kong on April 30, 2021 with an issued share capital of HK$100 and 100 issued shares held by our Company.

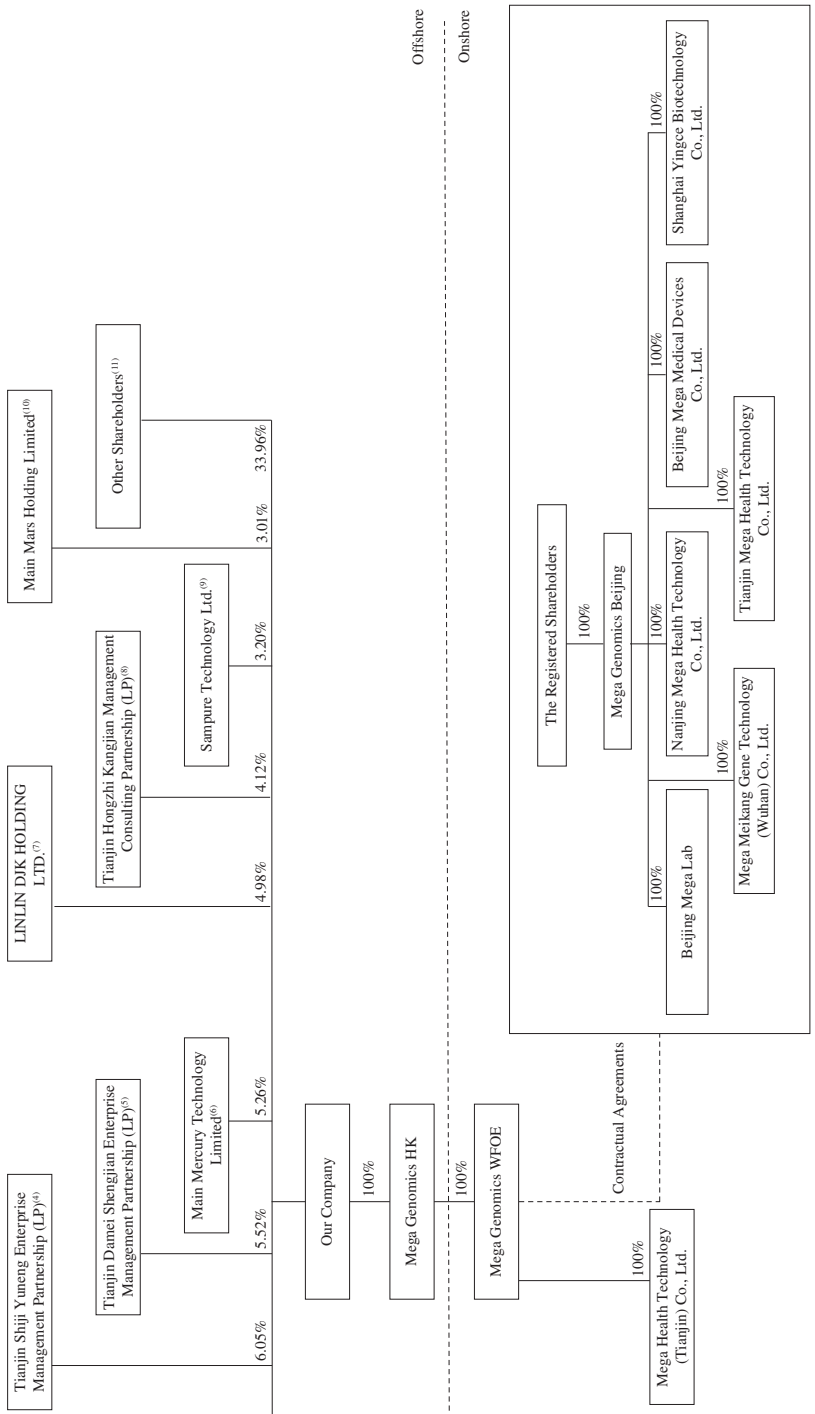
3. Onshore reorganization

On May 24, 2021, Mega Genomics WFOE was established as a limited liability company in the PRC with a registered capital of US$100,000,000, wholly owned by Mega Genomics HK.

On June 10, 2021, Mega Genomics WFOE entered into the Contractual Arrangements with Mega Genomics Beijing and the Registered Shareholders, pursuant to which Mega Genomics Beijing became contractually controlled by Mega Genomics WFOE, and Mega Genomics WFOE acquired effective financial and operational control over the PRC Consolidated Entities and became entitled to all the economics benefits derived from their operations. For details, please see the section headed "Contractual Arrangements" in this Prospectus.

On April 1, 2022, the Registered Shareholders adopted shareholder resolutions to reduce the capital of Mega Genomics Beijing to settle other receivables from related parties. However, Mega Genomics Beijing, at this time, has not completed the capital reduction procedures, such as filing the routine registration of the capital reduction with the local Administration for Market Regulation. As advised by our PRC Legal Advisor, there is no impediment to the capital reduction process and the capital reduction does not impact the completion of the Reorganization on the basis that the purpose of the Reorganization is to convert the equity interests in Mega Genomics Beijing into equity interests in our Company and exert effective control over Mega Genomics Beijing through the Contractual Arrangements. We achieved the purpose of the Reorganization in June 2021 by the completion of SAFE Circular 37 registration in May 2021 and Overseas Direct Investment application process in June 2021 for the onshore shareholders, issuance of the shares of the Company, capital contribution to the Company, and execution of the Contractual Arrangements to effectively control Mega Genomics Beijing. In addition, upon the execution of the Contractual Arrangements, the onshore shareholders only serve as nominee equity holders of Mega Genomics Beijing, and whether the capital reduction procedures are completed does not (i) change the fact that the actual equity interests of Mega Genomics Beijing are controlled by Mega Genomics WFOE rather than the onshore shareholders and (ii) adversely affect the stability of our Group's structure. For details of the risk related to our capital reduction process, please see the section headed "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – Failure to complete the capital reduction procedures of Mega Genomics Beijing may adversely impact our reputation."

The following chart sets forth the shareholding structure of our Group immediately after the Reorganization:



Notes:

(1) a wholly-owned subsidiary of Meinian OneHealth;

(2) a company wholly owned by Ms. Guo;

(3) a company wholly owned by Dr. Yu, resulting from Beijing Yinwei's previous shareholding interest in Mega Genomics Beijing before the Reorganization;

(4) a limited partnership the interests of which resulted from the previous shareholding interests of Beijing Shiji in Mega Genomics Beijing before the Reorganization;

(5) a limited partnership the interests of which resulted from the previous shareholding interests of Qingdao Damei in Mega Genomics Beijing before the Reorganization;

(6) a company the shareholding of which resulted from a part of the previous shareholding interests of Tianjin Hongyin and Tianjin Meihong in Mega Genomics Beijing before the Reorganization;

(7) a company wholly owned by Ms. Lin Lin, resulting from a part of Tianjin Hongyin's previous shareholding interest in Mega Genomics Beijing before the Reorganization;

(8) a limited partnership the interests of which resulted from the previous shareholding interests of Zhuhai Zhongwei in Mega Genomics Beijing before the Reorganization;

(9) a company wholly owned by Mr. Xu Ke, resulting from a part of Tianjin Hongyin's previous shareholding interest in Mega Genomics Beijing before the Reorganization;

(10) a company the shareholding of which resulted from a part of the previous shareholding interests of Tianjin Hongyin, Tianjin Meihong and Tianjin Meizhiyin in Mega Genomics Beijing before the Reorganization;

(11) other minority shareholders holding less than 3% in our Company in aggregate, all of which mirrored the shareholding structure of Mega Genomics Beijing, among which, the shareholding interests of Main Splendid Spring Technology Limited, Main Sunshine Technology Limited, Main Petrel Holding Limited, Main Sunflower Technology Limited and Main Galaxy Holding Limited resulted from a part of the previous shareholding interests of Tianjin Hongyin, Tianjin Meihong and Tianjin Meizhiyin in Mega Genomics Beijing before the Reorganization, while the shareholding interests of Main Coconut Technology Limited resulted from a part of the previous shareholding interests of Tianjin Hongyin and Tianjin Meizhiyin in Mega Genomics Beijing before the Reorganization and the shareholding interests of Power Young Incorporated and Sancost China Technology Co., Ltd. resulted from a part of the previous shareholding interests of Tianjin Meihong in Mega Genomics Beijing before the Reorganization.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 22, 2021. Upon its incorporation, the authorized share capital of our Company was US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 per share. On the same day, one Share was allotted and issued to the initial subscriber and an Independent Third Party, Tricor Services (Cayman Islands) Limited, at par value. On April 22, 2021, Tricor Services (Cayman Islands) Limited transferred such Share to YURONG TECHNOLOGY LIMITED and our Company further allotted and issued at par value to certain Shareholders. Upon completion, the shareholding structure of our Company was set forth below:

Shareholder	**Shares**	**Percentage ownership** *(%)*
Infinite Galaxy Health Limited	22,000,000	20.85
YURONG TECHNOLOGY LIMITED	14,555,731	13.80
Main Mercury Technology Limited	10,520,393	9.97
LINLIN DJK HOLDING LTD.	9,975,311	9.46
Sampure Technology Ltd.	6,408,142	6.07
Main Mars Holding Limited	6,015,070	5.70
Main Splendid Spring Technology Limited	5,069,741	4.81
Main Sunshine Technology Limited	3,995,136	3.79
Main Petrel Holding Limited	3,659,212	3.47
Main Sunflower Technology Limited	3,463,131	3.28
TRUESOURCE JUNHE HOLDING LTD.	2,471,821	2.34
ZhenguoD Holding Limited	2,222,200	2.11
Power Young Incorporated	2,172,907	2.06
Weber Education Group CORP	2,000,000	1.90
CindyHu TECHNOLOGY LTD.	1,977,457	1.87
Sancost China Technology Co., Ltd.	1,799,811	1.71
Main Galaxy Holding Limited	1,626,556	1.54
SNOW MOUTAIN CAPITAL LIMITED	1,481,478	1.40
Ninge Technology Limited	1,400,007	1.33
Main Coconut Technology Limited	1,202,293	1.14
New Wave Song Corporation	1,111,199	1.05
ZHOUQUAN HOLDING LIMITED	370,394	0.35
Total	105,497,990	100.00

On June 7, 2021, as part of the Reorganization, our Company further allotted and issued 94,502,010 Shares to certain shareholders of our Company, and upon completion of such issuances, all the Shareholders of our Company mirrored their shareholding interests in Mega Genomics Beijing.

On June 1, 2022, our Company allotted and issued 27,272,000 Shares (representing approximately 12.00% of our Company's then enlarged issued share capital) at par value to the RSU Nominee, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme.

As of the date of this Prospectus, our Company had a total of 227,272,000 issued Shares. The shareholding structure of our Company as of the date of this Prospectus and upon completion of the Global Offering are set forth below:

Shareholder	**Shares**	**Shareholding as of the date of this Prospectus** *(%)*	**Shares**	**Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)** *(%)*
Mei Nian Investment Limited[(1)]	37,258,932	16.39	37,258,932	15.57
RSU Nominee[(2)]	27,272,000	12.00	27,272,000	11.40
Infinite Galaxy Health Limited[(3)]	22,000,000	9.68	22,000,000	9.20
YURONG TECHNOLOGY LIMITED[(4)]	14,555,731	6.40	14,555,731	6.08
Tianjin Shiji Yuneng Enterprise Management Partnership (LP) (天津世紀宇能企業管理合夥企業(有限合夥))[(5)]	12,096,203	5.32	12,096,203	5.06
Tianjin Damei Shengjian Enterprise Management Partnership (LP) (天津大美生健企業管理合夥企業(有限合夥))[(6)]	11,039,994	4.86	11,039,994	4.61
Main Mercury Technology Limited[(7)]	10,520,393	4.63	10,520,393	4.40

Shareholder	Shares	Shareholding as of the date of this Prospectus *(%)*	Shares	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) *(%)*
LINLIN DJK HOLDING LTD.[8]	9,975,311	4.39	9,975,311	4.17
Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) (天津鴻智康健管理諮詢合夥企業(有限合夥))[9]	8,239,404	3.63	8,239,404	3.44
Sampure Technology Ltd.[10]	6,408,142	2.82	6,408,142	2.68
Main Mars Holding Limited[11]	6,015,070	2.65	6,015,070	2.51
Main Splendid Spring Technology Limited[12]	5,069,741	2.23	5,069,741	2.12
Maccura Biotechnology (USA) LLC[13]	4,943,642	2.18	4,943,642	2.07
GRteam Global Limited[14]	4,943,642	2.18	4,943,642	2.07
Tianjin Fanding Jiayin Enterprise Management Partnership (LP) (天津泛鼎佳因企業管理合夥企業(有限合夥)[15]	4,000,000	1.76	4,000,000	1.67
Main Sunshine Technology Limited[16]	3,995,136	1.76	3,995,136	1.67
Tianjin Ruihua Enterprise Management Partnership (LP) (天津瑞華企業管理合夥企業(有限合夥))[17]	3,846,154	1.69	3,846,154	1.61
Tianjin Zhongcai Rongxin Consulting Center (LP) (天津中財榕信諮詢中心(有限合夥))[18]	3,846,154	1.69	3,846,154	1.61
Main Petrel Holding Limited[19]	3,659,212	1.61	3,659,212	1.53
Main Sunflower Technology Limited[20]	3,463,131	1.52	3,463,131	1.45

Shareholder	Shares	Shareholding as of the date of this Prospectus *(%)*	Shares	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) *(%)*
Tianjin Yifeng Enterprise Management Partnership (LP) (天津懿葑企業管理合夥企業(有限合夥))[21]	2,640,004	1.16	2,640,004	1.10
TRUESOURCE JUNHE HOLDING LTD.[22]	2,471,821	1.09	2,471,821	1.03
ZhenguoD Holding Limited[23]	2,222,200	0.98	2,222,200	0.93
Power Young Incorporated[24]	2,172,907	0.96	2,172,907	0.91
Weber Education Group CORP[25]	2,000,000	0.88	2,000,000	0.84
CindyHu TECHNOLOGY LTD.[26]	1,977,457	0.87	1,977,457	0.83
Sancost China Technology Co., Ltd.[27]	1,799,811	0.79	1,799,811	0.75
Tianjin Yixin Enterprise Management Partnership (LP) (天津易新企業管理合夥企業(有限合夥))[28]	1,647,881	0.73	1,647,881	0.69
Main Galaxy Holding Limited[29]	1,626,556	0.72	1,626,556	0.68
SNOW MOUTAIN CAPITAL LIMITED[30]	1,481,478	0.65	1,481,478	0.62
Ninge Technology Limited[31]	1,400,007	0.62	1,400,007	0.59
Main Coconut Technology Limited[32]	1,202,293	0.53	1,202,293	0.50
New Wave Song Corporation[33]	1,111,199	0.49	1,111,199	0.46
ZHOUQUAN HOLDING LIMITED[34]	370,394	0.16	370,394	0.15
Investors taking part in the Global Offering	–	–	11,961,800	5.00
Total	227,272,000	100.00	239,233,800	100.00

Notes:

(1) Mei Nian Investment Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Meinian OneHealth, one of our Controlling Shareholders. Dr. Yu serves as the director and chairperson of Meinian OneHealth.

(2) The RSU Nominee is a company incorporated in the BVI and a wholly-owned subsidiary of KASTLE LIMITED, an independent trustee appointed under the terms of the RSU Scheme which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme. KASTLE LIMITED is indirectly wholly-owned by UP Fintech Holding Limited, a company listed on the NASDAQ Global Select Market (ticker symbol: TIGR). The RSU Nominee will refrain from exercising any voting rights attached to the Shares so long as such Shares are held under the Trust.

(3) Infinite Galaxy Health Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Ms. Guo. Ms. Guo is our non-executive Director and one of our Controlling Shareholders.

(4) YURONG TECHNOLOGY LIMITED was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 100% by Dr. Yu. Dr. Yu is our executive Director and one of our Controlling Shareholders.

(5) Tianjin Shiji Yuneng Enterprise Management Partnership (LP) ("**Tianjin Shiji**") was a limited partnership established under the laws of the PRC and as of the Latest Practicable Date, it was held as to (i) 99.9% by Beijing Hehe Hengye Technology Co., Ltd. (北京和合恒業科技有限公司), its limited partner, which was held as to 99.87% by Beijing Shiji, which was held as to 99.9% by Niu Zhencai (牛振才) and 0.1% by Qiu Xiaobing (邱效冰) and (ii) 0.1% by Beijing Shiji, its general partner. Both Niu Zhencai and Qiu Xiaobing are Independent Third Parties.

(6) Tianjin Damei Shengjian Enterprise Management Partnership (LP) ("**Tianjin Damei**") is a limited partnership established under the laws of the PRC and as of the Latest Practicable Date, it was held as to (i) 99.90% by Qingdao Damei, its limited partner, which is held as to 85.2% by Shanghai Huiju Kangyuan Medical Device Co., Ltd. (上海慧聚康源醫療器械有限公司) as one of its limited partners, which is wholly owned by Guo Tongfa (郭同發) and 1% by Qingdao Damei Shengjian Medical Technology Co., Ltd. (青島大美生健醫療科技有限公司) as its general partner which is held as to 99% by Qiu Zhichao (邱志超); and (ii) 0.1% by Qingdao Damei Shengjian Medical Technology Co., Ltd., its general partner. Each of Guo Tongfa and Qiu Zhichao is an Independent Third Party.

(7) Main Mercury Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 31.91% by Zhang Ning, 27.97% by Sun Tong, 23.21% by Li Bin, and 5.46% by Li Yangkun. All of the shareholders of Main Mercury Technology Limited are Independent Third Parties.

(8) LINLIN DJK HOLDING LTD. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Ms. Lin Lin, our executive Director and Chairperson.

(9) Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 99% by Zhuhai Zhongwei, its limited partner, the general partner of which was Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中孵創業投資管理有限公司) ("**Shanghai Zhongfu**"), which was wholly owned by Shanghai Tianyi and Zhuhai Zhongwei is held as to 73% by E Fund Asset Management Co., Ltd. (易方達資產管理有限公司), one of its limited partners, and (ii) 1% by Shanghai Zhongfu, its general partner.

(10) Sampure Technology Ltd. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Xu Ke, an Independent Third Party.

(11) Main Mars Holding Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 31.97% by Wang Chunfei, 31.69% by Yu Jiye, 12.15% by Zhang Qiang, 11.51% by Zhou Baofu, and 6.37% by Xiao Zhe. All of the shareholders of Main Mars Holding Limited are Independent Third Parties.

(12) Main Splendid Spring Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 56.87% by Shi Lin, 31.75% by Li Ruolin and 7.44% by Wang Yanli. All of the shareholders of Main Splendid Spring Technology Limited are Independent Third Parties.

(13) Maccura Biotechnology (USA) LLC is a limited liability company established under the laws of the United States and as of the Latest Practicable Date, it was controlled by Maccura Biotechnology, a company listed on the Shenzhen Stock Exchange (SZSE: 300463) and an Independent Third Party.

(14) GRteam Global Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was controlled by Zhang Haiyan (張海燕), whose husband Huang Tao (黃濤) controls Tibet Tengyun. Both Zhang Haiyan and Huang Tao are Independent Third Parties.

(15) Tianjin Fanding Jiayin Enterprise Management Partnership (LP) ("**Tianjin Fanding Jiayin**") is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 0.0185% by Fanding (Xiamen) Investment Management Co., Ltd. (泛鼎(廈門)投資管理有限公司) ("**Fanding Xiamen**"), its general partner which is held as to 50% by Chen Jinming (陳錦明) and 50% Ni Bingxin (倪秉昕), and (ii) 99.9815% by Xiamen Fanding Jiayin, its limited partner, the general partner of which is Fanding Xiamen and Xiamen Fanding Jiayin is held as to 42.48% by Huang Jian (黃健) as one of its limited partners. Chen Jinming, Ni Bingxin and Huang Jian are Independent Third Parties.

(16) Main Sunshine Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held to 29.74% by He Shun, 19.13% by Jiang Jing, 18.52% by Du Jun, 11.01% by Pan Wanbing, and 6.72% by Xu Tianfu. Jiang Jing is our executive Director. The other shareholders of Main Sunshine Technology Limited are Independent Third Parties.

(17) Tianjin Ruihua Enterprise Management Partnership (LP) ("**Tianjin Ruihua**") is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 1% by its general partner Jiangsu Ruihua Venture Capital Management Co., Ltd. (江蘇瑞華創業投資管理有限公司), which is held as to 49% by Xizang Ruihua Capital Management Co., Ltd. (西藏瑞華資本管理有限公司) as its single largest shareholder and ultimately controlled by Zhang Jianbin (張建斌); (ii) 62.60% by Xizang Ruihua Capital Management Co., Ltd. as one of its limited partners. Zhang Jianbin is an Independent Third Party.

(18) Tianjin Zhongcai Rongxin Consulting Center (LP) ("**Zhongcai Rongxin**") is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 0.9901% by Zhongcai Jinkong Investment Co., Ltd. (中財金控投資有限公司), its general partner, which is ultimately a state-owned company, an Independent Third Party, and (ii) 99.0099% by Ganzhou Zhangxin, its limited partner, the general partner of which is Zhongcai Jinkong Investment Co., Ltd. and it was held as to 38.87% by Ding Hongfei (丁紅飛), an Independent Third Party, as one of its limited partners.

(19) Main Petrel Holding Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 42.04% by Yin Jianchun, 15.77% by Xiong Fangjun, 10.46% by Liu Zheng, 10.46% by Zhang Shengjiang, 7.75% by Li Yan, 5.23% by Yao Ling, and 5.23% by Wang Xiaona. All of the shareholders of Main Petrel Holding Limited are Independent Third Parties.

(20) Main Sunflower Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 54.84% by Huang Yufeng, 15.50% by Guo Zhang, 13.59% by Wu Yanwei, 6.76% by Ren Xiumei, 5.53% by Wu Yanchen, 2.07% by Yi Xiang and 1.71% by Li Cong. Huang Yufeng is our executive Director. The other shareholders of Main Sunflower Technology Limited are Independent Third Parties.

(21) Tianjin Yifeng Enterprise Management Partnership (LP) ("**Tianjin Yifeng**") is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 0.0281% by Chengdu Huixin Qihang Equity Investment Fund Management Co., Ltd. (成都匯信啟航股權投資基金管理有限公司), its general partner which is controlled by Xue Chaoxiong (薛超雄), and (ii) 99.9719% by Qingdao Huichuang, its limited partner, the general partner of which is also Chengdu Huixin Qihang Equity Investment Fund Management Co., Ltd. and the limited partner of which is beneficially owned by Xue Chaoxiong, an Independent Third Party.

(22) TRUESOURCE JUNHE HOLDING LTD. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Zhang Yajun (張雅軍), an Independent Third Party.

(23) ZhenguoD Holding Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Deng Zhenguo, an Independent Third Party.

(24) Power Young Incorporated is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Huang Wei, an Independent Third Party.

(25) Weber Education Group CORP is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Liu Yi, an Independent Third Party.

(26) CindyHu TECHNOLOGY LTD. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Hu Jianping, an Independent Third Party.

(27) Sancost China Technology Co., Ltd. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Le Yang, an Independent Third Party.

(28) Tianjin Yixin Enterprise Management Partnership (LP) ("**Tianjin Yixin**") is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to (i) 0.10% by Shanghai Muyuan Investment Management Center (LP) (上海牧園投資管理中心(有限合夥)), its general partner, which is ultimately controlled by Liu Yonghao (劉永好), and (ii) 99.90% by Shanghai Yifangda, its limited partner, which is held as to 59.05% by E Fund Asset Management Co., Ltd. (易方達資產管理公司), which is ultimately held as to 22.65% by Guangdong Yuecai Trust Co., Ltd. (廣東粵財信託有限公司), a state-owned company, 22.65% by Yingfeng Holding Co., Ltd. (盈峰控股集團有限公司), controlled by He Jianfeng (何劍峰), and 22.65% by GF securities Co., Ltd. (廣發證券股份有限公司) (SZSE: 000776). All of these entities and individuals are Independent Third Parties.

(29) Main Galaxy Holding Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 37.83% by Zhang Li, 23.54% by Yang Yue, 11.77% by Zhang Haiping, 11.77% by Bian Guofu, and 9.18% by An Xia. All of the shareholders of Main Galaxy Holding Limited are Independent Third Parties.

(30) SNOW MOUTAIN CAPITAL LIMITED is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Si Yali, an Independent Third Party.

(31) Ninge Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Gong Yudong, an Independent Third Party.

(32) Main Coconut Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was held as to 52.24% by Qu Weiwei, 15.92% by Liu Yang, 15.92% by Zhai Yong, and 15.92% by Zhang Bin. These individuals are Independent Third Parties.

(33) New Wave Song Corporation is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Song Xinbo, an Independent Third Party.

(34) ZHOUQUAN HOLDING LIMITED is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and as of the Latest Practicable Date, it was wholly owned by Zhou Quan, an Independent Third Party.

VOTING RIGHTS ENTRUSTMENT DEED[1]

On August 11, 2021, Dr. Yu, Ms. Guo, Ms. Guo'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, irrevocably entrusts Dr. Yu to exercise all voting rights associated with the Shares it held, as of the date of the deed, subject to any adjustments as may be necessary to reflect any share issue, subdivision or any similar events on or before Listing, including but not limited to the right to propose resolutions in general meetings and board meetings, sign relevant documents, cast votes over each matter to be considered and voted at general meetings and board meetings, except that Ms. Guo retains all the economic rights, as the holder or ultimate beneficial owner of the Shares, such as the right to receive dividends on the Shares and the right to dispose of the Shares in accordance with applicable laws and regulations and the Articles of Association (the "**Voting Rights Entrustment Deed**"). At the Mega Genomics Beijing level, Ms. Guo confirmed that she had exercised her voting rights in Mega Genomics Beijing in a manner strictly consistent with the view of Dr. Yu since she obtained such rights (whether directly or indirectly).

Based on the Voting Rights Entrustment Deed, Ms. Guo is treated as one of our Controlling Shareholders. As of the date of this Prospectus, Dr. Yu, Ms. Guo, Meinian OneHealth together with their respective holding companies, namely, YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership, Infinite Galaxy Health Limited and Mei Nian Investment Limited, as a group of our Controlling Shareholders, effectively control approximately 36.10% of the voting rights of our Company, and will control approximately 34.30% of the voting rights of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Please refer to the section headed "Relationship with Our Controlling Shareholders" of this Prospectus for details.

ACQUISITIONS, MERGERS AND DISPOSALS DURING AND AFTER THE TRACK RECORD PERIOD

Throughout the Track Record Period and up to the Latest Practicable Date, we have not conducted any major acquisitions, mergers or disposals.

1 Under the Voting Rights Entrustment Deed, at the Meinian OneHealth level, Ms. Guo and her son confirmed that they have voted at the general meetings of Meinian OneHealth at all material times in a manner strictly consistent with the view of Dr. Yu and would continue to act in the same manner until the Voting Rights Entrustment Deed is terminated. As of the Latest Practicable Date, Ms. Guo and her son held 5.99% of equity interests in Meinian OneHealth, and by virtue of the Voting Rights Entrustment Deed, Dr. Yu directly and indirectly held 19.81% of equity interests in Meinian OneHealth.

PRE-IPO INVESTMENTS

The bases of determination for the Pre-IPO Investments valuation were from arm's length negotiations between the relevant parties and the Pre-IPO Investors after taking into consideration various factors including but not limited to the fair value as assessed by an independent appraiser, the timing of the investments and the status of our business and operating entities. The table below summarizes the principal terms of the Pre-IPO Investments:

Key Terms of the Pre-IPO Investments

	The First Equity Transfer	Series A financing	The Second Equity Transfer	Series B financing	The Third Equity Transfer	The Fourth Equity Transfer	The Fifth Equity Transfer
Date of investment	June 22, 2016	October 27, 2016	May 8, 2018	January 20, 2020	December 11, 2020	March 1, 2021	April 12, 2021
Last date of settlement of the consideration/subscription price	August 26, 2016	October 31, 2016	July 6, 2018	July 30, 2020	December 21, 2020	March 26, 2021	June 25, 2021
Total consideration	RMB2,000,000	RMB167,000,000	RMB387,672,000	RMB100,000,000	RMB136,640,000	RMB23,900,000	RMB649,000,000
Amount of registered capital purchased and/or subscribed	RMB2,000,000	RMB1,670,000	RMB3,900,114	RMB466,800	RMB614,212	RMB107,433	RMB2,917,687
Cost per Share[1]	HK$0.07	HK$7.3	HK$7.3	HK$15.6	HK$16.2	HK$16.2	HK$16.2
Discount to the midpoint of the indicative Offer Price range[2]	99.7%	63.5%	63.5%	22.0%	19.0%	19.0%	19.0%
Use of proceeds	Our Group has applied the proceeds from the series A financing and the series B financing to invest in business expansion, technological research and development, and general working capital. As of the Latest Practicable Date, the proceeds from the Pre-IPO Investments had been substantially utilized.						
Strategic benefits	At the time of the Pre-IPO Investments, the directors of Mega Genomics Beijing were of the view that (i) it would benefit from the additional capital provided by the Pre-IPO Investors (with respect to the Pre-IPO Investors of the Series A financing and Series B financing) and their knowledge and experience and (ii) the Pre-IPO Investments demonstrated the Pre-IPO Investors' confidence in the operations and development of our Group.						

Notes:

1. The approximate cost per Share is calculated based on the exchange rate of HK$1.00 to RMB0.8310, for illustration purpose only.

2. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$20.0 per Share (being the mid-point of the indicative Offer Price range).

Special Rights

Pursuant to the Series A Financing Agreement, the Series A Investors were granted certain special rights, including, amongst other things, (i) repurchase rights and (ii) directors nomination rights. Pursuant to the Exclusive Option Agreement dated June 10, 2021, the Series A Investors had ceased to be entitled to any special rights. Apart from the Series A Financing Agreement, no special right was granted to the Pre-IPO Investors.

Lock-up and Public Float

The Shares held by the Pre-IPO Investors will be subject to a lock-up for six months commencing on the date of the Listing.

As (i) YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) are controlled by Dr. Yu, one of our Controlling Shareholders, (ii) Infinite Galaxy Health Limited is controlled by Ms. Guo, one of our Controlling Shareholders due to the arrangement of the Voting Rights Entrustment Deed, pursuant to which Ms. Guo irrevocably entrusted Dr. Yu to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited, (iii) Mei Nian Investment Limited is wholly owned by Meinian OneHealth, one of our Controlling Shareholders, (iv) LINLIN DJK HOLDING LTD is wholly owned by Ms. Lin Lin, our executive Director and chairperson, (v) Main Sunflower Technology Limited is controlled by Mr. Huang Yufeng (黄宇峰), our executive Director, and (vi) the RSU Nominee will constitute a substantial shareholder upon completion of the Global Offering and therefore a core connected person of our Company, the Shares held by YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership (LP), Infinite Galaxy Health Limited, Mei Nian Investment Limited, LINLIN DJK HOLDING LTD, Main Sunflower Technology Limited and the RSU Nominee (among which, Tianjin Hongzhi Kangjian Management Consulting Partnership (LP), Infinite Galaxy Health Limited and Mei Nian Investment Limited are Pre-IPO Investors) will not be considered as part of the public float upon Listing under Rule 8.24 of the Listing Rules.

Save as disclosed above, the Shares held by our other existing Shareholders will be considered as part of the public float upon Listing under Rule 8.24 of the Listing Rules. The percentage of the public float immediately after the Global Offering (assuming the Over-allotment Option is not exercised) based on the low-end Offer Price is approximately 48.68%.

Information about the Pre-IPO Investors

Set forth below is a description of the Pre-IPO Investors that have made investments in our Company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Mei Nian Investment Limited	391,672,000	15.57	As of the Latest Practicable Date, Mei Nian Investment Limited was wholly owned by Meinian OneHealth, one of our Controlling Shareholders, and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044). Mei Nian Investment Limited is an investment holding company.
Infinite Galaxy Health Limited	297,000,000	9.20	As of the Latest Practicable Date, Infinite Galaxy Health Limited was wholly owned by Ms. Guo, our non-executive Director and one of our Controlling Shareholders. Infinite Galaxy Health Limited is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Shiji Yuneng Enterprise Management Partnership (LP) (天津世紀宇能企業管理合夥企業(有限合夥))	nil consideration as a result of the reorganization of Tianjin Hongyin	5.06	Tianjin Shiji was a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.10% by Beijing Shiji as its general partner and 99.90% by Beijing Hehe Hengye Technology Co., Ltd. (北京和合恒業科技有限公司) as its limited partner. Beijing Shiji, a company mainly engaged in technology consultancy, was held as to 99.90% by Niu Zhencai (牛振才) and 0.10% by Qiu Xiaobing (邱效冰). The limited partner was held as to 99.87% by Beijing Shiji and 0.13% by Gao Jie (高潔). Each of Niu Zhencai, Qiu Xiaobing and Gao Jie is an Independent Third Party. Tianjin Shiji is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Damei Shengjian Enterprise Management Partnership (LP) (天津大美生健企業管理合夥企業(有限合夥))	149,040,000	4.61	Tianjin Damei is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.10% by Qingdao Damei Shengjian Medical Technology Co., Ltd. (青島大美生健醫療科技有限公司) as its general partner and 99.90% by Qingdao Damei as its limited partner. Qingdao Damei Shengjian Medical Technology Co., Ltd., a company primarily engaged in providing technical services, was held as to 99.00% by Qiu Zhichao (邱志超) and 1.00% by Yao Zhenren (姚貞仁). Qingdao Damei was held as to 85.20%, 13.79% and 1.00% by Shanghai Huiju Kangyuan Medical Device Co., Ltd. (上海慧聚康源醫療器械有限公司), Shandong Xin Yi Yi Trading Co., Ltd. (山東欣益醫貿易有限公司), and Qingdao Damei Shengjian Medical Technology Co., Ltd. respectively. Shanghai Huiju Kangyuan Medical Device Co., Ltd. was wholly owned by Guo Tongfa (郭同發). Each of Guo Tongfa, Qiu Zhichao and Yao Zhenren is an Independent Third Party. Tianjin Damei is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) (天津鴻智康健管理諮詢合夥企業(有限合夥))	500,000	3.44	Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 1.00% by Shanghai Zhongfu as its general partner and 99.00% by Zhuhai Zhongwei as its limited partner. Shanghai Zhongfu was wholly owned by Shanghai Tianyi, which was directly held as to 70.00% by Dr. Yu, our executive Director. Zhuhai Zhongwei was mainly held as to 73.00% by E Fund Asset Management Co., Ltd. (易方達資產管理有限公司) and 16.9% by Shanghai Tianyi. E Fund Asset Management Co., Ltd. was ultimately held as to 22.65% by Guangdong Yuecai Trust Co., Ltd. (廣東粵財信託有限公司), a state-owned company, 22.65% by Yingfeng Co., Ltd. (盈峰集團有限公司), controlled by He Jianfeng (何劍峰), and 22.65% by GF securities Co., Ltd. (廣發證券股份有限公司) (SZSE: 000776). Apart from Dr. Yu, the other parties above are Independent Third Parties. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Sampure Technology Ltd.	816,740	2.68	As of the Latest Practicable Date, Sampure Technology Ltd. was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Xu Ke, an Independent Third Party. Sampure Technology Ltd. is an investment holding company.
Maccura Biotechnology (USA) LLC	300,000	2.07	Maccura Biotechnology (USA) LLC was controlled by Maccura Biotechnology as of the Latest Practicable Date. Maccura Biotechnology is a limited liability company under the laws of the PRC, listed on the Shenzhen Stock Exchange (SZSE: 300463) and an Independent Third Party. It is mainly engaged in R&D, production and related service of in vitro diagnostic products.
GRteam Global Limited	300,000	2.07	GRteam Global Limited is controlled by Zhang Haiyan (張海燕), whose husband Huang Tao (黃濤) controls Tibet Tengyun. Both Zhang Haiyan (張海燕) and Huang Tao (黃濤) are Independent Third Parties. It is a company mainly engaged in equity investment.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Fanding Jiayin Enterprise Management Partnership (LP) (天津泛鼎佳因企業管理合夥企業(有限合夥)	54,000,000	1.67	Tianjin Fanding Jiayin is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.02% by Fanding Xiamen as its general partner and 99.98% by Xiamen Fanding Jiayin as its limited partner. Fanding Xiamen, a company mainly engaged in investment management, was held as to 50.00% by Chen Jinming (陳錦明) and 50.00% Ni Bingxin (倪秉昕). Xiamen Fanding Jiayin, a limited partnership focusing on equity investment, was held as to 1.77% by Fanding Xiamen as its general partner, 42.48% by Huang Jian (黃健) as one of its limited partners, and 55.75% by its eight other limited partners, none of whom held more than one-third of the interest in Tianjin Fanding Jiayin. Each of Chen Jinming, Ni Bingxin and Huang Jian is an Independent Third Party. Tianjin Fanding Jiayin is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Ruihua Enterprise Management Partnership (LP) (天津瑞華企業管理合夥企業(有限合夥))	50,000,000	1.61	Tianjin Ruihua is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 1.00% by Jiangsu Ruihua Venture Capital Management Co., Ltd. (江蘇瑞華創業投資管理有限公司) as its general partner, 62.60% by Xizang Ruihua Capital Management Co., Ltd. (西藏瑞華資本管理有限公司) as one of its limited partners, and 36.40% by three other limited partners, none of whom held more than one-third of the interest in Tianjin Ruihua. Jiangsu Ruihua Venture Capital Management Co., Ltd., a company focusing on venture capital investment, was held as to 49% by Xizang Ruihua Capital Management Co., Ltd., a company mainly engaged in equity investment, as its single largest shareholder and ultimately controlled by Zhang Jianbin (張建斌), an Independent Third Party. Tianjin Ruihua is a company mainly engaged in equity investment.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Zhongcai Rongxin Consulting Center (LP) (天津中財榕信諮詢中心(有限合夥)	50,000,000	1.61	Zhongcai Rongxin is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.99% by Zhongcai Jinkong Investment Co., Ltd. (中財金控投資有限公司) as its general partner and 99.01% by Ganzhou Zhangxin as its limited partner. The general partner was ultimately a state-owned company, an Independent Third Party. Ganzhou Zhangxin was held as to 9.43% by Zhongcai Jinkong Investment Co., Ltd. as general partner, 38.87% by Ding Hongfei (丁紅飛) as one of its limited partners and 51.70% by its 12 other limited partners, none of whom held more than one-third of the interest in Zhongcai Rongxin. Ding Hongfei is an Independent Third Party. Zhongcai Rongxin is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Yifeng Enterprise Management Partnership (LP) (天津懿葑企業管理合夥企業(有限合夥))	35,640,000	1.10	Tianjin Yifeng is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.03% by Chengdu Huixin Qihang Equity Investment Fund Management Co., Ltd. (成都匯信啟航股權投資基金管理有限公司) as its general partner and 99.97% by Qingdao Huichuang as its limited partner. The general partner was held as to 94% by Xue Chaoxiong (薛超雄), a financial investor and Independent Third Party, The general partner of Qingdao Huichuang was also Chengdu Huixin Qihang Equity Investment Fund Management Co., Ltd. and the limited partner of Qingdao Huichuang was beneficially owned by Xue Chaoxiong. Tianjin Yifeng is an investment holding company.
TRUESOURCE JUNHE HOLDING LTD.	150,000	1.03	As of the Latest Practicable Date, TRUESOURCE JUNHE HOLDING LTD. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and is wholly owned by Zhang Yajun, an Independent Third Party and a financial investor. TRUESOURCE JUNHE HOLDING LTD. is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
ZhenguoD Holding Limited	30,000,000	0.93	As of the Latest Practicable Date, ZhenguoD Holding Limited was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Deng Zhenguo, a financial investor and an Independent Third Party. ZhenguoD Holding Limited is an investment holding company.
Power Young Incorporated	nil consideration as a result of the reorganization of Tianjin Hongyin	0.91	As of the Latest Practicable Date, Power Young Incorporated was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Huang Wei, a financial investor and an Independent Third Party. Power Young Incorporated is an investment holding company.
Weber Education Group CORP	27,000,000	0.84	As of the Latest Practicable Date, Weber Education Group CORP is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and is wholly owned by Liu Yi, a financial investor and an Independent Third Party. Weber Education Group CORP is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
CindyHu TECHNOLOGY LTD.	120,000	0.83	As of the Latest Practicable Date, CindyHu TECHNOLOGY LTD. is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and is wholly owned by Hu Jianping, a financial investor and an Independent Third Party. CindyHu TECHNOLOGY LTD. is an investment holding company.
Sancost China Technology Co., Ltd.	nil consideration as a result of the reorganization of Tianjin Hongyin	0.75	As of the Latest Practicable Date, Sancost China Technology Co., Ltd. was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Le Yang, a financial investor and an Independent Third Party. Sancost China Technology Co., Ltd. is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
Tianjin Yixin Enterprise Management Partnership (LP) (天津易新企業管理合夥企業(有限合夥))	100,000	0.69	Tianjin Yixin is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, it was held as to 0.10% by Shanghai Muyuan Investment Management Center (LP) (上海牧園投資管理中心(有限合夥)) as its general partner and 99.90% by Shanghai Yifangda as its limited partner. Shanghai Muyuan Investment Management Center (LP), a limited partnership mainly engaged in investment management, was ultimately controlled by Liu Yonghao (劉永好). Shanghai Yifangda was held as to 59.05% by E Fund Asset Management Co., Ltd. (易方達資產管理有限公司), which was ultimately held as to 22.65% by Guangdong Yuecai Trust Co., Ltd. (廣東粵財信託有限公司), a state-owned company, 22.65% by Yingfeng Co., Ltd. (盈峰集團有限公司), which was held as to 88.09% by He Jianfeng (何劍峰), and 22.65% by GF securities Co., Ltd. (廣發證券股份有限公司) (SZSE: 000776). Each of Liu Yonghao and He Jianfeng is an Independent Third Party. Tianjin Yixin is mainly engaged in equity investment.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
SNOW MOUTAIN CAPITAL LIMITED	20,000,000	0.62	As of the Latest Practicable Date, SNOW MOUTAIN CAPITAL LIMITED is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and is wholly owned by Si Yali, a financial investor and an Independent Third Party. SNOW MOUTAIN CAPITAL LIMITED is an investment holding company.
Ninge Technology Limited	18,900,000	0.59	As of the Latest Practicable Date, Ninge Technology Limited is a company with liability limited by shares incorporated under the laws of the British Virgin Islands and is wholly owned by Gong Yudong, a financial investor and an Independent Third Party. Ninge Technology Limited is an investment holding company.
New Wave Song Corporation	15,000,000	0.46	As of the Latest Practicable Date, New Wave Song Corporation was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Song Xinbo, a financial investor and an Independent Third Party. New Wave Song Corporation is an investment holding company.

Name of Pre-IPO Investor	Amount of consideration paid	Shareholding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Information about the Pre-IPO Investors
	(RMB)	*(%)*	
ZHOUQUAN HOLDING LIMITED	5,000.000	0.15	As of the Latest Practicable Date, ZHOUQUAN HOLDING LIMITED was a company with liability limited by shares incorporated under the laws of the British Virgin Islands and was wholly owned by Zhou Quan, a financial investor and an Independent Third Party. ZHOUQUAN HOLDING LIMITED is an investment holding company.

ADOPTION OF THE RSU SCHEME

With a view to formalizing our proposal to grant share incentives to eligible personnel of our Group, our Board approved and adopted the RSU Scheme on November 19, 2021. As of the date of this Prospectus, no RSU has been granted under the RSU Scheme. For details and principal terms of the RSU Scheme, please see the section headed "Statutory and General Information – D. RSU Scheme" in Appendix IV to this Prospectus.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by the

PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, prior CSRC approval for this Listing is not required because (i) our wholly foreign owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor.

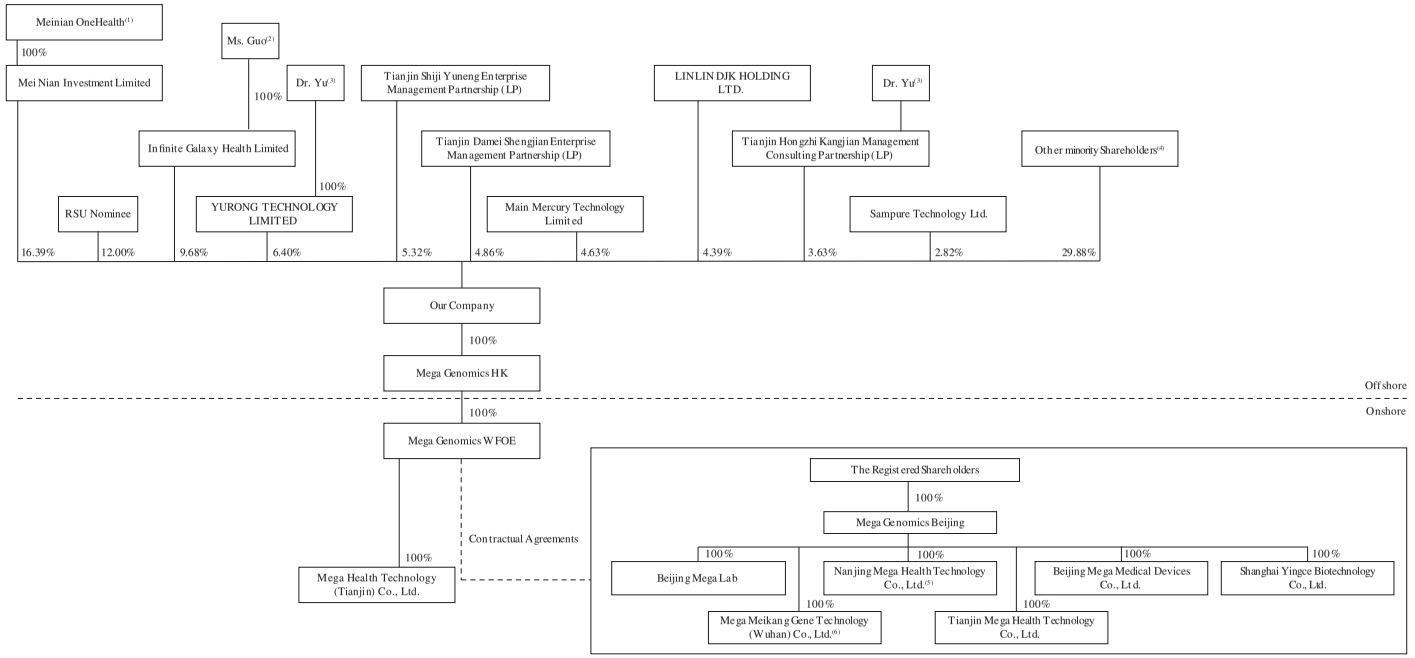
SAFE registration in the PRC

Pursuant to the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**"), promulgated by the SAFE and which became effective on July 14, 2014, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore assets or domestic enterprises' equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries. Pursuant to the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, "**Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branches to local banks where the domestic entity is registered.

As advised by our PRC Legal Advisor, our individual Registered Shareholders and the ultimate individual beneficial owners of certain Registered Shareholders who are PRC residents have completed initial registrations on May 13, 2021 with the local qualified banks in accordance with SAFE Circular 37 and Circular 13.

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth the shareholding structure of our Group immediately before completion of the Global Offering. For details of the Shareholders of our Company, please refer to the notes above under the shareholding structure upon completion of the Reorganization on June 7, 2021.



Notes:

(1) Mei Nian Investment Limited is wholly owned by Meinian OneHealth, one of our Controlling Shareholders.

(2) Infinite Galaxy Health Limited is wholly owned by Ms. Guo, one of our Controlling Shareholders.

(3) The general partner of Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is ultimately controlled by Dr. Yu. As such, both YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) are ultimately controlled by Dr. Yu, one of our Controlling Shareholders.

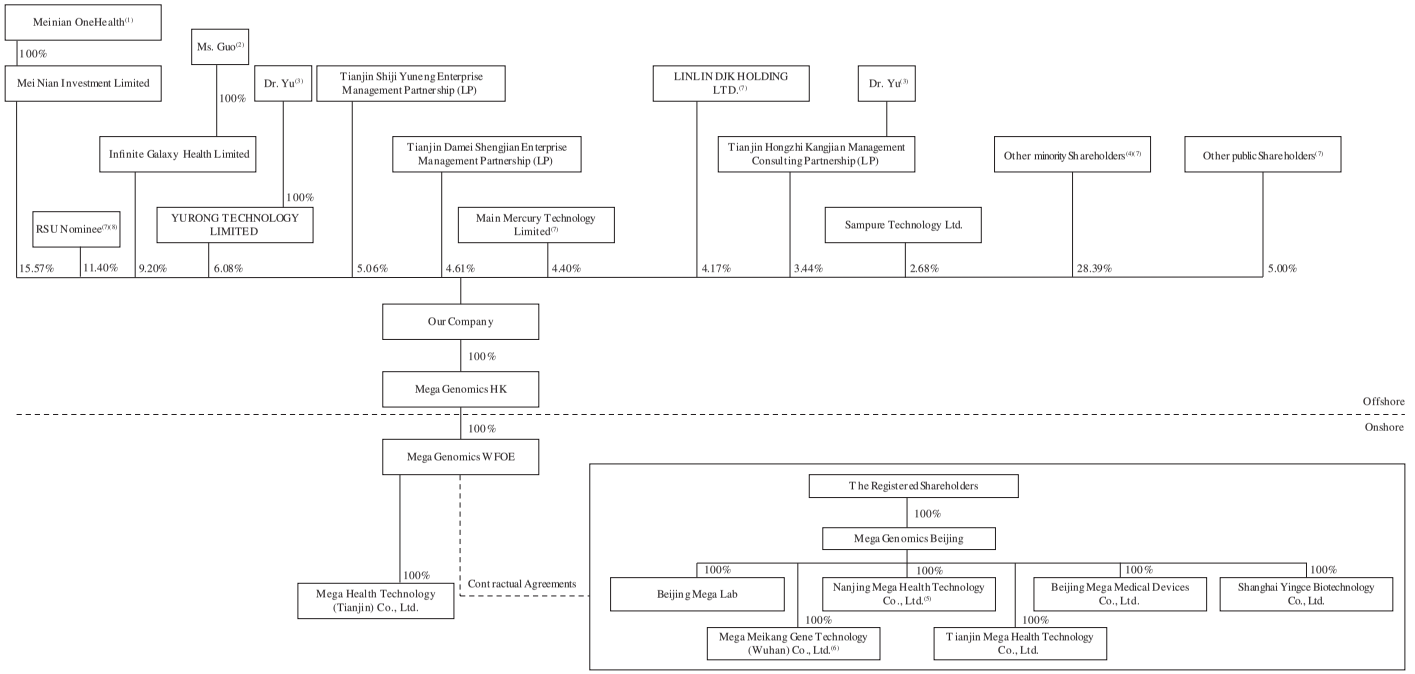
(4) Our Company is further held as to 2.65% by Main Mars Holding Limited, 2.23% by Main Splendid Spring Technology Limited, 2.18% by Maccura Biotechnology (USA) LLC, 2.18% by GRteam Global Limited, 1.76% by Tianjin Fanding Jiayin Enterprise Management Partnership (LP), 1.76% by Main Sunshine Technology Limited, 1.69% by Tianjin Ruihua Enterprise Management Partnership (LP), 1.69% by Tianjin Zhongcai Rongxin Consulting Center (LP), 1.61% by Main Petrel Holding Limited, 1.52% by Main Sunflower Technology Limited, 1.16% by Tianjin Yifeng Enterprise Management Partnership (LP), 1.09% by TRUESOURCE JUNHE HOLDING LTD., 0.98% by ZhenguoD Holding Limited, 0.96% by Power Young Incorporated, 0.88% by Weber Education Group CORP, 0.87% by CindyHu TECHNOLOGY Co., LTD., 0.79% by Sancost China Technology Co., Ltd., 0.73% by Tianjin Yixin Enterprise Management Partnership (LP), 0.72% by Main Galaxy Holding Limited, 0.65% by SNOW MOUTAIN CAPITAL LIMITED, 0.62% Ninge Technology Limited, 0.53% by Main Coconut Technology Limited, 0.49% by New Wave Song Corporation and 0.16% by ZHOUQUAN HOLDING LIMITED.

(5) As of the Latest Practicable Date, Nanjing Mega Health Technology Co. Ltd. has completed degistration as the company does not have actual business operations.

(6) Mega Meikang Gene Technology (Wuhan) Co., Ltd. has completed degistration as the company does not have actual business operations.

CORPORATE STRUCTURE IMMEDIATELY UPON COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth the shareholding structure of our Group immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). For details of the Shareholders of our Company, please refer to the notes above under the shareholding structure upon completion of the Reorganization on June 7, 2021.



Notes:

(1)-(6) Please refer to the notes under "– Corporate structure immediately before completion of the Global Offering" above.

(7) Other than (i) the RSU Nominee, (ii) Main Mercury Technology Limited, (iii) LINLIN DJK HOLDING LTD., (iv) certain "other minority Shareholders", namely, Main Mars Holding Limited, Main Splendid Spring Technology Limited, Main Sunshine Technology Limited, Main Petrel Holding Limited, Main Sunflower Technology Limited, Main Galaxy Holding Limited and Main Coconut Technology Limited, and (v) other public Shareholders (taking into consideration that all cornerstone investors will be subject to a customary lock-up period) who will not be subject to any lock-up period arrangement upon Listing, there is an aggregate of approximately 68.3% shareholding interests (based on the mid-point of the indicative Offer Price range and assuming no exercise of the Over-allotment Option) that will be subject to lock-up period arrangement upon Listing.

(8) The Shares held by the RSU Nominee will not be sold and traded in the market, until a relevant RSU is granted to and vested in a Grantee and the relevant Shares are transferred to the Grantee or sold in the market for the cash to be remitted to the Grantee (as the case may be). The Shares held under the RSU Nominee will not be freely traded immediately after the Global Offering.

OVERVIEW

We are a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services. As of December 31, 2021, we performed over 12 million genetic tests since our establishment in 2016, with an average of over 246,000 tests performed per month in 2021. According to Frost & Sullivan, we are the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered. Also according to Frost & Sullivan, we were the largest genetic testing platform for cancer screening in China as measured by the number of tests administered in 2020.

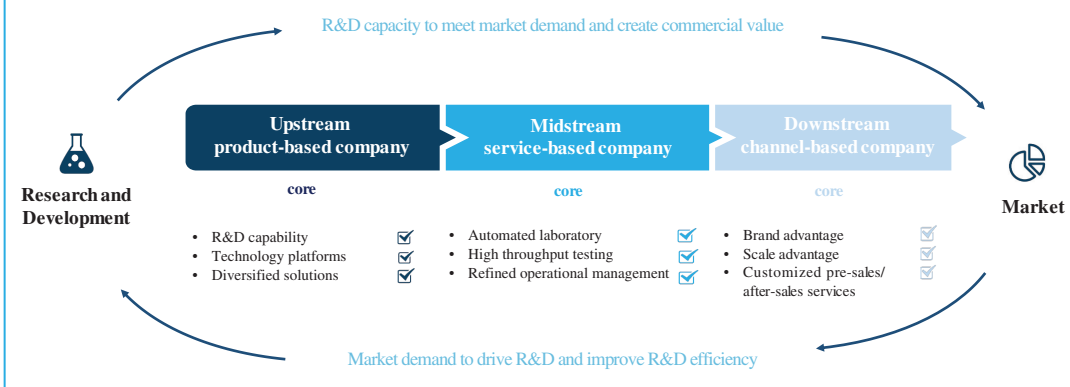
Our significant consumer base in China and automated facility enable us to proactively and efficiently meet the significant demands for genetic testing services in China. According to Frost & Sullivan, the market for genetic testing in China was RMB15.1 billion in 2020 and is expected to reach RMB48.7 billion in 2025 at a CAGR of 26.4% from 2020 to 2025, and is expected to further grow to RMB153.6 billion in 2030 at a CAGR of 25.8% from 2025 to 2030. The consumer genetic testing market is a subset of the genetic testing market in China and accounts for 3.1% of such market by revenue in 2020, according to Frost & Sullivan. Furthermore, the penetration rate of consumer genetic testing in 2020 was 0.8% in China and 8.8% in the United States, which is calculated by dividing the accumulative number of consumer genetic testing users by the population of the country. Compared to the United States, China's significantly larger population and substantially lower penetration rate represent significant potential for market growth. The number of Chinese consumers who underwent genetic testing grew at a CAGR of 69.4% from 2016 to 2020 and is expected to exceed 167.2 million by 2030. In addition, the overall penetration rate of cancer screening in China is relatively low compared to more developed countries. In China, routine colorectal cancer screening is recommended for people between 40 and 74 years old, particularly those who live in urban areas, and this population reached 632.5 million in 2019; in the United States, routine colorectal cancer screening is recommended for people between 50 and 75 years old, and this population reached 93.0 million in 2019. In 2019, the penetration rate of colorectal cancer screening was 16.4% among the population recommended for colorectal cancer screening in China, which was significantly lower than 60.1% in the United States. Gastric cancer is a more common cancer type among the East Asian population. In China, routine gastric cancer screening is recommended for people who are 40 and older, and this population reached 690.1 million in 2019. In Japan, a country whose citizens share a number of demographic traits and dietary habits with people in China, routine gastric cancer screening is recommended for people who are 50 and older, and this population reached 59.7 million in 2019. Gastric cancer screening had a penetration rate of 21.6% among the population recommended for gastric cancer screening in China in 2019, while Japan had a penetration rate of 43.0% in 2019. China's rapid improvement in health awareness, payment ability and medical insurance coverage are all factors for potential growth for an already significant market. The combined market size reached approximately RMB8.8 billion in 2020 for the top five cancer screening markets in China, including gastric cancer, colorectal cancer, lung cancer, breast cancer and liver cancer, according to Frost & Sullivan.

In 2020, our market share in China's consumer genetic testing market, as measured by the number of tests administered, exceeded 60%, which was more than ten times the number of tests administered by our closest competitor, according to Frost & Sullivan. Our market share was 34.2% in terms of revenue generated in 2020, which ranked first in China's consumer genetic testing market and was higher than the combined market shares of our five closest competitors. In the Track Record Period, we were the only company that achieved profitability in the consumer genetic testing industry in China according to Frost & Sullivan. In the cancer screening market, we were the only company whose cumulative number of tests administered exceeded 453,000 tests as of December 31, 2021, which were significantly above the industry average according to Frost & Sullivan. In addition, our ability to provide comprehensive services by leveraging our industry-leading technology platforms and to achieve economies of scale with large sample size enables us to improve our profitability level. According to Frost & Sullivan, our gross profit margin of cancer screening services recorded 80.5% in 2020, which was significantly higher than the industry average of 60.3% in the same field in China in 2020.

The strategic focus of our research and development is genetic testing innovation. We develop new and cost-effective testing services and products to meet consumers' demands. According to Frost & Sullivan, we are the largest consumer genetic testing and cancer screening platform in China that has the capacity to process over 50,000 tests per day. At the same time, we actively explore gene technology's potential application in health management, precision medicine and new drug development.

We are a genetic testing company in China with integrated capabilities that cover the full cycle of upstream, midstream and downstream segments. We adopt a platform-based business model that focuses on both product development and commercialization of our services and products. As a result, we generate synergies from our combination of development with commercialization that help to grow our business. This combination enables us to become a clear market leader with high growth, sustainable profitability and a scalable business model with significant entry barriers. The diagram below illustrates our platform-based operations.

Our platform-based business model covering the entire genetic testing value chain



The upstream segment of our business involves technologies developed by our in-house research and development team and cooperation with our third-party partners. Our research and development efforts currently focus on the development of LDT services and IVD products. As of December 31, 2021, we had 91 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that cover a wide range of prices. Out of our 91 testing solutions, 80 of these solutions were comprised of our self-developed LDT services and 11 of them were provided with IVD testing kits procured from third-party suppliers. In addition to our existing service portfolio, we have been developing eight IVD product candidates in our pipeline. As of the Latest Practicable Date, we have yet to obtain NMPA registration for any of our IVD product candidates. We also introduce new testing solutions from time to time to meet emerging consumer demands. For example, we developed nucleic acid testing capability and offered COVID-19-related testing services in May 2020 in response to the outbreak of the COVID-19 pandemic.

The table below is an introduction to our current selective testing services that are more well-received by the market.

Service Name	Service Introduction
General testing services	
ApoE gene testing package (human ApoE gene ϵ2, ϵ3, ϵ4 genotyping)	Assesses the lipid metabolism capacity and the risk for various related diseases, including Alzheimer's disease, by testing the ApoE gene, which plays an important role in lipoprotein metabolism by guiding apolipoprotein synthesis.
Folate metabolic capacity assessment (MTHFR gene testing)	Analyzes genes related to folate metabolism capacity to determine the risk of developing hyperhomocysteinemia and assesses the risk for various cardiovascular and cerebrovascular diseases.
Parkinson's disease risk assessment	Assesses the risk of developing Parkinson's disease by testing associated susceptibility genes.
Full-scale cancer risk assessment package (male/female)	Provides comprehensive assessment of the risk of developing cancer of various types by testing associated susceptibility genes.

Service Name	Service Introduction
Cardiovascular and cerebrovascular disease risk assessment package	Assesses the risk of developing seven common cardiovascular and cerebrovascular diseases (coronary heart disease, myocardial infarction, diastolic heart failure, hemorrhagic stroke, ischemic stroke, cerebral aneurysm, and abdominal aortic aneurysm) by testing associated susceptibility genes.
Advanced testing services	
Hereditary breast cancer/ovarian cancer genetic testing (BRCA1/2 genes)	Assesses the risk of developing breast cancer and ovarian cancer by conducting full exon sequencing of BRCA1 and BRCA2 genes.
Septin9 colorectal cancer screening test (Septin9 gene methylation test)	Provides preliminary assessment of whether a person has potentially developed colorectal cancer by testing the methylation level of Septin9 gene in peripheral blood.
RNF180/Septin9 gastric cancer screening test (RNF180/Septin9 Genes Methylation Test)	Provides preliminary assessment of whether a person has potentially developed gastric cancer by testing the methylation level of RNF180 and Septin9 genes in peripheral blood.
Executive testing services	
Personal whole genome test plus	Assesses the risk of developing multiple types of diseases and provides interpretation for various individual traits and medication advice for certain common diseases by testing over 700,000 *loci* in the human body.
Whole exome sequencing package for adults	By sequencing over 180,000 key exonic regions in the human genome, assess the risk of developing a number of high-risk diseases, hereditary cancers, recessive genetic diseases and various types of complex diseases. Provide assessment for multiple drugs, items for dietary nutrition and items for exercise and fitness.

We currently offer testing services through our self-developed LDT services and IVD testing kits procured from Independent Third Parties. We also actively develop and invest in our own IVD registration pipeline. By leveraging our understanding of the genetic testing market and potential access to multi-omics, quantitative and standardized phenotypic data, we are well positioned to develop and commercialize genetic testing services and products to meet market demands. As of the Latest Practicable Date, we had eight testing kits under development, and we expect to apply for certificates of Class III medical device for these IVD product candidates.

- 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.

- 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.

The table below illustrates our current product pipeline.

Products in Development	Sample Type	Technology	Early-Stage Development[1]	Biomarker Selection[2]	Later-Stage Development[3]	IVD Registration Filing[4]	Expected to obtain IVD Registration Approval	Total Expected Costs of Commercialization (HK$'000)[8]	Incurred Costs of Commercialization (HK$'000)
ApoE gene testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	560
Folate metabolic capacity assessment testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	480
Alzheimer's disease screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing		▲	2H2024	37,770	1,140
Colorectal cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,700
Gastric cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,710
BRCA1/BRCA2 gene mutation diagnostic kits[7]	Blood	NGS	Ongoing	N/A[6]			2H2024	25,200	–
Cervical cancer screening kits[7]	Cervical exfoliated cells	NGS, qPCR	Ongoing				2H2024	37,770	–
Lung nodule (benign or malignant) auxiliary diagnostic kits[7]	Blood, CT scan	NGS, qPCR, CT image AI analysis software	Ongoing				2H2025	72,550	–

▲ As of the Latest Practicable Date, the global genetic testing market does not currently have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan.

Notes:

1. Early-Stage development encompasses feasibility study, method development, etc.
2. Biomarker selection includes biomarker candidate identification, clinical validation, etc.
3. Later-Stage development involves product optimization and finalization, efficacy and safety evaluation, etc.
4. IVD registration filing refers to pilot-scale production, registration inspection, clinical evaluation, NMPA review, etc.
5. Self developed kits.
6. Product development does not have this phase, not applicable.
7. Collaboration mode.
8. The total expected costs of commercialization include costs and expenses for research and development, clinical trials, IVD registration as well as sales and marketing activities.

We expect to obtain an IVD registration certificate from the NMPA for each of our testing kits in the timeframe indicated in the table above, because we had been able to achieve registration milestones on time or ahead of schedule in the past.

- *ApoE gene testing kits* and *folate metabolic capacity assessment testing kits.* We completed pilot-scale production for our folate metabolic capacity assessment testing kits and ApoE gene testing kits on time and obtained the internal product qualification report by the middle of September 2021, which is earlier than the expected completion date of the end of September 2021. We obtained the registration inspection reports for both products in May 2022. The next phase is clinical evaluation of the testing kits, which is expected to take approximately five additional months based on our sample size. Once the clinical evaluation is completed, we expect to submit our application to the NMPA for final review. We expect the NMPA to take up to five months to review our application and grant the IVD certificate if the product is approved. As a result, we expect to obtain the registration certificate by the first half of 2023.

- *Alzheimer's disease screening kits*. We completed biomarker candidate identification for our Alzheimer's disease screening kits on time and are currently in the process of clinical validation. We expect to complete clinical validation and testing kit development in December 2022, and move to pilot-scale production, which might take approximately six months. After pilot-scale production, we expect to conduct registration inspection and complete this process by June 2023 based on our R&D team members' previous experience. Based on our sample size, we expect the clinical evaluation to take approximately 10 additional months before submission to the NMPA. As the NMPA review could take up to seven to eight months, we expect to obtain the registration certificate by the second half of 2024.

- *Colorectal cancer screening kits and gastric cancer screening kits*. We completed biomarker candidate identification for our colorectal cancer screening kits and gastric cancer screening kits, and are currently in the process of clinical validation. As of December 31, 2021, we obtained ethics approvals and human genetic filing acceptances and passed review from three hospitals for each product. We expect to complete clinical validation and testing kit development in July 2022 and move to pilot-scale production, which might take approximately six months. After pilot-scale production, we expect to conduct registration inspection and complete this process by January 2023. Based on our sample size, we expect the clinical evaluation to take approximately 10 additional months before submission to the NMPA. As the NMPA review could take up to seven to eight months, we expect to obtain the registration certificate by the first half of 2024.

- *BRCA1/BRCA2 gene mutation testing kits*. Our BRCA1/BRCA2 gene mutation testing kits are currently in the early development stage. We expect to complete database preparation by June 2022 and move to testing kit development and pilot-scale production, which might take approximately six months. After pilot-scale production, we expect to conduct registration inspection and complete this process by March 2023. Based on our sample size, we expect the clinical evaluation to take approximately 12 additional months before submission to the NMPA. As the NMPA review could take up to seven to eight months, we expect to obtain the registration certificate by the second half of 2024.

- *Cervical cancer screening kits*. Our cervical cancer screening kits are currently in the early development stage. We expect to complete biomarker identification and clinical validation by September 2022 and move to testing kit development and pilot-scale production, which might take approximately six months. After pilot-scale production, we expect to conduct registration inspection and complete this process by June 2023. Based on our sample size, we expect the clinical evaluation to take approximately 11 additional months before submission to the NMPA. As the NMPA review could take up to seven months, we expect to obtain the registration certificate by the second half of 2024.

- *Lung nodule auxiliary diagnostic kits*. Our lung nodule auxiliary diagnostic kits are currently in the early development stage. We expect to complete biomarker identification and clinical validation by December 2022 and move to testing kit development and pilot-scale production, which might take approximately nine months. After pilot-scale production, we expect to conduct registration inspection and complete this process by December 2023. Based on our sample size, we expect the clinical evaluation to take approximately 16 additional months before submission to the NMPA. As the NMPA review could take up to seven to eight months, we expect to obtain the registration certificate by the second half of 2025.

The midstream segment of our business encompasses an advanced and comprehensive genetic testing technology platform, which includes endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing and whole exome/genome sequencing technologies) and whole-genome microarray platform, that can perform a large number of tests in a cost-effective manner. Our current testing capacity is up to 50,000 tests per day, which is the largest in our industry, through our market leading level of process automation. Moreover, we are developing additional automated testing platforms to further reduce our production cost. We strive to maintain a professional quality control system to assure the stability and accuracy of our testing services–the consistency between our testing results and the industry gold standard is higher than 99.9%.

The downstream segment of our business encompasses an extensive sales and marketing network. As of December 31, 2021, we covered over 1,400 healthcare institutions in more than 340 cities in China, and health checkup centers account for approximately 57% of our institutional customers. Our sales and marketing network allows us to deliver genetic testing services to a large portion of the Chinese population. As of the Latest Practicable Date, our genetic testing services are not covered under any national medical insurance schemes in China. In addition, we cooperate with various e-commerce and online healthcare platforms to expand and enhance our sales and marketing network.

With our self-developed technologies, high-quality services and brand recognition, our financial performance improved steadily during the Track Record Period. We generated total revenue of RMB123.7 million, RMB203.2 million and RMB237.2 million in 2019, 2020 and 2021, respectively. Our business was also profitable in the Track Record Period and generated net profit of RMB29.7 million, RMB79.1 million and RMB79.0 million, in 2019, 2020 and 2021, respectively.

We benefit from our management team's global vision, forward-looking approach and dedication to the development of our business. Moreover, our execution teams also contribute significantly to our growth, and they expect to continue to devote significant efforts to the optimization of our operational and financial performance as well as the achievement of our mission. We expect to introduce additional services and products in the future to further enhance our core competitiveness and to take advantage of the expected growth of the genetic testing market in China.

OUR COMPETITIVE STRENGTHS

China's largest genetic testing platform for consumer genetic testing and cancer screening

We are the largest genetic testing platform in China for consumer genetic testing and for cancer screening in terms of the number of tests administered in 2020. We are dedicated to providing genetic testing services that are tailored to the unique requirements and biological characteristics of the Chinese population. According to Frost & Sullivan, we are the first and only consumer genetic testing and cancer screening platform in China with a daily testing capacity of over 50,000 tests. As of December 31, 2021, we had performed over 12 million genetic tests, with an average of over 246,000 tests performed per month in 2021.

Consumer Genetic Testing

We are a pioneer in China's consumer genetic testing market and possess strong market dominance. According to Frost & Sullivan, in 2020, our consumer genetic testing service accounted for 34.2% of the market in China as measured by revenue, ranking first in the market and is more than three times the revenue of our closest competitor. In addition, we are the only company with sustained profitability in the consumer genetic testing market in China in the Track Record Period.

With gradual declines in sequencing costs and increases in national living standards, the willingness of the Chinese general public to increase healthcare spending as well as increased interest in health management, the consumer genetic testing market is entering a "golden age" of rapid growth with a significant increase in market demand according to Frost & Sullivan. According to Frost & Sullivan, the penetration rate of China's consumer genetic testing market was only approximately 0.8% in 2020. In comparison, the penetration rate in the United States reached approximately 8.8% in 2020. China's penetration will grow rapidly and further increase to 11.6% in 2030 according to Frost & Sullivan. According to Frost & Sullivan, China's consumer genetic testing market is expected to increase from US$68.5 million in 2020 to US$445.1 million in 2025, and further grow to US$2.6 billion in 2030 at a CAGR of 42.4% from 2025 to 2030. Our ability to introduce new testing solutions and our daily testing capacity will continue to create substantial and scalable advantages that will enable us to capture additional market share as China's consumer genetic testing market grows significantly and rapidly in the next decade, according to Frost & Sullivan.

Cancer Screening

Cancer is a major healthcare challenge in China with significant unmet medical needs. Cancer screening can detect cancer at asymptomatic or precancerous stage, when it has a relatively higher likelihood to be prevented or cured. We have strategically entered the field of cancer screening and provide various genetic testing solutions to detect cancer early at asymptomatic or precancerous stages. According to Frost & Sullivan, we were the largest genetic testing platform for cancer screening in China in terms of the number of tests administered in 2020. Our revenue generated from Septin9 colorectal cancer screening was RMB6.8 million, RMB41.4 million and RMB82.5 million in 2019, 2020 and 2021, respectively. We also launched screening services for gastric cancer in March 2021, and our revenue generated from gastric cancer screening was RMB18.0 million as of December 31, 2021.

In recent years, the total number of cancer diagnosis continues to increase globally. As an effective solution to address the cancer challenge, cancer screening currently has unsatisfied market demands and is expected to grow rapidly. According to Frost & Sullivan, in 2020, the number of newly diagnosed cancer cases in China was approximately 4.6 million, among which the new cases of colorectal cancer and gastric cancer accounted for 9.9% and 10.3%, respectively, and the mortality-to-incidence ratio ("**MIR**") of the above two kinds of cancer in China were as high as 0.48 and 0.73, respectively. In comparison, the MIR of colorectal cancer in the United States was 0.36, and the MIR of gastric cancer in Japan was only 0.32, respectively, in 2020. This discrepancy can be attributable to different penetration rates of relevant cancer screening in these countries. For instance, the penetration rate of colorectal cancer screening in the United States was as high as 60.1% and the penetration rate of gastric cancer screening in Japan was 43.0% in 2019, compared to 16.4% and 21.6% in China for the same period, respectively. There is significant demand for cancer screening in China in order to provide potential patients with early interventions and optimal treatment plans, which can effectively improve the survival rate of patients. According to Frost & Sullivan, the market for colorectal cancer screening and gastric cancer screening in China increased from RMB2.6 billion and RMB1.1 billion in 2016, to RMB3.3 billion and RMB2.4 billion in 2020, and is expected to further increase to RMB18.8 billion and RMB16.5 billion in 2030, with a CAGR of 19.7% and 20.2% from 2025 to 2030, respectively.

As the market leader for both consumer genetic testing and cancer screening, we continued to grow and achieve profitability during the Track Record Period. According to Frost & Sullivan, the growth rate of our colorectal cancer screening business in terms of the number of tests administered is significantly above the industry average. Our performance is driven by the significant market demand, and with a mature commercialization model, our market share as measured by the number of tests administered has increased steadily in both consumer genetic testing and cancer screening sectors, creating a robust competitive barrier.

Integrated business with operational efficiency and significant entry barriers

Our business operations cover the entire genetic testing value chain that integrates the upstream (R&D in testing services and products), midstream (performance of testing on our technology platforms) and downstream (sales network) segments.

Upstream

We focus on the technological innovation and continuous expansion of our portfolio of testing solutions. We closely monitor the latest consumer demands in the market to identify unmet needs for genetic testing. As of December 31, 2021, we successfully self-developed and commercialized 80 types of genetic testing services. With our unique advantage in sample size, we are developing biomarkers for the screening of major chronic diseases, including certain types of cancer and Alzheimer's disease, that are more suitable for genetic testing of the targeted population.

As of the Latest Practicable Date, we had eight testing kit products under development for NMPA's IVD registration. Our folate metabolic capacity assessment testing kits and ApoE gene testing kits have completed registration inspection and obtained the registration inspection reports in May 2022. We expect to move to clinical evaluation and then submission to the NMPA for final review. Given that we achieved registration milestones on time or ahead of schedule in the past, we expect to obtain the IVD registration certificate from the NMPA for these two testing kits in 2023. Additionally, we are developing Alzheimer's disease screening kits, which we believe will address significant market demands created by a lack of effective screening methods for Alzheimer's disease, because the global genetic testing market does not currently have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan. At the same time, we believe our access to millions of consumers through consumer genetic testing services will enhance our participant enrollment ability and allow us to complete the participant enrollment process within a shorter amount of time. As such, we expect to save some time during the prospective clinical trials, which should allow us to expedite the registration process for both testing kits. For more information about the expected timeframe for our IVD registration, see "– Overview". Our access to the nationwide market and experience from profitable commercialization can bring unique advantages to and promote our research and development process and further increase our competitiveness.

We strive to independently develop key components during the process of IVD product development. We independently developed sample processing technologies that can simplify testing procedures and increase our efficiency, including extraction-free blood nucleic acid processing technology and second-generation sequencing technology based on multiplex PCR library preparation method. We also independently developed primers and probes used in the testing process, which significantly reduced the cost of reagent production. The consistency between our testing results and the industry gold standard is higher than 99.9%.

As of the Latest Practicable Date, we had a strong in-house research and development team with approximately 65% of the team members possessing a master's degrees or above (approximately 52% of the team members possessing a master degree and approximately 13% possessing doctorate degree). In addition, we collaborate with leading hospitals and clinical experts in China to develop testing products, and such collaboration is expected to expedite the process of multi-center clinical trials with a large sample and increase the reliability of our products. We have the technical know-how for the products that are co-developed with hospitals and clinical experts, and relevant intellectual property rights are jointly owned by these parties and us. We are entitled to submit IVD registration applications for these products and we will be the sole registrant of the IVD registration certificates once approved. We have also established research and development collaborations with leading service providers in the industry, mainly CROs, at different phases of our IVD product registration to ensure our quality management system, manufacturing and clinical trials of IVD product candidates are in line with the NMPA's regulatory requirements for product registration. Our collaboration arrangements are entered into with third parties on arm's length and market terms. Our collaboration with these third-party service providers does not grant these parties any interest in our intellectual property rights. As of the Latest Practicable Date, three invention patents and two design patents had been granted to us, and four invention patents were under application. In addition, we registered 33 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, and Beijing "Specialization, Expertise, Distinction, Innovation" Small and Mid-size Enterprise.

Midstream

We conduct testing independently in our laboratory with self-developed testing processes. In order to carry out our broad-spectrum testing process and to satisfy our consumers' needs, we have an advanced and integrated system of technology platforms, including endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing and exon/whole genome sequencing technologies) and whole-genome microarray platform. We also actively improve existing testing methods based on various testing platforms. Our high-throughput testing platform has a daily capacity of processing 50,000 samples, which is the largest genetic testing platform in China, according to Frost & Sullivan. Our technologies enable us to deliver high-throughput, automated, multi-scenario genetic testing solutions with cost efficiencies.

Our continuous technological innovation efforts, economies of scale from large sample size and refined operational management enable our production costs to be reduced over time and compare favorably against our competitors. According to Frost & Sullivan, we have a significant cost advantage compared to the industry average for the genetic testing market. Moreover, we have stringent quality management systems as part of our testing processes and devote significant attention to quality control of our testing services and facilities. We follow rigorous quality control protocols throughout the testing process in order to guarantee the quality of each of the testing components before a testing report is issued.

Downstream

As of December 31, 2021, we provided testing services through over 1,400 healthcare institutions in over 340 cities in China. We have a strategic partnership with Meinian OneHealth, an industry leader in China's preventive healthcare market and one of our Shareholders which promotes our testing services to its customers as part of their health examination packages. We also actively seek multi-faceted and in-depth cooperation with reputable hospitals, medical institutions and insurance companies in China to further expand our sales network and provide customized services for different testing scenarios. We also establish close partnerships with major e-commerce platforms to reach more consumers through online channels.

With vertical integration of upstream, midstream and downstream capabilities for the provision of genetic testing services, we achieved a high level of operational efficiency and cost-effectiveness. We have also recorded strong and promising financial results during the Track Record Period, with gross profit margins of 63.4%, 72.0% and 70.3% during 2019, 2020 and 2021, respectively. In addition, we successfully leveraged our existing research and development capacity, testing facilities and sales channels to expand our market from the consumer genetic testing industry into testing areas such as cancer screening and screening for nervous system diseases. According to Frost & Sullivan, leading companies in the Chinese genetic testing market are expected to expand their market shares and better participate in each aspect of the industry chain. We expect to benefit from this market trend and grow at a rapid and high rate.

Market demand driven research and development that drives growth

Through years of research on and provision of genetic testing services, we have acquired market insights and a grasp of the demands of the general public in China for genetic testing. We make decisions on our research and development directions based on our sales figures and consumers' demands for our existing services. As a leading company in the consumer genetic testing and cancer screening industries, we have established close cooperation with major healthcare institutions and sales channels to provide comprehensive and efficient genetic testing portfolios to penetrate the market, from which we gathered valuable industry experience that allows us to focus on product pipeline development with high commercialization conversion rates and high potential for profit generation.

According to Frost & Sullivan, China currently has more than 10 million people with Alzheimer's disease. As China's population ages, we expect China to have the world's largest and fastest growing population of Alzheimer's disease patients in the world. According to Frost & Sullivan, the current market potential for Alzheimer's disease screening in China was approximately RMB20.7 billion in 2020. The currently available screening methods for Alzheimer's disease require spinal puncture for sampling, a painful procedure with paralytic risk. ApoE gene testing can provide risk assessment for Alzheimer's disease in a non-invasive method. We recognized this significant opportunity and set Alzheimer's disease risk assessment and relatively cost-effective screening solutions as one of our research and development priorities. Within two years after introduction of our ApoE gene testing service, we performed approximately two million tests. In order to fill the gap that ApoE gene testing cannot monitor the real-time development of Alzheimer's disease, we started developing plasma miRNA detection technology to achieve non-invasive, highly accurate and dynamic monitoring of Alzheimer's disease progression. According to Frost & Sullivan, the global genetic testing market does not have a commercialized genetic testing kit registered for screening Alzheimer's disease as of the Latest Practicable Date. Our large sample size from ApoE testing has enabled us to enroll consumers who carry ApoE defects and rapidly complete clinical trials in an efficient manner. As of the Latest Practicable Date, our Alzheimer's disease screening kits are in the clinical trial stage for biomarker selection and is expected to entered into pilot-scale production stage in early 2023. Given that we have been able to achieve registration milestones on time or ahead of schedule in the past, we expect to obtain the NMPA registration for our Alzheimer's disease screening kits based on the qPCR platform by the second half of 2024. For more information about the expected timeframe for our IVD registration, see "– Overview".

In addition, the development and registration of our cancer screening IVD product candidates are prioritized. Specifically, we focus on the development of peripheral blood plasma methylation screening products, which is a convenient and cost-controllable testing solution based on qPCR technology. According to Frost & Sullivan, peripheral blood plasma methylation screening has high acceptability among consumers and we believe its commercialization potential is much higher than methylation test using stool sample. To improve the sensitivity of peripheral blood plasma methylation products, we initiate the development of testing kits based on methylation targets for colorectal cancer and gastric cancer in the Chinese population. Through technical innovations such as selecting biomarkers specific to the Chinese population, increasing the number of targets and improving modeling algorithms, we improved testing sensitivity and expect to create the next "featured product" of methylation screening for gastrointestinal tumors. As of the Latest Practicable Date, our self-developed peripheral blood plasma methylation screening kits for colorectal cancer and gastric cancer are in the clinical trial stage for biomarker selection, and are expected to entered into pilot-scale production stage in 2022. We expect these two qPCR based screening kits to obtain NMPA registration by the first half of 2024 and promptly launch the commercialization process afterwards. For more information about the expected timeframe for our IVD registration, see "– Overview".

Our market demand driven research and development approach and coordination between commercialization and development has created a unique business model, which effectively drives our growth in various areas of the genetic testing industry. We expect to replicate our business model to cover more specialty areas with increasing economies of scale and cost-efficiencies. In addition to maximizing our commercial value, we also empower our own research platform to provide strong momentum for the long-term rapid development of our genetic testing business through continuous technological innovation, portfolio expansion and product upgrading.

Broad spectrum of genetic testing services and products that strengthens market position

We aim to provide affordable preventative healthcare solutions to the public with a focus on chronic and severe diseases. We offer multi-disease risk assessment and diagnostic services through a combined approach with both LDT services and outsourced IVD products covering different price ranges. As of December 31, 2021, we had launched 91 types of testing services covering a broad spectrum of specialty areas, including nutrition and metabolism, cancer risk assessment, chronic disease susceptibility, cancer screening and infectious disease diagnosis. We introduce new testing solutions from time to time to meet emerging needs from the market. For example, amid the COVID-19 pandemic, we established nucleic acid testing capability based on our PCR technology and began to offer COVID-19-related testing services in May 2020. Through our diversified testing portfolio and product pipeline, we continue to promote early intervention and control of common diseases and meet consumers' growing demand in preventive healthcare.

We understand demands in China's consumer genetic testing market and strategically focus on screening diseases caused by common genetic defects. Many pathogenic genetic defects are deleterious with high prevalence in the general population, but a conventional examination typically cannot detect or prevent such diseases, and thus our services fill the gap in the market. Our commercialized consumer genetic testing services include nutritional genomic tests (e.g. folate metabolic capacity assessment, vitamin absorption capacity assessment) and risk assessment for the development of a particular disease based on susceptibility genes (e.g. ApoE genetic testing, cancer risk assessment and ankylosing spondylitis risk assessment). We are able to provide testing services with cost-effectiveness due to our technological innovation and operational efficiencies. As a result, we can offer services to consumers at relatively low prices, which enhances the socio-economic value of genetic testing and ultimately benefits the general public. Our consumer genetic testing has been widely accepted since launch and quickly reached 10 million tests in five years. We led the application of consumer genetic testing in the field of preventive healthcare through a profitable and sustainable business model during the Track Record Period.

We are the largest genetic testing platform for cancer screening in China in terms of the number of tests administered in 2020. We currently offer colorectal cancer screening and gastric cancer screening. According to Frost & Sullivan, abdominal tumors currently lack suitable universal screening methods, and most of the commonly used methods, such as colonoscopy and gastroscopy, are invasive methods. Many of the currently available non-invasive screening methods (including fecal occult blood testing) have disadvantages such as inconvenient sample collection and relatively lower accuracy. To address these issues, we introduced peripheral blood plasma methylation screening services, which is convenient, accurate and non-invasive. However, according to Frost & Sullivan, the cost of providing this type of screening service tends to be relatively higher than other traditional non-invasive screening methods. We noticed this shortcoming and have implemented a fully automated production process, which reduces the cost significantly and makes this screening technology more accessible to most consumers. According to Frost & Sullivan, our colorectal cancer methylation testing ranks first in the colorectal cancer genetic screening market in China as measured by testing volume. Our revenue from peripheral blood plasma methylation-based colorectal cancer screening had grown twelve times from 2019 to 2021. In March 2021, we also launched peripheral blood plasma methylation-based screening services for gastric cancer. As of December 31, 2021, the number of tests administered for gastric cancer screening had exceeded 57,900 and relevant revenue generated was RMB18.0 million.

Experienced management team that empowers our development as an industry leader

We assembled an experienced management team with a global vision as well as a significant amount of local market experience and strategic insight. Our leadership team has an average of over 10 years of industry experience. Our Chairperson, Ms. Lin Lin, has extensive experience in business administration and operational management in the healthcare industry. As a senior vice president and the chief operating officer of Meinian OneHealth, Ms. Lin was instrumental to Meinian OneHealth's success as well as its performance. Our co-founder and chief executive officer, Mr. Huang Yufeng, has approximately 15 years of experience in healthcare, genetic testing and disease diagnosis industries. Mr. Huang served in various positions at Bayer Pharmaceutical Co., Ltd. Dr. Yi Xiang, our head of research and development, received his Ph.D. degree in biochemistry and molecular biology from the Institute of Biophysics of Chinese Academy of Sciences; he has approximately 13 years of experience in the development of molecular diagnosis medical devices and contributed to the registration of multiple IVD testing kits. Dr. An Xia, our head of operation, has extensive experience in high-throughput testing operations, cost control and laboratory team management. Dr. Gong Xiani, our head of branding, has a strong academic background and extensive experience in marketing and promotion.

In addition, we maintain a mutually beneficial strategic partnership with Meinian OneHealth, one of our Controlling Shareholders. As a leading company in the field of preventive healthcare in China, Meinian OneHealth performed more than 30.8 million health examinations in 2021 and approximately 133 million health examinations in the past five years. As of December 31, 2021, we established business relationships with over 600 health checkup centers that are related to Meinian OneHealth by equity ownership, franchise arrangement or other forms of cooperation relationships. This strategic partnership allows us to provide services to a significant number of consumers in the preventive healthcare market and has built a significant entry barrier for our competitors.

We expect to achieve significant growth in genetic testing technology development, biomarker discovery, reagent manufacturing and genetic testing commercialization through business synergies generated from strategic insight from our visionary and experienced management team as well as collaboration with our strategic shareholder.

OUR DEVELOPMENT STRATEGIES

In order to accomplish our mission and achieve further growth, we adopt the following development strategies:

Strengthen our leading positions in consumer genetic testing and cancer screening in China

As the largest consumer genetic testing and cancer screening genetic testing company in China, we expect to continue to leverage our strengths in technology, product and services, distribution channels and brands to continue to benefit from China's fast-growing genetic testing market. We plan to take the following measures in order to implement this strategy:

- *Increase brand awareness*: We expect to work closely with reputable clinical experts and physicians, for our product development, promotion and after-sales services. By establishing in-depth collaboration with leading scientists and physicians and taking advantage of the marketing capabilities of KOLs, we expect to further strengthen brand awareness to become the consumers' top choice for genetic testing services in China.

- *Diversify our sales channels and broaden our customer base*: We plan to strengthen our relationships with institutional customers, such as health checkup centers, to both broaden the menu of services and products offered through such institutional customers as well as increase the amount of services and products sold through such institutional customers. At the same time, we plan to further diversify our online sales and marketing efforts and increase consumer stickiness.

Invest in research and development as well as product commercialization

Our market-driven research and development strategy guided us to leverage our R&D capabilities to continuously meet consumer demands for genetic testing in China. We currently have a broad portfolio of products that are in different development phases, and we plan to accelerate preliminary studies, clinical trials, registration and other research and development processes for these pipeline products. For example, we expect to accelerate pre-development and consumer enrollment in our clinical trials by working closely with key opinion leaders and leading hospitals, shorten the overall development process and actively promote the commercialization process through a more rational trial protocol design. To further enhance our research and development capabilities, we expect to strategically increase our investment into research and development, hire researchers with strong academic backgrounds and rich industry experience, enlarge the size of our research and development team and focus our research and development on cutting edge technologies.

Develop our automated operational system and expand geographic coverage

We expect to achieve a high level of automation and digitalization, with a strategic focus on operating cost reduction and quality control, by leveraging the advancement of both gene technology and information technology. We plan to efficiently transform our competitive advantage generated from large consumer base into our core competitiveness of production and service delivery. As an industry leader, we will contribute to the establishment of industry standards for the quality control of consumer genetic testing, which will naturally function as an entry barrier. As of the Latest Practicable Date, we have one laboratory in Beijing, China, and we plan to establish additional laboratories in Chinese cities such as Shanghai, Wuhan, Guangzhou, Chengdu and Shenyang and design these facilities to achieve automated production. We expect to improve our local service capability in terms of time, cost, quality control and delivery, so that customers all over China can have access to affordable and high-quality genetic testing services.

Deepen strategic initiatives to expand our business

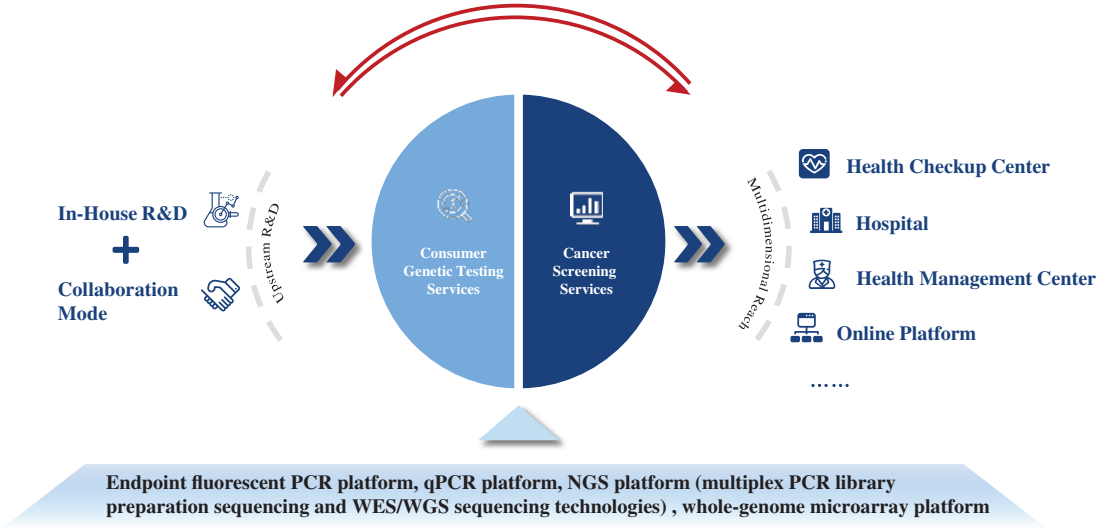
We plan to grow our business through partnerships, investments or acquisitions. We expect to strategically supplement our pipeline of products under development by investing and acquiring products with strong market potentials and leading technologies. We also plan to further integrate upstream and downstream resources to consolidate and expand our development capabilities in the genetic testing industry. We plan to actively invest in upstream sequencing equipment to further strengthen our cost advantage. Moreover, we plan to acquire high-quality companies with registered IVD products to add diversity to our platform.

Cultivate and develop talent

Talent is our most valuable asset. We plan to continue to invest in bringing in, training and promoting talent and promote the long-term development of our company through cultivating a corporate culture with a strong sense of mission and cohesion, a management approach that is both efficient and humane, and a compensation system that is adapted to the market and also integrates our people into each key aspect of our business.

OUR PLATFORM

Our operations encompass the entire value chain of the genetic testing business, integrating the upstream (R&D in testing services and products), midstream (performance of testing on our technology platforms) and downstream (sales network). In the upstream, we have provided comprehensive testing service with testing kits and reagents for various susceptibility genes and diseases. In the midstream, we have an advanced laboratory with automated operations to administer tests on various technology platforms and issue test reports at high volume. In the downstream, we have established wide and loyal consumer base via multiple channels.



Leveraging our integrated business model and industry leading technologies, we are able to develop genetic testing solutions for a wide range of hereditary diseases, cancers and health-related genetic traits. As of December 31, 2021, we had performed over 12 million genetic tests since the commencement of our business. The large number of tests we performed also creates certain advantages for our development of new services or products. We analyze accumulative information from our tests to predict consumer needs and preferences, which allow us to develop services or products to address unmet consumer demands. Moreover, the large sample size facilitates our laboratory development process and helps us to launch new services and products relatively quickly. As of December 31, 2021, we had 91 multi-dimensional testing solutions for consumer genetic testing and cancer screening that are offered for a wide range of prices. In addition, we introduce new testing solutions from time to time to meet emerging needs from the market and currently have eight testing kit products under development for IVD registration with NMPA in our pipeline.

We provide a broad spectrum of genetic testing services to health checkup centers, hospitals and other customers at relatively low prices, including over 1,400 healthcare institutions in more than 340 cities across China as of December 31, 2021. Our testing services help health-conscious consumers better understand and monitor their health condition in a relatively cost-effective and timely manner. Our strategic partnership with Meinian OneHealth provides direct access to a large consumer pool in China, and enables us to operate and invest at a scale at which we can realize further gains in efficiency. At the same time, our genetic tests offer variety and diversity to the traditional health examination menu of services. In addition, by undertaking genetic tests in a cost-effective manner, together with specimen transportation and storage, integrated analysis in our laboratory, and prompt report generation, we obviate the need of our healthcare institution customers to establish in-house genetic testing laboratories to meet the testing demand of individual consumers.

Backed by our understanding of unmet market opportunities and our market-leading number of tests performed, we have invested in developing new tests and improving testing technology to reap the gains from automation and roll out new services into a market with significant demand. The non-intrusive nature of genetic testing and higher accuracy comparing with traditional testing solutions also improve consumer experience, which further helps generate demand from our customers.

OVERVIEW OF OUR SERVICES AND PRODUCTS

Our Commercialized Services

We offer multi-disease risk assessment and diagnostic services through a combined approach with both LDT services and IVD products. LDT is typically not a standalone product or device, but a self-developed procedure that uses testing kits developed in-house that are not registered with the NMPA. IVD products refer to reagents or testing kits that are registered with the NMPA and are regulated as medical devices. Our commercialized genetic testing services can be divided into two categories: (i) consumer genetic testing services and (ii) cancer screening services.

Consumer genetic testing services – We provide consumer genetic testing services to consumers primarily through health checkup centers, hospitals and other institutions. Our testing solutions cover a wide range of specialty areas, including nutrition and metabolism, cancer risk assessment, chronic disease susceptibility (which covers various cardiovascular and cerebrovascular diseases, gout and ankylosing spondylitis), pharmacogenetic testing and infectious disease testing (which covers COVID-19-related testing and HPV testing). After samples are collected from our consumers, they are returned, through our logistics service provider, to our laboratory for analysis. As of the Latest Practicable Date, we provide most of our consumer genetic testing services with our self-developed LDT reagents and a small number of consumer genetic testing services with IVD products. During the Track Record Period and up to the Latest Practicable Date, all IVD products we used in the provision of consumer genetic testing services were procured from Independent Third Parties, and all of these outsourced IVD products are granted with registration certificates of Class III medical device by the NMPA. Our genetic risk assessment services help consumers determine their

genetic predisposition to developing particular diseases for which heredity can be a causal factor. The test report we issue provide our assessment of the risk that the individual may develop the particular disease or diseases being tested for based on the frequency of other consumers in the population at large with similar genetic make-up developing such disease. We also provide infectious disease diagnosis services that involve testing of genetic material, including tests such as COVID-19 and HPV. In particular, in response to the outbreak of COVID-19, we developed nucleic acid testing capability based on our PCR technology under our molecular testing technology platform for COVID-19 and began to offer COVID-19 testing services in May 2020.

Cancer screening services – We provide non-invasive cancer screening tests to consumers primarily through health checkup centers, hospitals and online channels. Such cancer screening tests detect and identify trace amounts of DNA released into the bloodstream or stool, and therefore can provide gene signals of tumor development before lesions are visible through medical imaging, thereby reducing the need to perform invasive biopsy or endoscopy. Sample are usually collected in health checkup centers or hospitals and returned to our laboratory for analysis. During the Track Record Period and up to the Latest Practicable Date, we provide all our cancer screening services with IVD products procured from Independent Third Parties, and all of these outsourced reagents have been granted with registration certificates of Class III medical device by NMPA. Based on the analysis of genetic material released by detected cancer cells, we issue test reports that provide a positive or negative result. A positive result may indicate the potential presence of cancer, for which we would recommend an appointment with an oncologist to discuss additional tests.

According to Frost & Sullivan, our competitive advantages in the genetic testing industry include our ability to timely respond to market needs and reach a large consumer base through various sales channels and our high-throughput testing capability, and such advantages can build a strong competitive barrier for us. In the consumer genetic testing market, a large number of consumer genetic testing companies have limited sales channels to reach consumers, and many other consumer genetic testing companies do not have sufficient testing capability to process samples and conduct testing, even if they are able to obtain consumers. With our competitive advantages, our strategy to capture market demand and increase our market share in the consumer genetic testing market is to further understand consumers' healthcare demand and continue to develop testing solutions that can meet the needs of different types of consumers. To further capture market demand and increase our market share in the cancer screening market, we plan to maintain our high-throughput testing capacity and continue to improve the accuracy and sensitivity of our testing services, and we also plan to develop more convenient testing solutions that can better satisfy consumer needs.

Our Historical Revenue and Testing Volume

The table below sets forth our sales revenue by business segments during the Track Record Period.

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Consumer genetic testing services	106,571	86.1	161,709	79.6	135,469	57.1
Cancer screening services	6,872	5.6	41,511	20.4	100,585	42.4
Other services[(1)]	10,257	8.3	–	–	1,131	0.5
Total	**123,700**	**100.0**	**203,220**	**100.0**	**237,185**	**100.0**

Note:

(1) Includes revenue from genetic research and analysis services, consulting services and sale of medical materials. During the Track Record Period, the percentage of revenue generated from other services decreased due to our strategic shift to focus on our genetic testing services. See "Financial Information – Discussion of Key Statement of Profit or Loss Items – Revenue – Revenue by Business Segment" for more information about other services.

The table below sets forth the number of tests we performed for consumer genetic testing and cancer screening during the Track Record Period.

	For the Year Ended December 31,		
	2019	2020	2021
		(in thousands)	
Consumer genetic testing services	2,691	2,682	2,648
Cancer screening services	21	106	312
Total	**2,712**	**2,788**	**2,960**

Our IVD Registration Pipeline

Our current research and development focus is on the registration of IVD testing kits. As of the Latest Practicable Date, there were eight products in our pipeline, covering various diseases with high market demand and commercial value. Among these products, our ApoE gene testing kits and folate metabolic capacity assessment testing kits completed registration inspection for registration filing in May 2022. Our colorectal cancer screening kits, gastric cancer screening kits and Alzheimer's disease screening kits are in the clinical trial stage for biomarker selection. According to Frost & Sullivan, as of the Latest Practicable Date the global genetic testing market does not have a commercialized genetic testing kit registered for screening Alzheimer's disease. In addition, there are three products in the early development stage, including lung nodule (benign or malignant) auxiliary diagnostic kits, cervical cancer screening kits, and BRCA1/BRCA2 gene mutation testing kits. For more details, please refer to the section headed "– Products in Our Pipeline".

CONSUMER GENETIC TESTING SERVICES

Our consumer genetic testing services focus on providing full spectrum of genetic testing services covering a variety of specialty areas, including nutrition and metabolism, cancer risk assessment, chronic disease susceptibility and pharmacogenetic testing. Such testing services help consumers understand their unique physical traits and make better decisions about their lifestyle, diet and medication. Our consumer genetic testing services also cover infectious disease testing, such as COVID-19-related testing and HPV testing. We believe that our continuous investments to improve our testing technology allows us to provide consumer genetic testing services with high accuracy and cost-effectiveness. The relatively low prices of our services allows us to reach a large number of consumers, which provides us with large sample size to validate and fine-tune our comparative analysis, which further helps us to improve our technology.

For our offline consumers, samples are collected in health checkup centers, hospitals or other healthcare institutions. Upon request, we provide training and instruction to professionals at these institutions regarding sample collection and transportation. For our online consumers who prefer to perform sample collection at home, we mail sample collection kits to them directly with detailed sample collection instructions. After samples are collected, they are returned to our laboratory for analysis. The picture below illustrates a sample collection kit for a number of our consumer genetic testing services.

Upon completion of each test, our testing platform automatically generates a test report for the consumer, which provides risk assessment or diagnosis results as well as customized advice on life style and dietary habits. Our consumers can choose whether they want an electronic test report or a paper test report. The picture below illustrates one of our paper test reports. We also provide interpretation services if our consumers wish to further understand the clinical implications of our test results and analysis. We could face medical liability claims if anyone alleges that our services identified inaccurate or incomplete information regarding a targeted testing item, or otherwise failed to perform as designed, or provided inaccurate interpretation services. See "Risks Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Failure in testing and manufacturing quality control may adversely affect our operating result, reputation and business."

According to Frost & Sullivan, we were the largest consumer genetic testing platform in China in 2020 with 2.7 million tests administered, which accounted for 65.8% of all consumer genetic tests performed in China in the same year. Also according to Frost & Sullivan, our market share was 34.2% and ranked first in China's consumer genetic testing market in terms of revenue generated in 2020. Our consumer genetic testing services generated revenues of RMB106.6 million, RMB161.7 million and RMB135.5 million in 2019, 2020 and 2021, respectively.

As of December 31, 2021, we had developed and commercialized 80 types of consumer genetic testing services as LDT. We also provided 11 testing services with outsourced IVD products. The table below sets forth our major consumer genetic testing services.

Testing Service	Testing Procedure	Technology Platform	Description
General testing services			
ApoE gene testing package (genotyping of human ApoE genes ε2, ε3 and ε4)	LDT/IVD	Endpoint fluorescent PCR/qPCR	Assesses the lipid metabolism capacity and the risk for various related diseases, including Alzheimer's disease, by testing the ApoE gene, which plays an important role in lipoprotein metabolism by guiding apolipoprotein synthesis.
Folate metabolic capacity assessment (MTHFR gene testing)	LDT/IVD	Endpoint fluorescent PCR/qPCR	Analyzes genes related to folate metabolism capacity to determine the risk of developing hyperhomocysteinemia and assesses the risk for various cardiovascular and cerebrovascular diseases.
P53 tumor suppressor gene testing (male/female)	LDT	Endpoint fluorescent PCR	Assesses the risk of developing tumors by testing the p53 gene, which is a type of tumor suppressor gene that prevents cancer by regulating the function of apoptosis and repairing defects.
Single cancer risk assessment tests	LDT	Endpoint fluorescent PCR	Assesses the risk of developing a particular type of cancer (gastric cancer, colorectal cancer, liver cancer, breast cancer, thyroid cancer, prostate cancer and pancreatic cancer) by testing associated susceptibility genes.

Testing Service	Testing Procedure	Technology Platform	Description
DNA repair capacity assessment	LDT	Endpoint fluorescent PCR	Assesses the risk of developing bladder cancer, gallbladder cancer, oral cancer and melanoma from a genetic perspective, especially for those who carry high risk genotypes by testing genes associated with DNA repair capacity.
Risk assessment package for most common cancers (male/female)	LDT	NGS	Assesses the risk of developing the most common cancers – lung cancer, liver cancer, gastric cancer, colorectal cancer, esophageal cancer, thyroid cancer, pancreatic cancer, kidney cancer, bladder cancer – by testing associated susceptibility genes. For male consumers, the package additionally includes prostate cancer. For female consumers, the package additionally includes breast cancer, ovarian cancer, cervical cancer, and endometrial cancer.
Full-scale cancer risk assessment package (male/female)	LDT	NGS	Comprehensive assessment of the risk of developing cancer of various types – lung cancer, liver cancer, gastric cancer, colorectal cancer, esophageal cancer, pancreatic cancer, thyroid cancer, chronic granulocytic leukemia, glioma, non-Hodgkin's lymphoma, gallbladder cancer, nasopharyngeal cancer, kidney cancer, and bladder cancer – by testing associated susceptibility genes. For male consumers, the package additionally includes prostate cancer. For female consumers, the package additionally includes breast cancer, ovarian cancer, cervical cancer, and endometrial cancer.

Testing Service	Testing Procedure	Technology Platform	Description
Gout risk assessment	LDT	Endpoint fluorescent PCR	Assesses the risk of developing gout by testing gout susceptibility genes.
Parkinson's disease risk assessment	LDT	Endpoint fluorescent PCR	Assesses the risk of developing Parkinson's disease by testing associated susceptibility genes.
Ankylosing spondylitis risk assessment	IVD	qPCR	Assesses the risk of developing ankylosing spondylitis by testing HLA-B27 gene *loci*.
Cardiovascular and cerebrovascular disease risk assessment package	LDT	NGS	Assesses the risk of developing seven common cardiovascular and cerebrovascular diseases (coronary heart disease, myocardial infarction, diastolic heart failure, hemorrhagic stroke, ischemic stroke, cerebral aneurysm, and abdominal aortic aneurysm) by testing associated susceptibility genes.
Gastrointestinal disease risk assessment package	LDT	NGS	Assesses the risk of developing five common digestive system diseases (Crohn's disease, ulcerative colitis, duodenal ulcer, gastric ulcer, and irritable bowel syndrome) by testing associated susceptibility genes.
Free radical scavenging capacity assessment	LDT	Endpoint fluorescent PCR	Assesses the capacity to scavenge free radicals from a genetic perspective, which plays an important role in human body's anti-aging function, by testing genes associated with free radical scavenging capacity. The results help consumers make targeted changes to their diet and lifestyle.
Alcohol metabolic capacity assessment package	LDT	Endpoint fluorescent PCR	Assesses alcohol metabolic capacity and the degree of liver damage caused by alcohol consumption.

Testing Service	Testing Procedure	Technology Platform	Description
Comprehensive assessment of human immunity	LDT	NGS	Full scope analysis of a person's immunity capability by testing various indicators relating to immunity (free radical scavenging ability, DNA repair capacity and absorption capacity for various vitamins).
Vitamin absorption capacity assessment package	LDT	NGS	Assesses the absorption capacity for folic acid, vitamin A, vitamin B2, vitamin B6, vitamin B12, vitamin C, vitamin D and vitamin E.
Exercise and fitness testing package	LDT	NGS	Assesses athletic potential, exercise benefits (from disease perspective), weight control factors, and potential exercise-related damages.
Genetic testing package for individualized medication	LDT	NGS	Assesses drug efficacy and risk of adverse reactions from pharmacogenomics perspective by testing genes related to various types of drugs under four categories (*i.e.*, anti-infective drugs, antipyretic and anti-inflammatory drugs, hematologic drugs and cardiovascular drugs).
COVID-19-related testing	IVD	qPCR	Detects COVID-19 nucleic acid level in testing sample with TaqMan probe method.
HPV testing	IVD	qPCR	Determines whether a person has caught various strains of HPV by detecting viral nucleic acid in cells exfoliated from female cervix.

Testing Service	Testing Procedure	Technology Platform	Description
Advanced testing services			
Hereditary breast cancer/ovarian cancer genetic testing (BRCA1/2 genes)	LDT	NGS	Assesses the risk of developing breast cancer and ovarian cancer by conducting full exon sequencing of BRCA1 and BRCA2 genes.
Executive testing services			
Personal whole genome test plus	LDT	Whole-genome microarray	Assesses the risk of developing multiple types of diseases and provides interpretation for various individual traits and medication advice for certain common diseases by testing over 700,000 *loci* in the human body.
Whole exome sequencing package for adults	LDT	NGS	By sequencing over 180,000 key exonic regions in the human genome, assess the risk of developing a number of high-risk diseases, hereditary cancers, recessive genetic diseases and multiple types of complex diseases. Provide assessment for a number of drugs under multiple categories, items for dietary nutrition and items for exercise and fitness.
Whole exome sequencing package for children	LDT	NGS	By sequencing over 180,000 key exonic regions in the human genome, assesses the risk of developing multiple genetic diseases for children (divided into several major categories: high-risk diseases, birth defects and neonatal diseases, childhood diseases including hereditary cancers, adolescent gonadal diseases and adult diseases) and medication efficacy for multiple drugs, and provides guidance on multiple personal traits and recommended exercises.

The tables below set forth a breakdown of our revenue and gross profit from consumer genetic testing services and cancer screening services by IVD products or LDT services during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not resell any IVD testing kits procured from Independent Third Parties.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue						
Consumer genetic testing IVD	1,124	1.0	76,044	37.4	53,674	22.7
Cancer screening IVD	6,872	6.0	41,511	20.4	100,585	42.6
IVD	**7,996**	**7.0**	**117,555**	**57.8**	**154,259**	**65.3**
Consumer genetic testing LDT	105,447	93.0	85,665	42.2	81,794	34.7
LDT	**105,447**	**93.0**	**85,665**	**42.2**	**81,794**	**34.7**
Total	**113,443**	**100.0**	**203,220**	**100.0**	**236,054**	**100.0**

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gross Profit						
Consumer genetic testing IVD	88	0.1	51,200	35.0	29,998	18.1
Cancer screening IVD	4,171	5.5	33,407	22.9	76,095	45.9
IVD	**4,259**	**5.6**	**84,607**	**57.9**	**106,093**	**64.0**
Consumer genetic testing LDT	71,948	94.4	61,634	42.1	59,650	36.0
LDT	**71,948**	**94.4**	**61,634**	**42.1**	**59,650**	**36.0**
Total	**76,207**	**100.0**	**146,241**	**100.0**	**165,742**	**100.0**

As of December 31, 2021, out of our 91 testing solutions, 80 of them were provided with self-developed LDT services and 11 of them were provided with IVD testing kits procured from independent third-party suppliers. During the Track Record Period, the overall increasing trend in the percentage of revenue from testing services provided with IVD products was mainly due to the rapid growth of our cancer screening services as well as the introduction of COVID-19-related testing services during the pandemic, which were both provided with outsourced IVD testing kits.

For the years ended December 31, 2019, 2020 and 2021, our revenue generated from the provision of LDT services with *in-vitro* diagnostic reagents that had the same type of reagents which obtained medical device registration certificates in China (including ApoE gene testing and folate metabolic capacity assessment) was RMB34.3 million, RMB24.2 million and RMB4.1 million, respectively. We discontinued the provision of such services since May 2021 to comply with new requirements under Article 53 of the 2021 Rules. As advised by our PRC Legal Advisor, our provision of such services are compliant activities during the Track Record Period and as of the Latest Practicable Date, for the following reasons:

(i) Our provision of such services existed before the promulgation of the 2021 Rules, which impose a new requirement that medical institutions may use self-developed testing kits without medical registration certificate only under the circumstance that products of the same type are not available in the China market, and according to the Announcement of the 2021 Rules, if the violation occurred before June 1, 2021, the 2021 Rules are not applicable.

(ii) Our provision of such services and generation of revenue from such services comply with the 2017 Rules based on the following reasons: (a) the 2017 Rules do not have the same requirement or related punishment as the requirement mentioned in paragraph (i) above, which is newly added by the 2021 Rules; and (b) the core requirements of the 2017 Rules include that for sales of the Class III medical devices which have not obtained medical device registration certificates, the relevant food and drug supervision and administration authorities can confiscate the illegal gains, the medical devices sold in violation of laws as well as the tools, equipment, raw materials and other articles used for the illegal sales, and such authorities can impose a fine of more than RMB50,000 but less than RMB100,000 if the value of the medical devices sold in violation of laws is less than RMB10,000, or impose a fine of more than ten times but less than 20 times the value of the medical devices if the value of the medical devices is RMB10,000 or more, and, if the circumstances are serious, refuse to accept the medical device licensing applications filed by the relevant persons in charge and enterprises within five years. During the Track Record Period, as we did not sell, distribute or resell any testing kits, our provision of such services should not be penalized under the 2017 Rules, and there was no penalty or sanctions imposed on us for any violation of the 2017 Rules up to the Latest Practicable Date.

(iii) According to the Governmental Consultations with the NMPA and the BMHC, both authorities confirmed our compliance based on their understanding of our overall business operations, which include our provision of LDT services before the 2021 Rules were promulgated and related revenues generated from the provision of LDT services with in-vitro diagnostic reagents that had the same type of reagents which obtained medical device registration certificates. The authorities confirmed that we will not be subject to any penalty or punishment regarding the compliance of our provision of LDT services before the promulgation of the 2021 Rules, and the relevant revenue generated from our provision of LDT services before the promulgation of the 2021 Rules is compliant with all relevant laws and regulations, since we used self-developed *in-vitro* diagnostic reagents only to provide testing services, rather than sell such *in-vitro* diagnostic reagents.

We do not expect discontinuing the provision of LDT services with *in-vitro* diagnostic reagents that had the same type of reagents which obtained medical device registration certificates in China to have any material adverse impact on our operational and financial performance, as the revenue from such services only represented approximately 1.7% of our total revenue for the year ended December 31, 2021.

ApoE Gene Testing

ApoE is a type of human apolipoproteins present in both serum and central nervous system. This protein has important physiological functions by participating in the body's blood lipid regulation, cholesterol balance and Neuroregeneration in the central nervous system. The ApoE gene, located on chromosome 19, directs the synthesis of ApoE and plays an important role in lipoprotein metabolism. Thus, the polymorphism of ApoE gene is an important molecular target in the assessment of the development and progression of cardiovascular and cerebrovascular diseases. Based on specific genotypes, our ApoE gene test assesses the risk of developing various cardiovascular and cerebrovascular diseases.

Moreover, ApoE ϵ4 genotype is a risk factor for Alzheimer's disease as specified in the Chinese Guidelines for the Diagnosis and Treatment of Dementia and Cognitive Impairment to assess the risk of Alzheimer's disease. According to Frost & Sullivan, from 2016 to 2020, the number of Alzheimer's disease patients in China increased from 10.5 million people to 12.5 million people with a CAGR of 4.5%, and it is forecasted to be 15.5 million people in 2025 and further to increase to 19.5 million people in 2030. In China, the average healthcare cost for Alzheimer's disease is approximately RMB130,000, which could create a heavy financial burden for the average Chinese family. In addition, the psychological and emotional distress caused by the disease as well as the absence of appropriate support systems could further exacerbate the situation of patients and their families. So far, a sufficiently accurate method to predict Alzheimer's disease or conduct early detection does not exist. However, our ApoE gene test can alert carriers of high risk genotypes to undergo further health examination and adopt prevention measures.

The testing sample required for our ApoE gene test can be either 2 mL of whole blood in EDTA blood collection tubes or two tubes of oral swabs. Consumers can order our ApoE gene testing services offline in health checkup center and hospitals, or they can order them on e-commerce platforms and self-collect the sample at home. After the sample is mailed back to our laboratory, we perform testing on our testing platforms and generate a report that indicates a person's risk of developing various cardiovascular and cerebrovascular diseases, Alzheimer's disease and age-related macular degeneration. LDT testing is performed on our endpoint fluorescent PCR platform. We also procure IVD testing kits from an Independent Third Party to be used on our qPCR platform. All of our outsourced reagents are granted with registration certificates of Class III medical device by NMPA.

Meanwhile, we are in the process of applying for IVD registration for our self-developed testing kits. For information regarding our ApoE gene testing kits under development, see "– Products in Our Pipeline – ApoE Gene Testing Kits." In addition, we are developing Alzheimer's disease screening kits, which we believe will be the world's first genetic testing kits for Alzheimer's disease and are expected to have synergistic effects with our ApoE testing services and products. For more information, see "– Products in Our Pipeline – Alzheimer's Disease Screening Kits".

Folate Metabolic Capacity Assessment

Folate, also known as vitamin B9, is an essential element for the synthesis of nucleic acids, a substance necessary for cell growth and tissue repair, and is an indispensable nutrient during embryonic development. Folate cannot be synthesized in the human body and can only be acquired exogenously. Folate deficiency can increase the level of homocysteine, which in turn can increase the risk of other cardiovascular and cerebrovascular diseases, such as H-type hypertension, coronary heart disease and stroke. In addition to inadequate folate acid intake, folate deficiency may also be caused by poor folate utilization due to genetic defects. Specifically, the level of folate utilization capacity is highly correlated with the MTHFR gene and other related genes, and certain genotypes of these genes can lead to a reduction in the activity of the corresponding enzyme, resulting in a deficiency in folate metabolic capacity. In addition, mutations in folate metabolism-related sites are also associated with several other diseases such as psoriasis and meningioma. Overdose of folate could also lead to certain health issues.

Our folate metabolic capacity assessment determines the capacity of folate metabolism by testing the MTHFR gene and other related genes. With our cost-effective testing technology, we are able to bring this service to a wide group of consumers who want a risk assessment for cardiovascular and cerebrovascular diseases. The test report we issue provides scientific guidance about intake of folic acid supplement based on specific results, and it also provides corresponding health management suggestions.

The testing sample can be either 2 mL of whole blood in EDTA blood collection tubes or two tubes of oral swabs. Consumers can order our folate metabolic capacity assessment services offline in health checkup center and hospitals, or they can order them on e-commerce

platforms and self-collect the sample at home. After the sample is mailed back to our laboratory, we perform testing on our testing platforms either through LDT or with IVD testing kits procured from an Independent Third Party. LDT testing is typically performed on our endpoint fluorescent PCR platform, and testing with IVD products is typically conducted on our qPCR platform. All of our outsourced reagents are granted with registration certificates of Class III medical device by NMPA.

We are in the process of applying for IVD registration for our self-developed folate metabolic capacity assessment testing kits. For information regarding our folate metabolic capacity assessment under development, see "– Products in Our Pipeline – Folate Metabolic Capacity Assessment Kits."

Cancer Risk Assessment Tests

We offer risk assessment tests for a variety of cancers, including gastric cancer, colorectal cancer, liver cancer, breast cancer, thyroid cancer, prostate cancer, and pancreatic cancer. By testing susceptibility genes associated with a particular cancer, we assess the risk of developing that cancer. We also assess a person's overall risk of developing cancer by testing tumor suppressor genes. In addition to single cancer risk assessment services, we offer cancer risk assessment packages, which provides risk assessment for multiple common cancers in one test service. Our cancer risk assessment services enable consumers to learn whether they are more predisposed to develop cancer and whether they are more sensitive to environmental risk factors. Such assessment is expected to further help them to make informed decisions relating to early intervention and precise medicine options.

As of the Latest Practicable Date, we offer the following cancer risk assessment testing services:

- **P53 tumor suppressor gene testing**. The test assesses the risk of developing cancers by testing the p53 gene, which is a type of tumor suppressor gene that prevents cancer by regulating apoptosis and DNA repair mechanisms.

- **Single cancer risk assessment testing**. The test assesses the risk of developing a certain cancer by testing associated susceptibility genes. The types of cancer we cover include gastric cancer, colorectal cancer, liver cancer, breast cancer, thyroid cancer and prostate cancer, pancreatic cancer.

- **DNA repair capacity assessment**. By testing genes associated with DNA repair capacity, the test assesses the risk of developing bladder cancer, gallbladder cancer, oral cancer and melanoma from a genetic perspective. For those who carry high risk genotypes and are more sensitive to environmental risk factors, this test informs them about the need to take early intervention measures as well as to adjust their life style accordingly.

- **Risk assessment package for most common cancers (male & female versions)**. This testing package assesses the risk of developing the most common cancers for men and for women by testing associated susceptibility genes.

- **Full-scale cancer risk assessment package (male & female versions)**. This testing package includes risk assessment for a larger number of cancers for men and for women by testing associated susceptibility genes.

The risk assessment tests for a single cancer type is performed on our endpoint fluorescent PCR platform. The testing sample can be either 2 mL of whole blood in EDTA blood collection tubes or two tubes of oral swabs. Consumers can order our cancer risk assessment services in health checkup center and hospitals, and some of these testing items are also available online.

Other Disease Risk Assessment Tests

We offer risk assessment testing services for other severe or chronic diseases. By testing susceptibility genes associated with a particular disease, we assess the risk of developing that disease. Our risk assessment testing services for diseases other than cancer are as follow:

- **Gout risk assessment**. The test assesses the risk of developing gout by testing gout susceptibility genes.

- **Parkinson's disease risk assessment**. This test assesses the risk of developing Parkinson's disease by testing associated susceptibility genes.

- **Ankylosing spondylitis risk assessment**. This test assesses the risk of developing ankylosing spondylitis by testing HLA-B27 gene, which is an indicator for increased risk of developing ankylosing spondylitis.

- **Cardiovascular and cerebrovascular disease risk assessment package**. This test assesses the risk of developing seven common cardiovascular and cerebrovascular diseases (*i.e.* coronary heart disease, myocardial infarction, diastolic heart failure, hemorrhagic stroke, ischemic stroke, cerebral aneurysm, and abdominal aortic aneurysm) by testing associated susceptibility genes.

- **Gastrointestinal disease risk assessment package**. This test assesses the risk of developing five common digestive system diseases (*i.e.* Crohn's disease, ulcerative colitis, duodenal ulcer, gastric ulcer, and irritable bowel syndrome) by testing associated susceptibility genes.

These testing services alert our consumers with genetic predisposition to develop a certain disease to take health surveillance and early intervention measures. In addition to risk assessment, our test reports also provide suggestions on lifestyle to reduce the risk of getting a disease or to improve the quality of life.

Non-disease Related Consumer Genetic Testing

We provide genetic testing services that are not for disease risk assessment, but to help consumers choose a lifestyle and diet that better fit their genetic condition and health needs. The list below sets forth our major testing services under this category:

- **Free radical scavenging capacity assessment**. By testing genes associated with free radical scavenging capacity, this test assesses a person's capacity to scavenge free radicals from a genetic perspective, which plays an important role in human body's anti-aging function. The results potentially help consumers make targeted changes to their lifestyle and diet to lessen the effects of aging and to prevent diseases.

- **Alcohol metabolic capacity testing package**. This test assesses alcohol metabolic capacity and the susceptibility to potential liver damage caused by alcohol consumption.

- **Comprehensive assessment of human immunity**. By testing various indicators relating to immunity, such as free radical scavenging ability, DNA repair capacity and absorption ability for various vitamins, this test conducts a full scope analysis of a person's overall immunity capability.

- **Vitamin absorption capacity assessment package**. This test assesses the absorption capacity for folic acid, vitamin A, vitamin B2, vitamin B6, vitamin B12, vitamin C, vitamin D and vitamin E. Such assessment potentially helps consumers to use vitamin supplements in a more scientific way to avoid diseases caused by deficiency or overdose of certain vitamins.

- **Exercise and fitness testing package**. This test assesses a person's athletic potential, exercise benefits (from disease perspective), weight control factors, and potential damage caused by exercise. The assessment of these factors can potentially guide consumers to choose a more appropriate exercise regimen, undergo more effective weight control and use precautionary measures to avoid exercise injuries.

- **Genetic testing package for individualized medication**. This test assesses drug efficacy and risk of adverse reactions from pharmacogenomics perspective by testing genes related to various types of drugs under four categories (*i.e.* anti-infective drugs, antipyretic and anti-inflammatory drugs, hematologic drugs and cardiovascular drugs). This test potentially helps consumers to use more effective medication as well as reduce adverse side effects and unnecessary medical expenses.

COVID-19-Related Testing

In response to the COVID-19 pandemic, we developed a nucleic acid test for the COVID-19 virus based on the PCR technology of our molecular testing technology platform and began to offer COVID-19 testing services in May 2020. The turnaround time for our COVID-19 testing is around half a day, starting from the time when the samples are delivered to our laboratory.

During the development and commercialization process of COVID-19 testing, we used testing kits manufactured by Independent Third Parties for these testing services, but we conduct sample analysis in our laboratory independently. We have accumulated significant experience in emergency response and enhanced efficiencies in device procurement, sample collection, logistics, laboratory testing, test results reporting, communication with health authorities and cooperation across our internal departments. We are well-equipped to rapidly meet the testing demand that results from regional outbreak of COVID-19. As of the Latest Practicable Date, we completed approximately 3.4 million COVID-19 tests; including approximately 588,000 tests in 2020 and 952,000 tests in 2021. Our revenue generated from COVID-19-related testing services was RMB73.9 million and RMB41.5 million in 2020 and 2021, respectively. Our gross profit from COVID-19-related testing services was RMB50.8 million and RMB24.3 million in 2020 and 2021, respectively, which represented a gross profit margin of 68.7% and 58.7%, respectively. The decrease in gross profit margin was primarily attributable to the mandatory decrease in average unit price in accordance with government regulations. Due to the uncertainty of the COVID-19 pandemic, our revenue generated from COVID-19-related testing services may not be sustainable. For more information, see "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Our historical financial and operating results may not be indicative of our future performance".

HPV Testing

Persistent infection of high-risk strains of the human papillomavirus (HPV) is the leading cause for cervical cancer in women. Our test is mainly designed to determine the presence of HPV 16 or HPV 18 infection, but it is also able to detect and distinguish 23 common strains of HPV categorized from high to low risk. Our HPV testing services allows women to discover HPV infection and to take further diagnostic and treating measures to prevent development of cervical cancer.

Consumers can order our HPV testing services in health checkup centers or through e-commerce platforms. The sample required for this type of testing is a vaginal swab. Our sample collection kits provide detailed user instructions so that our consumers can complete sample collection at home, especially for those who feel uncomfortable to go to health checkup centers or hospitals to have their samples collected. We currently procure the testing kits for this service from an Independent Third Party. We perform HPV testing independently in our laboratory via our qPCR platform, and our test report indicates whether the consumer is infected with various strains of HPV.

Hereditary Breast Cancer/Ovarian Cancer Genetic Testing (BRCA1/2 Genes)

Hereditary Breast Cancer/Ovarian Cancer Genetic Testing is one of our advanced testing services. According to Frost & Sullivan, in 2020, there were approximately 331,600 new cases of breast cancer in China with 79,600 breast cancer related deaths. The pathogenic mutation of BRCA1/2 genes significantly increases the risk of developing breast cancer and ovarian cancer. This test detects potential mutation of BRCA1/2 genes by conducting full exon sequencing of these genes on our NGS platform. Consumers can order this service through both our offline channels and online channels. The test report we issue informs a consumer her risk level of developing hereditary breast cancer and ovarian cancer. As of December 31, 2021, we were in the process of developing a testing kits product for BRCA1/BRCA2 gene mutation. For information regarding this product, see "– Products in Our Pipeline – BRCA1/BRCA2 Gene Mutation Testing Kits".

Personal Whole Genome Test Plus

This whole genome test, performed on our whole-genome microarray platform, is one of our executive testing services and can test over 700,000 *loci* in the human genome, which allows us to assess the risk of developing multiple types of diseases and to provide interpretation for various individual traits and medication advice for two categories of common diseases. The sample required for this testing is 2 mL of blood collected with EDTA blood collection tubes. The testing results are analyzed by our proprietary software system and compared against extensive data in our databases. The test report is delivered automatically by our laboratory information management system ("**LIMS**"), approximately two weeks after the test is administered.

Whole Exome Sequencing Package for Adults

Whole exome sequencing package for adults is one of our executive testing services. It sequences over 180,000 key exonic regions in the human genome and assesses the risk of developing a number of high-risk diseases, hereditary cancers, recessive genetic diseases and various types of complex diseases. In addition, it can provide assessment for multiple drugs, items for dietary nutrition and items for exercise and fitness. Based on specific results and the individual's genetic make-up, we recommend customized health management solutions in our test report. High-end premium packaged blood sampling kits are used for sampling. After sample data is tested and analyzed, we conduct genetic interpretation based on the nature of the mutation (*i.e.*, benign mutation or malignant mutation) and relevant annotations from recognized databases. We then determine the clinical significance of mutation site(s) according to the American College of Medical Genetics and Genomics ("**ACMG**") guidelines.

Whole Exome Sequencing Package for Children

This is also one of our executive testing services and sequences over 180,000 key exonic regions in the human genome and assess the risk of developing multiple genetic diseases for children (divided into five major categories: ACMG high-risk diseases, birth defects and neonatal diseases, childhood diseases including hereditary cancers, adolescent gonadal diseases and adult diseases). The test also provides suitability assessment for multiple drugs in multiple categories, and provides guidance on multiple personal traits and recommended exercises and standard health management programs for children. This testing is also conducted on our NGS platform.

CANCER SCREENING SERVICES

Cancer remains a major challenge with significant unmet medical needs. According to Frost & Sullivan, China has the world's highest number of new cancer cases in 2020, which increased from 4.1 million cases in 2016 to 4.6 million cases in 2020, and is estimated to reach 5.8 million cases in 2030. In 2020, the four most common cancers in China were lung cancer (924,100 cases), gastric cancer (469,600 cases), colorectal cancer (453,400 cases), and liver cancer (420,800 cases). However, due to the lack of effective cancer prevention solutions, the survival rate of cancer in China is significantly lower than that in many other countries with more developed cancer prevention mechanism. Our cancer screening solutions aim to detect cancer early at asymptomatic or precancerous stage when it has a relatively higher likelihood to be prevented or cured, while the price remains relatively low and more affordable by the general public.

According to Frost & Sullivan, we were the largest cancer screening platform in China as measured by the number of tests administered in 2020. As of December 31, 2021, we had performed over 453,000 cancer screening tests. From 2019 to 2021, our revenue from peripheral blood plasma methylation screening for colorectal cancer (Septin9 colorectal cancer screening) had grown twelve times. We also provided approximately 23,000 peripheral blood plasma methylation-based screening for gastric cancer (RNF180/Septin9 gastric cancer screening) within three months of market launch.

We are acutely aware of consumer demands for our products, and our research and development process is market demand oriented, so that our newly developed products can be quickly commercialized. During the research and development process, not only are samples from cancer patients required, but it also requires a large number of samples from cancer-free people as control groups, as patients who visit hospitals for treatment typically have health issues and thus would not be ideal for the control groups.

We seek consents from every consumer of our cancer screening services before collecting and using their samples. As of the Latest Practicable Date, we have not used samples collected during our provision of genetic testing services to develop cancer screening services. The samples we used in our development of cancer screening services are collected and provided to us by hospitals that have cooperation relationships with us. As advised by our PRC Legal Advisor, our use of samples collected and provided by hospitals is compliant with relevant laws and regulations.

Below is description of the specific process of our collection, storage and usage of samples for the research and development of cancer screening services:

(i) We enter into cooperation agreements with hospitals, under which hospitals are expected to collect and provide samples from both cancer patients and cancer-free people for our research and development of cancer screening services. As advised by our PRC Legal Advisor, pursuant to these cooperation agreements, our hospital partners are expected to adopt measures to comply with applicable laws and regulations, such as informing sample providers of the intended use of such samples as well as their rights and obligations, obtaining consent letters from sample providers and obtaining appropriate approval from relevant ethics committees;

(ii) Our research and development projects do not require sample providers' names, ID numbers, addresses or other sensitive personal information. Hospitals provide samples without such personal information and we do not identify specific sample providers through these samples;

(iii) We store the information obtained from sample analysis in our integrated management system, which has obtained the Filing Certificate for Information System Security Protection (Level III), and strictly limit the personnel who can access personal data if necessary. For further information on the integrated management system and other protocols we adopt to protect consumer privacy, please refer to "– Data and Privacy Protection" in this section. In addition, pursuant to relevant regulatory requirements and our agreements with hospitals, we destroy samples and related information in a timely manner after we finish the research and development project; and

(iv) We use samples and related information solely for the purpose of research and development and do not provide such samples and related information to any third party, except for the situation where we share sample-related information with the hospital that provides samples to us pursuant to our agreement with such hospital.

As advised by our PRC Legal Advisor, based on the above, our collection, storage and use of samples for the research and development of cancer screening services comply with all applicable laws and regulations in China relating to consumer privacy in all material aspects during the Track Record Period.

The integration of various types of testing services on a single platform helps us create positive synergy. Cancer screening testing is not an once-in-a-lifetime test – as a person's physiological conditions may change from time to time, consumers often need to undergo screening every one to two years in order to monitor potential development of cancer. Thus, we expect to see stable demand for each type of cancer screening services in the long term.

Our cancer screening services generated revenues of RMB6.9 million, RMB41.5 million and RMB100.6 million in 2019, 2020 and 2021, respectively. The table below sets forth our major testing services under this category.

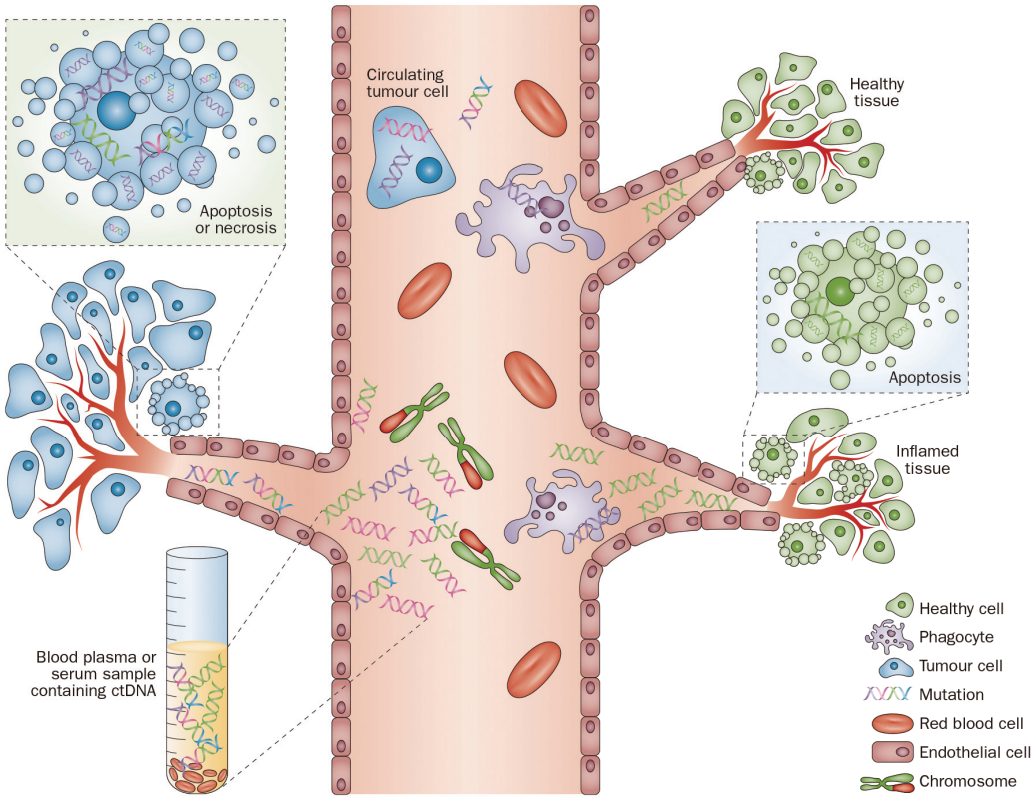
Testing Service	Testing Procedure	Technology Platform	Description
Septin9 colorectal cancer screening test (Septin9 gene methylation test)	IVD	qPCR	Provides preliminary determination of whether a person has potentially developed colorectal cancer by testing the methylation level of Septin9 gene in peripheral blood.
SDC2 colorectal cancer screening test (SDC2 gene methylation test)	IVD	qPCR	Provides preliminary determination of whether a person has potentially developed colorectal cancer by testing SDC2 gene of exfoliated cancer cells in stool.
RNF180/Septin9 gastric cancer screening test (RNF180/Septin9 Genes Methylation Test)	IVD	qPCR	Provides preliminary determination of whether a person has potentially developed gastric cancer by testing the methylation level of RNF180 and Septin9 genes in peripheral blood.

Septin9 Colorectal Cancer Screening Test

Colorectal cancer was the third most prevalent cancer type globally in 2020, and it was also the third most prevalent cancer type in China, with 453,400 new cases and 218,200 deaths, according to Frost & Sullivan. Despite its relatively high mortality rate, colorectal cancer is widely accepted by the medical community as one of the most curable and preventable cancers if detected early, because it progresses less rapidly compared to other types of cancer. According to Frost & Sullivan, the five-year relative survival rate is 90.1% if colorectal cancer is diagnosed at a localized stage, while the five-year relative survival rate in China drops to

10.4% if diagnosed at an advanced stage. Therefore, cancer screening and early intervention have profound clinical implications and economic value to asymptomatic patients. In line with the PRC government's initiatives to promote cancer screening and lower the economic burden of cancer, the colorectal cancer screening market in China is expected to grow significantly with the availability of more effective screening solutions and increased awareness of cancer screening according to Frost & Sullivan.

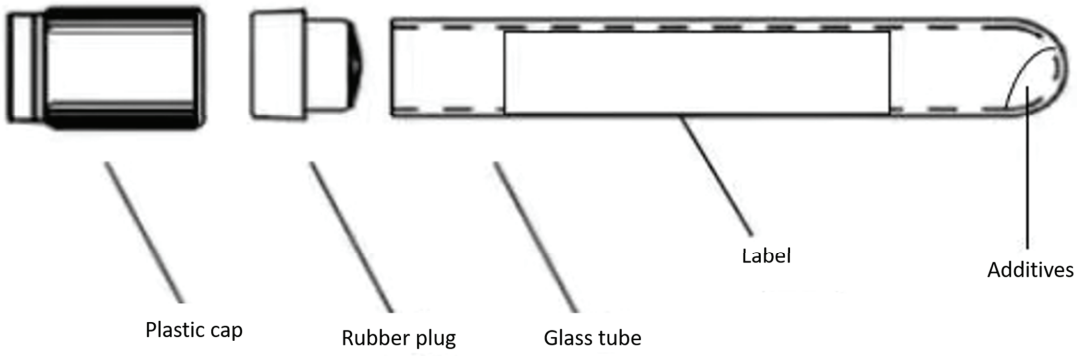
Elevated Septin9 methylation levels is a specific early diagnostic indicator of colorectal cancer. Our Septin9 colorectal cancer screening is a DNA methylation detection test, which detects the methylation level of the Septin9 gene released by cancer cells into peripheral blood to make a preliminary determine of whether a person has potentially developed colorectal cancer. The graph below illustrates the process of blood-based DNA methylation testing methodology.



Source: Nature Reviews Clinical Oncology

The test has demonstrated clinical results with a sensitivity of 76.6% and an overall specificity of 95.9%. In 2017, we began to sell methylation detection services for colorectal cancer. Sales volume for this service reached approximately 20,000 tests, 106,000 tests and 254,000 tests in 2019, 2020 and 2021, respectively. According to Frost & Sullivan, we were the largest provider of genetic testing services for colorectal cancer screening in China in 2020, with the highest total number of tests and daily average production capacity.

The testing sample required for this testing is 10 mL of whole blood in collection tubes specially designed for cfDNA screening. We currently procure testing kits for this service from an Independent Third Party, and testing kits are granted with registration certificates of Class III medical device by NMPA. Our Septin9 colorectal cancer screening is performed on blood samples, which are collected by healthcare professionals in health checkup centers or hospitals following our standard procedures. The picture below illustrates the sample collection tube we use for cfDNA screening.



The testing is performed with our qPCR platform, which is equipped with specialized software to analyze results. Our test report provides a single positive or negative result. A positive result means that the methylation levels of the detected Septin9 gene exceeds the normal reference range, indicating that there is a high likelihood of the presence of colorectal cancer or precancerous lesions. We recommend any consumer who receives a positive result to consult with an oncologist for additional tests.

We followed up with our consumers who received positive results and typically observed effective prevention outcomes. Compared with traditional physical examination and cancer imaging, we believe our cancer screening tests are easier to operate for both consumers and healthcare professionals, and they generate more helpful results. Thus, our Septin9 colorectal cancer screening has received positive feedback from the market and resulted in a relatively high number of tests performed.

We are developing our own testing kits for colorectal cancer screening, and expect to receive registration certificates of Class III medical device from NMPA for our self-developed testing kits. In the future, this new testing kits may replace the Septin9 colorectal cancer screening and the SDC2 colorectal cancer screening test that we currently provide. For information regarding our colorectal cancer screening kits under development, see "– Products in Our Pipeline – Colorectal Cancer Screening Kits."

SDC2 Colorectal Cancer Screening Test

Our SDC2 colorectal cancer screening test enables users to collect stool sample at home and avoid invasive procedures while delivering high testing sensitivity and specificity. Stool samples collected by our consumers are picked up by our logistics service provider and delivered to our laboratory for testing, generally within days after shipment from major cities in China.

Detecting the DNA of cancer cells shed in the feces can preliminarily determine whether the subject has colorectal cancer. The SDC2 colorectal cancer screening test has demonstrated clinical results of a sensitivity of 84.2% and an overall specificity of 97.9%.

We procure testing kits for SDC2 colorectal cancer screening test from an Independent Third Party, and these testing kits are granted with registration certificates of Class III medical device by NMPA. Stool sample is required for this type of testing, and the testing is performed on our qPCR platform.

RNF180/Septin9 Gastric Cancer Screening Tests

Gastric cancer has the second highest incidence in China with 469,600 diagnosed cases in 2020 and the third highest mortality in China with 341,200 death cases in 2020. Gastric cancer screening can significantly improve the survival rate of patients, as they can take early intervention measures and get proper treatment in time. According to Frost & Sullivan, the five-year relative survival rate in China is 78.5% if gastric cancer is diagnosed at a localized stage, while it drops to 4.8% if diagnosed at the distant stage. Due to its high incidence and mortality rates, there are significant demands for gastric cancer screening services and considerable growth potential for gastric cancer screening market. The current gold standard for gastric cancer detection is gastroscopy, which is an invasive procedure with relatively low sensitivity and low average detection rate of conventional cancer biomarkers.

Our RNF180/Septin9 gastric cancer screening is a DNA methylation detection test, and it makes a preliminary determination of whether a person has potentially developed gastric cancer by detecting the methylation level of the RNF180 gene and Septin9 gene in a blood sample. The test has demonstrated clinical results with a sensitivity of 61.8% and an overall specificity of 85.1%. We launched this testing service in March 2021 and have sold approximately 23,000 tests within three months after launch.

The test is performed on blood samples, which are collected by healthcare professionals in health checkup centers or hospitals following our standard procedures. The testing sample required for this testing is 10 mL of whole blood in collection tubes specially designed for cfDNA screening. We currently procure testing kits for this service from an Independent Third Party, and testing kits are granted with registration certificates of Class III medical device by NMPA. The RNF180/Septin9 gastric cancer screening is performed on our qPCR platform. Our test report provides a single positive or negative result. A positive result means that the detected level of methylated RNF180 and Septin9 exceeds the normal reference range, indicating that the test taker is currently more likely to have gastric cancer or precancerous lesions. We recommend any consumer who receives a positive result to consult with an oncologist for additional tests.

We are in the process of developing our own gastric cancer testing kits. We expect to obtain the registration license for Class III medical device by the first half of 2024. For information regarding our gastric cancer screening kits under development, see "– Products in Our Pipeline – Gastric Cancer Screening Kits."

Catalogue of Clinical Laboratory Items

Pursuant to Circular 194, a clinical gene amplification test laboratory shall register its clinical testing items based on the Testing Items Catalogue with the NHC's provincial office. In addition, pursuant to Circular 167, the clinical testing items which are not included in the Testing Items Catalogue, but have clear clinical significance, relatively high specificity and sensitivity, and reasonable price, shall be validated in time to meet clinical needs.

The testing types that are permissible under the Testing Items Catalogue are limited and have not been updated since 2013, many of our genetics testing services are beyond the scope of the Testing Items Catalogue. Market demand and clinical needs are also more extensive than the Testing Items Catalogue. According to the Governmental Consultations with the BMHC, we will not be penalized or investigated for the clinical gene amplification tests that we provided in the past, and the likelihood of suspension of the testing items that are not included in the Testing Items Catalogue is relatively low. For details, please refer to "Regulatory Overview – Clinical Gene Amplification Test Laboratories."

OUR OPERATIONAL AND FINANCIAL DATA BY SERVICE TYPE

The tables below set forth our operational and financial data by service type:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
		(in thousand)	
Number of Tests Performed			
Cancer risk assessment	1,093	761	818
Chronic disease risk assessment	1,516	1,057	439
COVID-19-related testing services	–	588	952
Other consumer genetic testing services	82	276	439
Subtotal of consumer genetic testing services	**2,691**	**2,682**	**2,648**
Cancer screening services	**21**	**106**	**312**
Total	**2,712**	**2,788**	**2,960**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Cancer risk assessment	43,115	27,097	37,244
Chronic disease risk assessment	40,320	28,737	17,653
COVID-19-related testing services	–	73,903	41,461
Other consumer genetic testing services	23,136	31,972	39,111
Subtotal of consumer genetic testing services	**106,571**	**161,709**	**135,469**
Cancer screening services	**6,872**	**41,511**	**100,585**
Total	**113,443**	**203,220**	**236,054**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB	*RMB*	*RMB*
Average Unit Price[(1)]			
Cancer risk assessment	39.4	35.6	45.5
Chronic disease risk assessment	26.6	27.1	40.2
COVID-19-related testing services	–	125.7	43.5
Other consumer genetic testing services	285.6	115.8	89.0
Cancer screening services	327.2	391.6	322.4

Note:

(1) Average unit price is calculated by dividing the revenue by number of tests performed during the period indicated.

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Gross Profit			
Cancer risk assessment	25,359	17,093	25,088
Chronic disease risk assessment	30,152	21,520	13,197
COVID-19-related testing services	–	50,776	24,341
Other consumer genetic testing services	16,525	23,445	27,021
Subtotal of consumer genetic testing services	**72,036**	**112,834**	**89,647**
Cancer screening services	**4,171**	**33,407**	**76,095**
Total	**76,207**	**146,241**	**165,742**

	For the Year Ended December 31,		
	2019	**2020**	**2021**
Gross Profit Margin			
Cancer risk assessment	58.8%	63.1%	67.4%
Chronic disease risk assessment	74.8%	74.9%	74.8%
COVID-19-related testing services	–	68.7%	58.7%
Other consumer genetic testing services	71.4%	73.3%	69.1%
Subtotal	**67.6%**	**69.8%**	**66.2%**
Cancer screening services	**60.7%**	**80.5%**	**75.7%**
Total	**67.2%**	**72.0%**	**70.2%**

While the total number of tests performed for consumer genetic testing services remained relatively stable during the Track Record Period, the number of tests performed for each of the four types of tests under consumer genetic testing services experienced fluctuations during the Track Record Period, mainly because we adjusted specific testing items provided under this type from time to time based on customer demands and our development strategy. At the same time, the composition of specific testing items could also change over time in response to consumer preferences.

The revenues, gross profits and gross profit margins for consumer genetic testing services experienced significant fluctuations during the same period, primarily due to the following reasons:

(i) *Cancer risk assessment*. The revenue and gross profit for cancer risk assessment decreased significantly in 2020 compared to 2019 due to the closure of health checkup centers as a result of the COVID-19 pandemic and consumers' reluctance to visit hospitals and health checkup centers in 2020. As the market gradually recovered from the COVID-19 pandemic, the revenue and gross profit for such services increased in 2021 compared to 2020. The gross profit margin for this type of testing remained relatively stable during the Track Record Period.

(ii) *Chronic disease risk assessment*. The revenue and gross profit for chronic disease risk assessment decreased significantly in 2020 compared to 2019 also due to the impact of the COVID-19 pandemic. The revenue and gross profit for this type of testing decreased in 2021 compared to 2020 due to decrease in customer demands for ApoE Gene Testing, Folate Metabolic Capacity Assessment and Cardiovascular and Cerebrovascular Disease Risk Assessment Package and our business development in response to these demands.

(iii) *COVID-19-related testing services*. Our revenue generated and gross profits derived from COVID-19-related testing services decreased significantly in 2021 as a result of government mandates to lower the price of COVID-19 diagnostic tests in 2021. Due to uncertainties related to the COVID-19 pandemic, our operational and financial data for COVID-19-related testing services may not be sustainable. For more information, see "Business – Consumer Genetic Testing Services – COVID-19-Related Testing" and "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Our historical financial and operating results may not be indicative of our future performance."

(iv) *Other consumer genetic testing services*. The revenue and gross profit for this type of testing increased over the Track Record Period, mainly due to increase in customer demands for certain services, such as HPV Testing and Free Radical Scavenging Capacity Assessment. The gross profit margin for this type of testing remained relatively stable during the Track Record Period.

Our cancer screening services provide convenient, accurate and non-invasive testing solutions that can detect cancer at asymptomatic or precancerous stages, and we currently focus on the testing of colorectal cancer and gastric cancer, two common cancer types among the Chinese population. The number of tests performed, revenue, gross profit, and gross profit margins for our cancer screening services experienced stable and consistent growth during the Track Record Period mainly due to our increased market education efforts and growing market acceptance for our Septin9 Non-invasive Colorectal Cancer Screening Test and Non-invasive Gastric Cancer Screening Test as well as our ability to control costs effectively.

PRODUCTS IN OUR PIPELINE

We focus on technological innovation and continuous expansion of our portfolio of testing solutions. The current strategic focus of our research and development is on the registration of IVD testing kits with the NMPA. As of the Latest Practicable Date, there are five products under development, including ApoE gene testing kits, folate metabolic capacity assessment testing kits, colorectal cancer screening kits, gastric cancer screening kits and Alzheimer's disease screening kits. In addition, there are three recently launched project in early research stage, including lung nodule (benign or malignant) auxiliary diagnostic kits, cervical cancer screening kits, and BRCA1/BRCA2 gene mutation testing kits. The chart below sets forth all products in our pipeline as well as their respective stage of development:

Products in Development	Sample Type	Technology	Early-Stage Development[1]	Biomarker Selection[2]	Later-Stage Development[3]	IVD Registration Filing[4]	Expected to obtain IVD Registration Approval	Total Expected Costs of Commercialization (HK$'000)[8]	Incurred Costs of Commercialization (HK$'000)
ApoE gene testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	560
Folate metabolic capacity assessment testing kits[5]	Blood	Blood direct amplification, qPCR	Completed	N/A[6]	Completed	Ongoing	1H2023	7,110	480
Alzheimer's disease screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing		▲	2H2024	37,770	1,140
Colorectal cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,700
Gastric cancer screening kits[7]	Blood	NGS, qPCR	Completed	Ongoing			1H2024	34,530	2,710
BRCA1/BRCA2 gene mutation diagnostic kits[7]	Blood	NGS	Ongoing	N/A[6]			2H2024	25,200	–
Cervical cancer screening kits[7]	Blood	NGS, qPCR	Ongoing				2H2024	34,770	–
Lung nodule (benign or malignant) auxiliary diagnostic kits[7]	Blood, CT scan	NGS, qPCR, CT image AI analysis software	Ongoing				2H2025	72,550	–

▲ As of the Latest Practicable Date, the global genetic testing market does not currently have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan.

Notes:

1. Early-Stage development encompasses feasibility study, method development, etc.
2. Biomarker selection includes biomarker candidate identification, clinical validation, etc.
3. Later-Stage development involves product optimization and finalization, efficacy and safety evaluation, etc.
4. IVD registration filing refers to pilot-scale production, registration inspection, clinical evaluation, NMPA review, etc.
5. Self developed kits.
6. Product development does not have this phase, not applicable.
7. Collaboration mode.
8. The total expected costs of commercialization include costs and expenses for research and development, clinical trials, IVD registration as well as sales and marketing activities.

Although we invest significant amounts of resources to seek IVD registration for our testing kits, we may not be able to develop or commercialize our IVD product candidates in a timely manner due to various factors beyond our control. For more information, see "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – We may not be able to expand our business lines to offer innovative testing services and products, or develop and commercialize our new genetic testing services and products on a timely basis, or at all, which may harm our growth opportunities and prospects".

ApoE Gene Testing Kits

Our self-developed testing kits use extraction-free blood nucleic acid technology and 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 detection kits screen ApoE ϵ4 carriers, which is the target population that we recommend for periodic testing for Alzheimer's disease.

This product uses our self-developed extraction-free blood nucleic acid technology, which can significantly reduce cost of production by (i) eliminating the need to include blood DNA extraction reagent in the testing kits, (ii) eliminating complicated extraction procedures, which can save time cost by at least one hour per test and (iii) eliminating the need to provide extraction equipment when we sell testing kits to our institutional customers.

This product completed registration inspection for registration filing in May 2022, and we expect to move to clinical evaluation and then submission to the NMPA for final review. We plan to register our self-developed ApoE gene testing kits with NMPA as an IVD product. The registration certificate is expected to be obtained by the first half of 2023.

Folate Metabolic Capacity Assessment Testing Kits

Our self-developed testing kits use extraction-free blood nucleic acid technology and endpoint fluorescent PCR 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 reduce our production cost.

Our folate metabolic capacity assessment testing product completed registration inspection for registration filing in May 2022, and we expect to move to clinical evaluation and then submission to the NMPA for final review. We plan to register our folate metabolic capacity assessment testing kits with NMPA as an IVD product. We expect to obtain the registration certificate from the NMPA by the first half of 2023.

Alzheimer's Disease Screening Kits

Our product candidates for Alzheimer's disease screening are two plasma-based miRNA tests that utilize a multi-biomarker approach to detect the expression level of miRNA associated with Alzheimer's disease. As of the Latest Practicable Date, 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 a top clinical expert in the field of neurology and psychiatry in China.

We are in the process of conducting a multi-center clinical trial in collaboration with hospitals in different regions of China, using no less than 1,200 retrospective samples and machine learning algorithms, to screen for suitable biomarkers. We expect to develop two types of test kits using each of multiplex RT-qPCR and NGS technologies. The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT. The RT-qPCR kits are expected to include two to three biomarkers. The laboratory research of the two kits for Alzheimer's disease screening are expected to be completed by the second half of 2022. After the completion of laboratory research, we expect to apply for the NMPA's innovation approval to conduct a larger-scale clinical trial for registration of the RT-qPCR kits with 5,000 prospective samples. We expect to obtain the registration certificate from the NMPA by the second half of 2024. We are not aware of any competing product in the current market. We also expect the combination of biomarkers targeted in these screening tests to be patented. We expect to increase cost-effectiveness by employing self-developed miRNA extraction and RT-qPCR technology.

Colorectal Cancer Screening Kits

Our product candidates for colorectal cancer screening are peripheral blood plasma-based tests that utilize a multi-biomarker approach to detect DNA methylation associated with colorectal cancer. We are developing this product in collaboration with a top clinical expert in the field of gastroenterology in China. As of the Latest Practicable Date, we have finished biomarker candidate selection and expect to move to the development of two types of testing kits for colorectal cancer, a qPCR testing kits and an NGS testing kits. The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT. The qPCR kits are expected to include two to three biomarkers and will be applied to the NMPA for registration.

We are in the process of conducting a multi-center clinical trial in collaboration with hospitals in different regions of China, using no less than 1,200 retrospective samples and machine learning algorithms, to determine the suitability of the selected biomarkers. We expect to complete the laboratory research phase for both types of testing kits by July 2022. We expect to obtain the registration certificate from the NMPA by the first half of 2024.

Compared to competing products, we believe our colorectal cancer screening kits will have several advantages. First, our testing product uses blood samples rather than stool samples. Stool samples are usually collected by consumers at home and are more likely to degrade during transportation, and therefore it is difficult to ensure the quality and viability of genetic materials. Such disadvantages can be avoided by using blood samples, as they are collected by professional healthcare personnel, stored in well-designed collection tubes and transported in a low temperature environment during the whole process. Second, our product is tailored for the Chinese population, because we selected biomarkers based on tumor tissues and blood samples from Chinese population. Third, a larger scale prospective clinical trial in cooperation with hospitals in different regions of China and approximately 5,000 samples for the registration process makes our products more reliable. Fourth, our qPCR kit is developed to be cost-effective with our self-developed cfDNA extraction, methylation modification, and qPCR technology. Finally, our various sales channels and existing consumer base give us an understanding of consumer needs, which can expedite our development process. As a result, we expect to achieve commercialization in a shorter period of time.

We consider the selection of innovative biomarkers to require the establishment of a technology platform for high-throughput methylation capture sequencing, a bioinformatics process for differential analysis and annotation of methylation sites and a machine learning algorithm to construct diagnostic model for candidate biomarkers. We have overcome each of the above technical hurdles and thus are able to independently identify biomarkers tailored for the Chinese population. We also have the capacity to develop our own cfDNA extraction reagents and bisulfite conversion reagents and design specific primers and probes, which are required steps before testing kits can be produced. In addition, we plan to adopt automated procedures in certain production phases, which can further increase our efficiency.

Gastric Cancer Screening Kits

Our product candidates for gastric cancer screening are peripheral blood plasma-based tests that utilize a multi-biomarker approach to detect DNA methylation associated with gastric cancer. As of the Latest Practicable Date, we have finished biomarker candidates selection and expect to move to the development of two types of testing kits for gastric cancer, a qPCR testing kits and an NGS testing kits. The NGS kits are expected to include dozens to hundreds of biomarkers and will be provided as LDT. The qPCR kits are expected to include two to three biomarkers and will be applied to the NMPA for registration.

We collaborated with one of the top clinical experts in China to develop these testing kits. We are in the process of conducting a multi-center clinical trial in collaboration with hospitals in different regions of China, using no less than 1,200 retrospective samples and machine learning algorithms, to determine biomarker suitability. We expect to complete the laboratory research phase for both types of testing kits by July 2022. We expect to obtain the registration certificate from the NMPA by the first half of 2024.

Compared to competing products, we believe our kits will have several advantages. First, our product is tailored for the Chinese population. We selected biomarkers based on cancer specimens and blood samples from Chinese population. Second, a larger scale prospective clinical trial in cooperation with hospitals in different regions of China and approximately 5,000 prospective samples for the registration process makes our products more reliable. Third, our qPCR kits are developed to be cost-effective with our self-developed cfDNA extraction, methylation modification, and qPCR technology. Finally, our various sales channels and existing consumer base give us an understanding of consumer needs, which can expedite our development process. As a result, we expect to achieve commercialization in a shorter period of time.

Projects in Pre-clinical Stage

BRCA1/BRCA2 Gene Mutation Testing Kits

In 2020, China had approximately 331,600 cases of breast cancer with approximately 79,600 deaths, according to Frost & Sullivan. BRCA1/2 is a tumor suppressor gene associated with hereditary breast cancer. For carriers of mutated BRCA1/2, the risk of developing breast cancer can be up to 80%. We expect our BRCA1/BRCA2 gene mutation testing kits to be a NGS testing kit based on our selfdeveloped multiplex PCR sequencing technology, and expect to obtain the registration certificate for our BRCA1/BRCA2 Gene Mutation Testing Kits from the NMPA by the second half of 2024. We believe our BRCA1/BRCA2 gene mutation testing kits can be used to screen hereditary breast cancer, as well as provide clinical guidance over the prevention of breast cancer.

Cervical Cancer Screening Kits

According to Frost & Sullivan, China had approximately 118,500 cases of cervical cancer in 2020 with approximately 59,100 deaths. Due to its high incidence, high mortality, slow cancer progression and heavy treatment burden, cervical cancer is recommended for regular screening. The population recommended for cervical cancer screening in China increased from 411.8 million people in 2016 to 417.6 million people in 2020, and is expected to further increase to 427.6 million people in 2030.

Colposcopy and cervical biopsy are currently the most reliable methods to detect precancerous lesions and cervical cancer, invasive and complicated procedures therefore resulting in low acceptance rates among consumers. Our cervical cancer screening product is a DNA methylation testing that uses cervical exfoliated cells. Through the use of a combination of biomarkers, we expect to improve the sensitivity and specificity of cervical cancer screening. We plan to select biomarker candidates based on cervical exfoliated cells drawn from the Chinese population. We expect to obtain the registration certificate for our cervical cancer screening product from the NMPA by the second half of 2024.

Lung Nodule (Benign or Malignant) Auxiliary Diagnosis Products

According to the World Health Organization's International Agency for Research on Cancer, lung cancer was the leading cause of cancer death in 2020, accounting for approximately 18% of all cancer deaths, and lung cancer prognosis is highly correlated with stage of diagnosis. In order to assess whether the nodules are benign or malignant, patients typically need to further go through a needle biopsy, which is painful and may cause potential deterioration of the condition. Thus, there is rising demand in the market for an accurate non-invasive testing procedure to distinguish benign and malignant nodules.

To address consumers' needs for a painless testing process and avoid unnecessary medical cost, we aim to develop a lung nodule diagnostic product tailored for the Chinese population. Our product candidate is a non-invasive, peripheral blood plasma-based testing kits that utilizes multi-biomarker approach to detect DNA methylation associated with lung nodule development. Two types of testing kits, one using multiplex PCR and the other using NGS, are being developed in combination with machine learning algorithm for lung nodule CT imaging. The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT. The qPCR kits are expected to include two to three biomarkers and will be applied to the NMPA for registration.

We plan to conduct biomarker selection processes in collaboration with multiple hospitals with no less than 2,400 samples. We expect to complete this laboratory research process by the first half of 2023. At the registration stage, we plan to conduct a larger-scale prospective clinical trial involving hospitals from different regions of China and approximately 10,000 prospective samples. We expect to obtain the registration certificate from the NMPA by the second half of 2025.

Compared to competing products, we believe our kits to have several advantages. First, the non-invasive sampling method improves consumer experience and minimize the potential risk of metastasis for consumer with lung cancer. Second, we have a larger sample size. Our large sample size could shorten our product development period. Third, large-scale prospective multi-center clinical trials required for IVD registration are expected to help us achieve higher quality and reliability.

Development Strategies for Our Pipeline Products

The development strategies for each of our pipeline products are set out as follows:

- *ApoE gene testing kits and folate metabolic capacity assessment testing kits*. There are currently a small number of competitors in the market for these two products. The production costs of the competitive products are relatively high and those products are unsuitable for large-scale screening services. Our products use direct amplification technology, which allows us to reduce cost and increase production, and our products can be used for large-scale screening services. We intend to set prices for these products based on market factors. The sales channels of these products mainly include hospitals and health checkup centers. We also expect to use these products for our own testing services.

- *Colorectal cancer screening kits and gastric cancer screening kits*. Our products are expect to achieve a high level of accuracy and cost-effectiveness to meet customer demands. We intend to set prices for these products based on market factors. The sales channels of these products mainly include hospitals and health checkup centers. We also expect to use these products for our own testing services.

- *Alzheimer's disease screening kits*. This product is expected to meet market demand for early diagnosis and screening of Alzheimer's disease and currently there is no similar competitive product in the market. We intend to set the price for this product based on market factors. The sales channels of this product mainly includes hospitals and health checkup centers. We also expect to use this product for our own testing services.

- *Lung nodule (benign or malignant) auxiliary diagnostic kits*. Currently, there is no competitor to this product in the Chinese market that has obtained IVD registration. We intend to set the price for this product based on market factors. The sales channel of this product mainly includes hospitals and health checkup centers. We also expect to use this product for our own testing services.

- *Cervical cancer screening kits*. Currently, there is no competitor for this product in the Chinese market that has obtained IVD registration. We intend to set the price for this product based on market factors. The sales channels of this product mainly includes hospitals, health checkup centers and online platforms. We also expect to use this product for our own testing services.

- *BRCA1/BRCA2 gene mutation testing kits*. Currently, there is no competitor for this product in the Chinese market that has obtained IVD registration. We intend to set the price for this product based on market factors. The sales channels of this product mainly includes hospitals, health checkup centers and online platforms. We also expect to use this product for our own testing services.

OUR TECHNOLOGIES

We possess the full range of genetic and molecular diagnostics technologies that support our commercialized testing and R&D applications. Our testing 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 have refined and customized our technology platforms to adapt to our operational requirements and developed technological solutions that have improved our operational efficiency and increased precision of our testing results. During the Track Period, the error rate of our testing services on each of our testing platforms was within 0.1%. For testing results that cannot pass our internal quality control assessments, we require re-processing or re-performance of relevant procedures, and our overall repeat work rate during the Track Period was within 2%.

Endpoint fluorescent PCR platform

- **Overview:** Our endpoint fluorescent PCR platform uses end-point fluorescence PCR technology. This platform is suitable for the testing of a relatively small number of gene *loci* (<10) per sample in batches with high number of samples. As of December 31, 2021, 26 types of our testing services are based on this platform. We have refined and optimized this technology platform with automation to serve our testing requirements. Our consumer genetic testing business delivers a large number of tests to realize the economies of scale from this platform.

- **Technological advantages:** Our endpoint fluorescent PCR platform is highly automated. All procedures after the initial sample collection, such as sample preparation (including sample transfer, DNA extraction and purification), and the PCR process itself are automated.

  Our R&D team have continuously refined and optimized this platform to operate efficiently and effectively for our business needs. The platform construction and continuous optimization processes require a high technical threshold, which we attained after years of research and expenditure of considerable resources. From early stage platform construction to later stage operations, optimization, and maintenance, we possess the R&D capability and experience to further expand and enhance our endpoint fluorescent PCR platform. We believe it would take our competitors several years to build and operate such a system at our current level of sophistication and efficiency.

  As a result of our research and development team's optimization efforts, our endpoint fluorescent PCR platform is designed to run seamlessly with our testing workflow processes, deliver more accurate results, and operate more efficiently. Our platform has lowered sample extraction and reagent costs by reducing the reaction size from 10 μl to 2 μl and lowered labor cost through testing automation. PCR test results are at least 99.9% accurate compared to Sanger sequencing, the gold standard of first generation sequencing technology, but endpoint fluorescent PCR is faster and less expensive than Sanger sequencing. Detection time has been shortened and detection efficiency has been improved by optimizing the result reading time, which has been shortened by as much as 95%. The platform remains flexible to our operational and business needs.

Quantitative PCR (qPCR) platform

Our qPCR platform uses a real-time PCR technology, as data is collected throughout the PCR amplification process in real time. qPCR's use of real-time detection offers greater sensitivity, enables discrimination of gene numbers across a wider dynamic range, and runs faster compared to than traditional endpoint fluorescent PCR. As of December 31, 2021, 12 types of our testing services are based on this platform.

Next-generation sequencing (NGS):

- **Overview:** In contrast to first-generation Sanger sequencing which can sequence only limited amount of DNA at a time and is considered low throughput, NGS is a massively parallel sequencing technology that can sequence millions of fragments simultaneously. NGS offers high throughput, higher sensitivity, and greater discovery power capable of determining the order of nucleotides in entire genomes or targeted regions of DNA or RNA. As of December 31, 2021, 52 types of our testing services are based on this platform.

- **Multiplex PCR technology:** We use an independently developed multiplex PCR library preparation method in connection with the NGS platform. This method, from primer design and reagent selection to the reaction system, is designed to work together with our automated gene library preparation workstations. The technology is high throughput, capable of amplifying a dozen to hundreds of gene *loci* simultaneously in one PCR reaction system and then sequencing multiple DNA molecules in parallel, creating larger data sets that provide more comprehensive insights more quickly. The results achieved 99.9% consistency with the Sanger sequencing. This technology also enables gene *loci* to be added and deleted from multiplex assays with the flexibility to meet testing requirements, and it can significantly reduce testing cost and personnel time.

- **Whole exome sequencing and whole genome sequencing:** We also use whole exome sequencing ("**WES**") and whole genome sequencing ("**WGS**") in connection with our NGS platform. Introns and exons are nucleotide sequences within a gene. Exons are the portion of a gene that contains information required to encode a protein whereas introns are not expressed in the protein. WES is used to identify exon genotypes, while WGS is used to identify both exon and intron genotypes, providing an even more comprehensive genetic profile. The sequencing data is genetically interpreted according to the nature of the mutation (beneficial, neutral or deleterious mutation) and the results of recognized database annotations. Using WES and WGS on the NGS platform can generate comprehensive genetic profile with multiple diagnostic and healthcare applications. The WES and WGS technologies are currently used in our offering of high-end customized services.

According to (i) Notice on Application for Pilot Program on Clinical Use of NGS-based Testing, and (ii) Notice on Commencement of Pilot Program on NGS Technology Clinical Use issued by the NHFPC in 2014 (the "**2014 Notices**"), whether enterprises not identified under the pilot scheme, such as us, could conduct genetic testing using NGS technology remains uncertain and ambiguous to a certain extent. Based on the Governmental Consultations with the BMHC we understand we will not be penalized for historically providing genetic testing services through NGS technology, and we are entitled to provide genetic testing services through NGS technology without substantive obstacles. For details, please refer to "Regulatory Overview – Regulations of Medical Technologies."

Whole-genome microarray platform

We use an Asian screening array whole-genome microarray that contains genome-wide coverage of East Asian population for our testing and clinical research. This technology can be used to identify and quantify thousands of genes from multiple samples simultaneously. The whole-genome microarray technology is a highly scalable and cost-effective tool for genomic screening. Our personal whole genome test uses the whole-genome microarray platform technology.

Blood nucleic acid extraction-free technology

- **Overview:** In the gene testing process, the sample DNA is typically extracted from the nucleus of cells, where most nucleic acid are found. Our blood nucleic acid extraction-free technology can directly accept blood sample for genetic testing, obviating the preliminary step of extracting nucleic DNA from the nucleus of blood cells.

- **Technological advantages:** By obviating the need to separately extract nucleic acid from blood samples, our blood nucleic acid extraction-free technology saves at least one hour from genetic tests. The testing facilities that use testing kits with the blood nucleic acid extraction-free technology can save on the need to invest in nucleic acid extraction equipment.

RESEARCH AND DEVELOPMENT

Strong research and development capabilities is vital to our business. Since our founding in 2016, our research and development has been a major force in the expansion of our testing technology platforms and testing services offerings. We use a market-oriented approach to our research and development strategy. We build strong research and development capabilities to address potential genetic testing opportunities in China. Our research and development team contributes to the development of our company's growth strategy by tracking industry developments, market demand, and competition, and by identifying services and products with significant market potential for commercialization.

Through our research and development efforts, we have self-developed and launched 80 types of genetic testing services out of our 91 commercialized testing solutions as of December 31, 2021. We incurred research and development expenses of RMB4.4 million, RMB4.4 million and RMB11.4 million for the years ended December 31, 2019, 2020 and 2021, respectively which also covered costs of collaboration with third party physicians and medical experts as well as the implementation of clinical trials. Our R&D efforts are focused on three areas: (i) optimizing our technology platforms, (ii) developing new genetic testing services and (iii) developing and registering IVD test kits.

Technologies and Platforms. Our testing technologies and platforms 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. For more information regarding our R&D team's optimization of technology platforms, see "– Our Technologies." We continue to refine and enhance our technology platforms and technical capabilities with plans for further automation of our operations and enhanced information technology and data analytics and management capabilities.

New Gene Testing Services. For our existing technology platforms, our research and development team has developed a number of new risk assessment genetic tests covering various specialty areas, including folate metabolism, ApoE gene, P53 gene, Parkinson's disease, ankylosing spondylitis, comprehensive assessment of immunity, cancer risk assessment, cardiovascular and cerebrovascular diseases, digestive system diseases and pharmacogenetic testing. We continue to develop and commercialize more LDT genetic testing services that utilize these platforms.

IVD Testing Kits. Our research and development efforts also focus on the registration of IVD test kits, especially cancer screening testing kits. We have five products under development, including ApoE gene testing kits, folate metabolic capacity assessment testing kits, colorectal cancer screening kits, gastric cancer screening kits, and Alzheimer's screening kits. Additionally, three other products are at the early development stage, including lung nodule (benign and malignant) auxiliary diagnosis kits, cervical cancer screening kits, and BRCA1/BRCA2 gene mutation testing kits. To develop IVD test kits in our product pipeline, we use advanced techniques to detect leukocyte genetic mutation and methylation in ctDNA and to test for aberrant gene expressions in miRNA. For more information regarding our IVD test kits under development, see "– Products in Our Pipeline."

In-House Research and Development Team

We have a strong in-house research and development team. As of the Latest Practicable Date, approximately 65% of our research and development team members possess a master degree or above in relevant fields from institutions such as the Chinese Academy of Sciences, China Agricultural University and New York University, and 13% of our research and development team members have a doctorate degree. The team has extensive experience in the genetic testing industry.

The director of our research and development team, Dr. Yi Xiang, obtained his doctorate degree from the Chinese Academy of Sciences Institute of Biophysics. He worked for BioSino Bio-Technology & Science Inc., a Chinese Academy of Sciences controlled and Hong Kong listed IVD company, for nine years, during which he led a research and development team and successfully completed the development and registration of two Class III and two Class II test kits products. He has also worked at Beijing Sacred Valley Tongchuang Technology Development Co., Ltd., where he completed the pilot-scale production, registration tests and clinical trials of NGS diagnostic kits for lung cancer. Dr. Yi is experienced in molecular

diagnostic R&D and management and is proficient in the whole process of project initiation, R&D, registration and listing. Dr. Guo Wei, another member of our research and development team, obtained his doctorate degree from China Agricultural University and leads our colorectal cancer screening and gastric cancer screening projects.

Our R&D team is divided into four departments: (i) Product Research and Development; (ii) Experimental Research and Development, (iii) Bioinformatics Research and Development, and (iv) Product Registration.

- Product Research and Development Department plans the development of new products in response to advancements in technology and market demand, and coordinates with other departments in completing each step of product development from project establishment to pilot-scale production, clinical trials, and IVD product registration.

- Experimental Research and Development Department is responsible for optimizing our testing technology platforms and products, developing new technology platforms and products, training production personnel, and providing technical support for product registration.

- Bioinformatics Research and Development Department is charged with establishing and maintaining various bioinformatics analysis processes including genome sequencing, transcriptome sequencing, epigenome sequencing, metagenomic sequencing, assisting Product Research and Development and IT Department to establish local database for each product, and assisting in the development of new products, such as using machine learning algorithms to screen for cancers and Alzheimer's disease screening markers.

- Product Registration Department works with the Product Research and Development department to complete product registration, including the establishment of quality management system, registration testing, clinical trials, system assessment, applying for and maintaining intellectual property rights (patents, copyrights, trademarks), and applying for and maintaining various company certifications such as National High-Tech Enterprise and Zhongguancun High-Tech Enterprise.

Collaboration with Third Parties

In addition to our in-house R&D team, we also conduct our research and development efforts through collaboration with top physicians and medical experts in China. Under our collaboration agreement, physicians and medical experts work with us during the research and development stage and help with the implementation of clinical trials through recruitment of participating hospitals and trial sample collection. Such collaboration is expected to expedite the process of multi-center clinical trials with a large samples and increase the reliability of our products. Such physicians and medical experts would also provide necessary expert opinions during the registration process. In addition, we expect the authority and reputation of these

physicians and experts to help with the registration and promotion of our products. We have the technical know-how for the co-developed products and have joint ownership over relevant intellectual property rights. We are entitled to submit IVD registration applications for these products and we will be the sole registrant of the IVD registration certificates once approved. We do not rely on any particular physician or medical expert. For example, we established collaboration with the following individuals to develop genetic testing services and products:

- *Dr. Zhang Rui* is a professor and doctoral supervisor at the College of Life Sciences of Zhongshan University. He was a postdoctoral scholar at the Department of Genetics of Stanford University School of Medicine. Dr. Zhang's research focuses on the regulation of gene expression as well as RNA editing and modification. We work with Dr. Zhang to develop IVD testing kits for Alzheimer's disease.

- *Dr. Wang Chaodong* is the director of the genetic metabolism team of the department of neurology at Xuanwu Hospital, Capital Medical University. Dr. Wang specializes in the clinical treatment and basic research of neurological diseases such as Parkinson's disease, multiple sclerosis, and neurogenetic diseases. Dr. Wang's research has been published in various professional journals. We work with Dr. Wang to develop genetic risk assessment tests for Parkinson's disease.

We also established research and development collaborations with industry-leading service providers, mainly CROs, at different phases of our IVD product registration to ensure our quality management system, manufacturing and clinical trials of IVD product candidates are in line with the NMPA'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 the Latest Practicable Date, we have made payments for all of the services contracted for under such collaboration agreements. In particular, we collaborate with the following companies:

- *Huaguang Innovation (Beijing) Technology Service Co., Ltd.* ("**Huaguang**") is a subsidiary of a top-level third-party certification company for the medical device quality management system with experience in product certification and quality management system certification. Through collaboration with Huaguang, we established a quality management system that satisfies IVD registration standards and receives guidance in the product registration process to ensure full compliance with applicable regulations and quality management system assessment.

- *Guangzhou Osmunda Medical Device Technology, Inc.* ("**Osmunda**") is the leading CDMO service provider in China, with four CDMO bases in Shanghai, Shenzhen, Qingdao and Shangrao, 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 comply with relevant regulations.

- *Jyton-Kannel Medical Technology Co., Ltd.* ("**Jyton-Kannel**") is a top provider of clinical trial CRO services for medical devices and IVD reagents in China. Our collaboration with Jyton-Kannel is designed to ensure clinical trial compliance.

TESTING FACILITIES

Our Facility

As of the Latest Practicable Date, we had one laboratory located in Beijing, China, with a GFA of approximately 880 sq.m. Our laboratory has obtained External Quality Assessment Certificate for various testing services as well as the PRC Practice License of Medical Institution. Our laboratory has the required registrations and licenses to perform PCR amplification for clinical use. The following table sets forth the testing capacity, actual number of tests performed and utilization rate for our laboratory for the periods indicated:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
Consumer Genetic Testing			
Testing capacity ('000 tests)	7,500	9,000	13,410
Actual number of tests performed ('000 tests)	2,691	2,682	2,648
Utilization rate (%)[(1)]	35.9	29.8	19.8
Cancer Screening			
Testing capacity ('000 tests)	72	180	1,020
Actual number of tests performed ('000 tests)	21	106	312
Utilization rate (%)[(1)]	29.4	59.1	30.6

Note:

(1) Utilization rate is calculated based on the actual number of tests performed for the relevant period divided by the testing capacity for the relevant period, multiplied by 100%.

Our current utilization rate of our cancer screening facilities is higher than the industry average, according to Frost & Sullivan. We have continued to enhance our testing capacity in anticipation of our business growth. Our utilization rate for consumer genetic testing experienced a decrease 2021, mainly because we strategically optimized our service portfolio by focusing on the provision of more profitable cancer screening services. Our utilization rate for cancer screening experienced a significant increase in 2020, primarily due to the fact that demand for our testing services experienced significant growth. Our utilization rate for cancer screening experienced a decrease in 2021, as we expanded testing capacity in order to support our cancer screening business development to avoid overload of our equipment and facility.

The machines we use for testing primarily include automated high-throughput genotyping system, high-throughput pipetting workstation, high-throughput NGS equipment, qPCR equipment and whole-genome microarray equipment. We purchase or lease machines from multiple suppliers, and we are able to source such machines from alternative suppliers. We implemented a comprehensive maintenance system for our machinery. During the Track Record Period, we had not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

Our LIMS is automated, highly efficient and readily adaptable to changing demands of the genetic testing business. We redesigned and developed a powerful, integrated and flexible data analysis system to process, store and transmit the enormous amounts of data generated from our genetic tests. The system is designed to ensure smooth operation and integrity of the entire information flow during the testing process. We have split a single data processing system into several sub-systems such as sample management system, laboratory management system, bioinformatics analysis system, and report automation system, so that each of the subsystems can be adjusted, modified, expanded or upgraded in accordance with operational or business needs. After generating data from gene test results, the data is analyzed by integrated biological information analysis software for comprehensive genetic analysis. The resulting report is automatically issued to a public cloud system and distributed through different channels to users. The public cloud system we use is an industry-leading system that is mature in terms of processing, storage and security management. The data stored in such cloud system are managed with our internal data security protocols, and only personnel with authorization can access such data. For more details, please see "– Data and Privacy Protection" in this section. The resulting data is stored in a network of secure local databases including the phenotype database, original sequencing result database, genetic disease analysis and interpretation database, susceptible gene and complex disease database, and drug safety database.

We established stringent in-house quality management systems as part of our testing processes and devoted significant attention to quality control of our testing services and facilities. We require all personnel to strictly follow operational protocols in our laboratory. We believe we have been in compliance with all applicable laws and regulations regarding the operation of our laboratory in all material respects. We regularly conduct inspections to ensure our continuous compliance.

Our quality management department is responsible for ensuring that we comply with applicable regulatory and industry standards throughout the entire testing process through regular on-site inspections. We perform regular cleaning and maintenance procedures to prevent contamination or cross contamination.

We conduct testing services at our laboratory in compliance with the ISO15189 protocol. All of our clinical laboratory technicians are required to have appropriate training and certification before they can perform routine testing services. We have conducted tests in accordance with the published product manual, which includes detailed instructions on reagent composition, storage condition and standard operating procedures.

We follow rigorous quality control protocols throughout the testing process in order to guarantee the quality of each of the following testing components before a valid clinical test report can be issued, these include:

- Reagents: all reagents need to be within their expiration date; they should be stored under the right temperature and humidity range at all times; reagents should not be subject to more than a fixed number of cycles of freeze and thaw.

- Samples: the amount of samples should be within a pre-specified range, and samples in an irregular condition should be rejected.

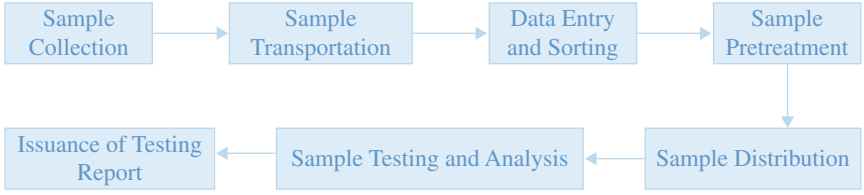
- Internal quality control: specific components in stable samples need to be measured and analyzed to evaluate the reliability of the testing results of a batch and to determine whether the testing report can be issued.

- Sample internal gene control: PCR amplification and various other types of reaction need to be controlled by an internal gene detection reaction. The presence of an internal control gene signal within a pre-specified range ensures the quality and appropriate amount of starting material for each sample. The absence of such control might yield a false negative result.

- The final test report is required to be examined by a quality control personnel from our independent quality control department before it can be issued.

Testing Process

We have a streamlined and efficient clinical services procedure that allows us to generate our reports in a short timeframe. The following flowchart is a summary of the process at our laboratory:



Laboratory Developed Tests

As of the Latest Practicable Date, we offer our genetic testing services through a combined approach with both self-developed LDT services and out-sourced IVD products. LDTs are developed and performed by independent laboratories to address unmet medical needs or to offer better treatment or prevention options to consumers and patients; while IVD products refer to reagents that are registered with the NMPA. As of the Latest Practicable Date, all LDT services we provided were based on identification of genetic variants of DNA and/or RNA, which were classified as genomic LDT services, as opposed to non-genomic LDT services, according to Frost & Sullivan.

The table below provides a summary of the regulatory overview of the Group's services and products and its compliance with the relevant laws and regulations.

Business Segment	Details	Regulatory Overview	Compliance
Testing Services	Provision of LDT services with laboratory self-developed reagents; after our self-developed testing kits obtain medical device registration certificates in the future, we will use these registered testing kits to provide testing services.	• A medical test laboratory is required obtain a medical institution practicing license, and comply with regulations regarding institutional management, quality management, safety and infection protection and other regulations. The applicable laws and regulations mainly include: Measures for the Administration of Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), Interim Administrative Measures for Medical Test Laboratories (《醫學檢驗實驗室管理暫行辦法》), Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), Catalogue of Clinical Laboratory Items for Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄(2013年版)》), Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》), and Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》). For details, please refer to "Regulatory Overview – Regulation of Laboratories."	As advised by our PRC Legal Advisor, we have obtained all of the material licenses, qualifications, certificates and approvals required by PRC laws and regulations for the provision of testing services. We have complied with relevant PRC laws and regulations in all material respects and we had not been subject to any material administrative penalties during the Track Record Period and as of the Latest Practicable Date. Non-compliance described elsewhere in this Prospectus will not have a material adverse effect on our business as a whole.

Business Segment	Details	Regulatory Overview	Compliance
		• A clinical gene amplification test laboratory is required to obtain permits to use clinical gene amplification testing technology. The applicable law and regulation is the Administrative Measures for Clinical Gene Amplification Test of Medical Institutions, (《醫療機構臨床基因擴增管理辦法》). For details, please refer to "Regulatory Overview – Regulation of Medical Technologies."	
		• With regard to LDT services, the main applicable law is Article 53 of the Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》(2021年修訂)). For details, please refer to "Regulatory Overview – Regulation of LDTs."	

Business Segment	Details	Regulatory Overview	Compliance
	Use of out-sourced IVD testing kits that have obtained medical device registration certificate to provide testing services.	• A medical test laboratory is required to obtain a medical institution practicing license, and comply with regulations regarding institutional management, quality management, safety and infection protection and other regulations. The applicable laws and regulations mainly include: Measures for the Administration of Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), Interim Administrative Measures for Medical Test Laboratories (《醫學檢驗實驗室管理暫行辦法》), Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), Catalogue of Clinical Laboratory Items for Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄(2013年版)》), Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》), and Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》). For details, please refer to "Regulatory Overview – Regulation of Laboratories."	As advised by our PRC Legal Advisor, we have obtained all of the material licenses, qualifications, certificates and approvals required by PRC laws and regulations for the provision of testing services. We have complied with relevant PRC laws and regulations in all material respects and we had not been subject to any material administrative penalties during the Track Record Period and as of the Latest Practicable Date. Non-compliance described elsewhere in this Prospectus will not have a material adverse effect on our business as a whole.

Business Segment	Details	Regulatory Overview	Compliance
		• A clinical gene amplification test laboratory is required to obtain permits to use clinical gene amplification testing technology. The applicable law and regulation is the Administrative Measures for Clinical Gene Amplification Test of Medical Institutions, (《醫療機構臨床基因擴增管理辦法》). For details, please refer to "Regulatory Overview – Regulation of Medical Technologies."	
		• Medical device users are required to purchase medical devices from licensed and qualified medical device manufacturers, request and verify supplier qualification, medical device registration certificate or record-filing documents. The applicable laws and regulations mainly include: Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》(2021年修訂)), and Administrative Measures for Quality Supervision on the Use of Medical Devices (《醫療器械使用質量監督管理辦法》). For details, please refer to "Regulatory Overview – Use of Medical Devices".	

Business Segment	Details	Regulatory Overview	Compliance
Production and Sales of Medical Devices (have not conducted this business yet)	After our self-developed testing kits obtain the medical device registration certificate in the future, we plan to carry out the production and sales of self-developed testing kits. As of the Latest Practicable Date, our self-developed testing kits have not obtained the medical device registration certificate, and we have not produced or sold any such testing kit.	• Class I medical devices are subject to record-filing administration, and Class II and Class III medical devices are subject to registration administration. The applicable laws and regulations mainly include: Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》(2021年修訂)), Administrative Measures on the Registration of Medical Devices (《醫療器械註冊管理辦法》), Administrative Measures of Registration of In-vitro Diagnostic Reagents (《體外診斷試劑註冊管理辦法》), the Administrative Measures for Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) and the Administrative Measures for the Registration and Filing of IVD Reagents (《體外診斷試劑註冊與備案管理辦法》). For details, please refer to "Regulatory Overview – Regulation of Medical Devices."	As of the Last Practicable Date, we have not produced nor sold medical devices. We will carry out research and development, registration approval, production and sales of medical devices in strict accordance with applicable laws and regulations now and in the future.

Business Segment	Details	Regulatory Overview	Compliance
		• To establish an enterprise manufacturing Class II or Class III medical devices, an applicant is required apply for a manufacture license with the food and drug administration of the province, autonomous region or centrally-administered municipality at its domicile. To establish an enterprise to engage in manufacturing of Class I medical devices, the applicant is required to file the manufacturing of Class I medical devices for record with the local food and drug administration. The applicable laws and regulations mainly include: Administrative Measures for Production of Medical Devices (《醫療器械生產監督管理辦法》) and Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》(2021年修訂)). For details, please refer to "Regulatory Overview – Regulation of Medical Devices."	

Business Segment	Details	Regulatory Overview	Compliance
		• To engage in business operations of Class III medical devices, an enterprise is required to apply to the local food and drug administration. To engage in business operations of Class II medical devices, an enterprise is required to file for record with the local food and drug administration. The applicable laws and regulations mainly include: Regulations on Supervision and Administration of Medical Devices (2021 revision) (《醫療器械監督管理條例》(2021年修訂)) and the Administrative Measures for operation of Medical Devices (《醫療器械經營監督管理辦法》). For details, please refer to "Regulatory Overview – Regulation of Medical Devices."	

Due to the relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by our PRC Legal Advisor, there is no specific or industry accepted definition for LDTs under PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry.

On June 1, 2021, the revised Regulations on the Supervision and Administration of Medical Devices became effective in China. Pursuant to Article 53 of such regulation, subject to more detailed administrative rules to be enacted by the NMPA and the NHC, qualified medical institutions may, based on clinical needs, research and develop *in vitro* diagnostics testing reagents if the same category of products are not available in the China market. They may also use such *in vitro* diagnostics testing reagents internally in accordance with a licensed physician's guidance.

For most of the *in-vitro* diagnostic reagents we use in our LDT services, we understand that there is no *in-vitro* diagnostic reagent of the same type that has obtained medical device registration certificate in China. As advised by our PRC Legal Advisor, *in-vitro* diagnostic reagents with no medical device registration certificate in China are equivalent to such products not being legally available in the China market. If any of these *in-vitro* diagnostic reagents of the same type obtain medical device registration certificate in China or our self-developed *in-vitro* diagnostic reagents obtain medical device registration certificate, we will offer our genetic testing services through IVD products. We develop these testing reagents based on clinical needs and market demands, and use these testing reagents internally in our laboratory, on which we have obtained the Practice License of Medical Institution, Permit to Use Clinical Gene Amplification Testing Technology, External Quality Assessment Certificate and is staffed by practicing physicians. We do not distribute or sell these self-developed testing. As advised by our PRC Legal Advisor, according to the Governmental Consultations with the NMPA and Governmental Consultations with the BMHC, the specific administrative measures of Article 53 are in the process of being formulated, and based on the circumstances of our self-developed in-vitro diagnostic reagents described above, the LDT services provided by us comply in principle with Article 53. We are therefore entitled to continue to provide LDTs services without substantive obstacles. If the NMPA and the NHC promulgate new regulations, we expect to take necessary measures to comply with such regulations.

In addition, as advised by our PRC Legal Advisor and pursuant to the Announcement of the 2021 Rules, if potential violations occurred before June 1, 2021, the 2017 Rules will be applicable; if the actions are not considered violations or the punishment for potential violations is less severe according to the 2021 Rules, then the 2021 Rules will be applicable. Article 53 of the 2021 Rules has confirmed the legality of LDTs in principle, subject to detailed administrative measures. According to the Announcement of the 2021 Rules, the 2021 Rules will be applicable to our LDT services provided before June 1, 2021, and such services will not be considered violations in principle. Therefore, our genetic testing services provided before or after June 1, 2021 are both governed by the 2021 Rules, which confirm the legality of LDT services in principle. Notwithstanding the foregoing, the specific administrative measures of Article 53 of the 2021 Rules are still in the process of being formulated, and there are still

uncertainties regarding our full compliance with all of the detailed requirements under such administrative measures. As a result, the risk of being penalized for providing LDT services cannot be completely ruled out. However, as advised by our PRC Legal Advisor and based on Governmental Consultations with the NMPA and Governmental Consultations with the BMHC, our provision of LDT services complies with Article 53 of the 2021 Rules in principle, and therefore our likelihood of being penalized for providing LDT services is relatively low.

SALES AND MARKETING

Overview of Sales and Marketing Network

We primarily rely on our in-house sales and marketing team to market and sell our services. We have established a fully equipped in-house sales and marketing team to provide consumers with support. Our marketing team is divided into various promotional and supporting functions covering different geographic regions and different channels.

As of December 31, 2021, our sales and marketing network covered over 1,400 healthcare institutions in over 340 cities across 22 provinces, five autonomous regions and four provincial-level municipalities. The table below sets forth the number of health checkup centers, hospitals and other institutions to which we provided services during the Track Record Period.

	As of December 31,		
	2019	**2020**	**2021**
Number of serviced institutions			
Health checkup centers	723	792	858
Hospitals	32	36	123
Other institutions	400	451	516
Total	1,155	1,279	1,497

As of December 31, 2021, our 858 customers that are health checkup centers generated aggregated annual revenue of over RMB15.0 billion from health checkup services. Among our 858 customers that are health checkup centers, 229 customers were Meinian OneHealth and its associates, 28 customers were Dr. Yu's associates and most of the remaining customers who are Independent Third Parties were also middle to large chain health checkup centers. Among our 123 hospital customers, there were 24 Class III hospitals, 18 Class II hospitals, 16 Class I hospitals and 65 private hospitals, and these hospitals generated aggregated annual revenue of over RMB1.0 billion from health checkup services.

The following map illustrates our customer coverage as of December 31, 2021:

In addition to the offline sales channels, we also collaborate with large e-commerce platforms and online healthcare platforms in China. These online channels allow us to provide our consumer genetic testing services directly to individual consumers who are health-conscious and have demand for at-home genetic testing solutions.

In-house Sales and Marketing

Our direct sales channels mainly include health checkup centers, hospitals and online channels, with an emphasis on health checkup centers. Our sales and marketing team is responsible for establishing and maintaining relationships with institutional customers such as health checkup centers, hospitals and online channels to promote the awareness and recognition of our services among various groups of healthcare professionals and consumers, who also collect feedback on our services for further improvement. We regularly participate in academic conferences, seminars and symposia to present our services. In anticipation of our business expansion and development and commercialization of new genetic testing service, we plan to further expand our sales and marketing force in the next few years.

Health checkup Centers

We promote our services through institutional customers such as health checkup centers. We established business collaborations with leading health checkup centers across China, which we believe enable us to penetrate the market with a well-developed consumer base and to extensively promote market acceptance of our services. Health checkup centers also benefit from the convenience and high efficacy of our services as effective health management tools for their clients. As of December 31, 2019, 2020 and 2021, our sales network covered a total of 723, 792 and 858 health checkup centers, respectively.

We typically enter into collaboration agreements with health checkup centers for a term of one to three years, which may be renewed upon mutual consent. In general, pursuant to such agreements, health checkup centers may order our services based on demands from their clients. These collaboration agreements with health checkup centers can typically be terminated based on mutual consent from both parties.

We believe such collaboration with industry-leading health checkup centers on a national scale further promotes market acceptance of our services. At the same time, it is expected to boost our genetic testing and cancer screening services in asymptomatic consumers, which contribute to diagnosis of cancer to allow early-stage intervention.

Hospitals

Our in-house sales team markets our services directly to hospitals, mainly to health checkup departments at hospitals. Healthcare professionals of these health checkup departments then educate their clients on the potential benefits of our services. Unlike traditional health examination solutions, our services allow consumers to see more beyond abstract indicators–they can get in-depth knowledge about specific genetic risks, which helps them make informed medical and lifestyle decisions. This enables us to improve consumer-experience and deepen our collaboration with hospitals.

We normally enter into collaboration agreements with hospitals for a term of one year, which may be renewed upon mutual agreement. In general, hospitals may order genetic testing services from us under those agreements which are sold to consumers at the prices agreed by the hospitals and us. The agreements with hospitals are typically subject to termination if we cannot provide qualified services within the specified time frame unless due to *force majeure*.

Other Customers

In addition to health checkup centers and hospital, we also offer our services to consumers through other channels, including health management companies, aesthetic medical institutions, insurance companies and e-commerce and online healthcare platforms.

During the Track Record Period, our main online channels were self-operated online shops on e-commerce platforms, where consumers can directly purchase various genetic testing services from us. In addition, we also worked with certain healthcare platforms whose end customers can purchase testing services from the healthcare platform and we provided testing services as the platform's service provider. Our agreements with these online platforms generally have a term of approximately one year, which may be renewed upon mutual agreement. We generally do not impose minimum order requirements on these online platforms. Typically, such agreements can be terminated pursuant to mutual agreement by both parties. For more details about our pricing mechanism for online channels, please see "– Pricing" in this section.

Conference Marketing

We organize conference marketing events from time to time to reach out to certain targeted consumer groups. Our conference marketing events usually consist of lectures, experience sharing, trial services and consultation. These activities help raise awareness about the benefits of genetic testing among our high-end consumers and encourage them to explore their health management options through our mid- to high-end genetic testing services. Starting from 2018, we have held dozens of conference marketing events each year in multiple cities all over China. We also collaborate with our business partners to conduct these events in order to achieve synergistic results. We expect to further expand and improve our conference marketing efforts to attract what we believe to be unmet demands for high-end genetic testing services in China.

Collaboration with KOLs

As a part of our marketing activities, we establish and maintain relationships with KOLs who are reputable healthcare professionals in China. KOLs help us conduct consumer education regarding healthcare management and disease screening solutions through various types of promotional activities, including online videos, design of physical examination package components, public lectures and report interpretation. Our sales and marketing team is responsible for establishing relationships with KOLs and to introduce the features of our services to them. We maintain regular communication with the KOLs regarding the application of our services, and we also invite them to visit our laboratory, where we present our equipment, laboratory platform and other aspects of our operations that demonstrate our ability to provide compliant, robust and reliable services to consumers. We believe that our collaboration with KOLs can help raise the recognition of our testing services among the wider healthcare community.

TRANSPORTATION AND STORAGE

For institutional customers such as health checkup centers and hospitals, we conduct training for their employees on sample collection, preservation and transportation. For individual consumers who need to self-collect samples at home for certain types of testing services, we have detailed sample collection instructions, which are usually sent to such consumers along with the sample collection kits. We established stringent protocols for our logistics system, and we strictly enforce such protocols to ensure the quality of the samples. As we provide diversified genetic testing services to customers across China, we set detailed requirements for sample transportation and storage, such as whether room temperature or refrigerated transportation is required, based on the specific requirements for each testing service. For testing samples that contain potentially infectious substances, such as samples for COVID-19-related testing services, our protocols require for such samples to be sealed and transported to our laboratory in accordance with applicable laws and regulations governing the

transportation of potentially infectious substances. For testing samples that do not contain potentially infectious substances, our protocols require such testing samples to be transported in insulated foam boxes with ice packs, depending on the specific sampling requirements for each type of testing service.

We use a self-developed management system to track types of tests conducted and reagents used throughout the sample collection, delivery and testing processes. A bar code is assigned to each sample and the bar code contains the customer's information as well as the type of testing service requested. Such bar code allows us to track samples in our system and match each sample with the requested testing service to determine the appropriate testing platform and related reagents.

We are primarily responsible for the transportation of testing samples from our customers to our laboratory in Beijing. We have contracts with an industry-leading logistics service provider to transport these testing samples. After sample collection is completed, the testing sample is handed over to the logistics service provider. Under our agreement, the logistics service provider is responsible for maintaining the quality of the testing samples during transportation according to our required protocols mentioned above. The required and actual transit time from our customers in different regions of China to our laboratory in Beijing is usually one to three days on average. In recent years, China's logistics industry has been developing rapidly, and a number of leading logistics service providers can meet our requirements for sample transportation and storage.

We strive to transport and store these testing samples at our laboratory according to our protocols and industry standard procedures. For example, upon arrival at our laboratory, samples are refrigerated at a temperature of -20 degrees Celsius. Before we accept the testing samples, we check whether the customers' information is well documented and the sample is properly handled and packaged. If the samples are not collected and transported in accordance with our protocols, we notify our customers and request a re-sampling. During the Track Record Period, we maintained a good track record of high-quality sample collection and delivery and the re-sampling rate in our sample collection was less than 0.01%.

PRICING

As of the Latest Practicable Date, there was no tender or bidding process set by relevant PRC government authorities on our services. Pursuant to the Opinions on Promoting Further Reform of the Healthcare System (《中共中央國務院關於深化醫藥衛生體制改革的意見》), except for basic medical services provided by non-profit healthcare institutions, medical services can be priced by healthcare institutions at their discretion. We generally set our prices based on costs, market factors and consumers affordability. For certain testing services provided with IVD products, including ApoE gene testing, folate metabolic capacity assessment, ankylosing spondylitis risk assessment, COVID-19-related testing, Septin9

colorectal cancer screening, SDC2 colorectal cancer screening, RNF180/Septin9 gastric cancer screening and HPV testing, some local government authorities set guidance prices, and the prices provided to consumers cannot exceed the guidance prices set by such government authorities.

Our institutional customers set service prices directly for their clients, and such service prices shall conform to the suggested market prices set in the agreement. We also monitor the prices they set for our testing services. For our sales to consumers through online channels, we set service prices directly in accordance with our pricing guidelines.

OUR CUSTOMERS

We benefit from a high level of loyalty and have strong working relationships with our customers. As of December 31, 2021, our customers included over 1,400 healthcare institutions in more than 340 cities in China. The table below sets forth our revenue attributable to each type of customers during the Track Record Period:

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Health checkup centers	104,309	84.3	164,620	81.0	203,719	85.9
Hospitals	2,200	1.8	3,223	1.6	1,045	0.4
Other institutional customers	16,289	13.2	23,688	11.6	9,582	4.0
Individual consumers	902	0.7	11,689	5.8	22,839	9.6
Total	**123,700**	**100.0**	**203,220**	**100.0**	**237,185**	**100.0**

Despite the fact that the total number of our hospital customers increased significantly from 36 hospitals in 2020 to 123 hospitals in 2021, our revenue from hospital customers decreased from RMB3.2 million in 2020 to RMB1.0 million in 2021, mainly because a significant portion of such revenue in 2020 was attributable to COVID-19-related testing services provided to a public hospital customer and we did not provide such services to this customer in 2021.

For the years ended December 31, 2019, 2020 and 2021, our five largest customers together generated RMB76.5 million, RMB132.8 million and RMB153.5 million of revenue, accounting for approximately 61.8%, 65.4% and 64.8% of our total revenue, respectively.

The following tables set forth details about our five largest customers during the Track Record Period.

Five Largest Customers for the Year Ended December 31, 2019	Customer Background	Products/ Services	Starting year of Business Relationship	Sales Amount	% of total Revenue
				(RMB'000)	
Meinian OneHealth and its subsidiaries	A public company that primarily provides health examination and other healthcare services located in Beijing, China	Genetic testing	2016	53,593	43.3
Beijing Ciji[(1)]	A private company that primarily provides smart health management service located in Beijing, China	Genetic testing	2017	15,082	12.2
Customer A[(2)]	A private company that primarily engages in molecular diagnostics in Wuxi, China	Medical materials, genetic testing and analysis services	2017	4,056	3.3
Customer B[(2)]	A private company that primarily engages medical testing and gene research located in Beijing, China	Medical materials, equipment leasing	2017	2,016	1.6
Customer C	A public hospital located in Beijing, China	Gene science research and analysis services	2017	1,741	1.4
Total				**76,488**	**61.8**

Notes:

(1) Beijing Ciji's full name is Beijing Ciji Network Technology Co., Ltd. As of December 31, 2021, Dr. Yu directly owned 6.09% of the equity interests of Beijing Ciji and was the ultimate beneficial owner for 8.74% of the equity interests of Beijing Ciji.

(2) Customer A conducts medical testing as well as medical research and pathology research, and Customer B provides precise medication, efficacy monitoring and post-operative recurrence monitoring services for clinical use. Both of these customers had demands for sequencing tests, and we provided genetic testing and analysis services during the Track Record Period to meet their demands. In addition, we sold a small amount of medical materials used in genetic testing to these two customers in connection with our services.

Five Largest Customers for the Year Ended December 31, 2020	Customer Background	Products/ Services	Starting year of Business Relationship	Sales Amount	% of total Revenue
				(RMB'000)	
Meinian OneHealth and its subsidiaries	A public company that primarily provides health examination and other healthcare services located in Beijing, China	Genetic testing	2016	102,571	50.5
Meinian Meican	A health checkup center located in Beijing, China	Genetic testing	2019	15,010	7.4
Customer D	A governmental authority responsible for public health located in Beijing, China	COVID-19 nucleic acid testing	2020	7,205	3.5
Customer E	A local government located in Beijing, China	COVID-19 nucleic acid testing	2020	4,382	2.2
Customer F	A local government located in Beijing, China	COVID-19 nucleic acid testing	2020	3,635	1.8
Total				**132,803**	**65.4**

Note: Meinian Meican's full name is Beijing Meinian Meican Clinics Co., Ltd. As of December 31, 2021, Meinian OneHealth owned a minority interest in Meinian Meican through its 18.95% ownership interest in Nantong Meifu Health Industry Investment Partnership (L.P.), which in turn owned 61.25% of the equity interests of Meinian Meican.

Five Largest Customers for the Year Ended December 31, 2021	Customer Background	Products/ Services	Starting year of Business Relationship	Sales Amount	% of total Revenue
				(RMB'000)	
Meinian OneHealth and its subsidiaries	A public company that primarily provides health examination and other healthcare services located in Beijing, China	Genetic testing	2016	88,336	37.2
Meinian Meican	A health checkup center located in Beijing, China	Genetic testing	2019	42,850	18.1
Customer G	A private company that primarily engages in online hospital services, hospital management and operations located in Hainan, China	COVID-19 nucleic acid testing	2020	10,846	4.6
Customer H	A private company that primarily engages in health management and counseling located in Luoyang, China	Genetic testing	2021	7,827	3.3
Dalian Meinian	A private company that primarily provides health examination and other healthcare services located in Dalian, China	Genetic testing	2019	3,686	1.6
Total				**153,545**	**64.8**

Note: Dalian Meinian's full name is Dalian Meinian Health Yuexiang Comprehensive Clinic Co., Ltd. As of December 31, 2021, Meinian OneHealth owned a minority interest in Dalian Meinian through its 18.95% ownership interest in Nantong Meifu Health Industry Investment Partnership (L.P.), which in turn owned 34.19% of the equity interests of Dalian Meinian.

Except for (i) Meinian OneHealth and its subsidiaries, (ii) Jinjian Technology, (iii) Qingdao Meinian and (iv) Changchun Meijian, other customers who were among our five largest customers were Independent Third Parties during the Track Record Period. Moreover, none of our Directors and their respective close associates, or Shareholders who own 5% or more of the total issued Shares (except for (i) Meinian OneHealth and its subsidiaries and (ii) Dr. Yu and his close associates) had an interest in any of our Group's five largest customers during the Track Record Period.

Through our strategic partnership with Meinian OneHealth, we promoted testing services to consumers as a part of the health checkup package provided by Meinian OneHealth. Under the relevant collaboration agreements, our services are added to its procurement catalogue and our services are offered to its customers in its branch checkup centers. Each of the branch checkup centers then selects and purchases our testing services based on consumer demand, and is responsible for assisting us in the promotion of our services through relevant channels and for providing services. For details about our connected transactions, please refer to "Connected Transactions" and "Relationship with Our Controlling Shareholders".

Our service agreements with health checkup centers and hospitals typically have terms that range from one to three years and set forth general rights and obligations of the parties. Under such agreements, customers are responsible for sample collection and sample delivery to our laboratory, and we are responsible for the performance of genetic testing as well as the issuance of testing report. After we complete testing and analysis, we deliver testing reports either to these customers or directly to consumers. Our institutional customers and we both assume obligations to protect individual consumers' personal information.

We typically bill our customers based on the payment schedule and the volume of testing services pursuant to our agreements. We also provide discounts to certain customers who procure a large volume of testing services from us. Our pricing mechanisms for different types of customers are generally similar. For more details about our pricing mechanism for online channels, please see "– Pricing" in this section. Pursuant to our agreements, our customers make direct payments to us. To determine the appropriate credit periods and terms, we generally consider the credit histories of our customers before entering into service agreements and typically grant them credit terms that range from three to six months, based on various factors, including the duration of our customer relationship, type of service provided as well as market practice. During the Track Record Period, we extended our typical credit terms to be longer than six months for certain customers based on commercial negotiations and the customer's credit history in order to expand our business. According to Frost & Sullivan, the average turnover days for receivables recovered from health checkup centers and hospital customers are generally longer than other customers.

The terms and fee arrangements in our agreements with customers are usually reached through arm's length negotiations. In 2021, we started to participate in customers' bidding processes. As of the Latest Practicable Date, we submitted three tenders to public hospital customers. We won two of the bids and one was still in process as of the Latest Practicable Date. Our agreements with customers are usually renewable upon mutual agreement, and these agreements are typically subject to termination pursuant to mutual agreement by both parties or unremedied breach by one party.

We have a dedicated customer service team that handles customer inquiries. If we receive a complaint about any of our services, which is usually transmitted through our local sales force, the complaint would be forwarded to, and discussed by, the sales department, the relevant laboratory, and/or other responsible departments, and a solution would be provided to the customer. The complaint would also be forwarded to our testing and manufacturing department for further analysis. We also maintain a hotline to answer questions from the public regarding our services.

Reliance on Related Parties

Our business relies on, to a certain extent, certain customers who are related to us through Meinian OneHealth or Dr. Yu. With respect to connected transactions under the Listing Rules, for the years ended December 31, 2019, 2020 and 2021, our revenue generated from services provided to Meinian OneHealth together with its associates was approximately RMB60.1 million, RMB107.0 million and RMB94.7 million, which represented 48.6%, 52.6% and 39.9% of our total revenue, respectively. For the years ended December 31, 2019, 2020 and 2021, our revenue generated from services provided to Dr. Yu's associates was approximately RMB6.5 million, RMB7.1 million and RMB18.5 million, which represented 5.2%, 3.5% and 7.7% of our total revenue, respectively. In addition, we generated other income and gains of RMB8.4 million, nil and RMB8.2 million from services provided to Dr. Yu's associates for the years ended December 31, 2019, 2020 and 2021, respectively.

We generally offer consistent service terms and fees to our customers. We charge service fees determined through arm's length negotiations based on various factors, such as government policies, market competition, industry dynamics and our development plans. We usually set service fees to achieve a gross profit margin of no less than 50%. Our gross profit margins derived from the same type of testing services generally do not vary between related parties and non-related parties. Customers that procure a relatively higher amount of testing services (usually more than RMB100,000 in a twelve-month period) are charged a lower service fee, subject to the parties' negotiations, regardless of whether these customers are our related parties or non-related parties. We set a periodic (usually monthly) reconciliation date with all customers, including both our related parties and non-related parties, and if a customer does not object to the billing arrangement during the reconciliation process, our bills are deemed to be accepted by such customer. Our credit term to customers is usually three to six months, regardless of whether the customer is our related party or non-related party. Contractual terms, such as breach of contract clauses, are also similar for our related parties and non-related parties, which provide that the breaching party is required to compensate the non-breaching party's losses and pay for damages. Our service terms and pricing considerations for both our related parties and non-related parties are in line with industry norms, according to Frost & Sullivan, who confirmed that our pricing and service terms for our related parties and non-related parties are comparable to industry standards in the PRC.

The table below sets forth the revenue generated from the provision of services, which were predominantly genetic testing services, to related parties and trade receivables recorded over the Track Record Period. For more information, see "Financial Information – Related Party Transactions and Balances" in this Prospectus.

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from services provided to:			
Meinian Onehealth and its subsidiaries	53,593	102,571	88,336
Associates of Meinian Onehealth	2,449	4,349	–
Entities associated with Meinian OneHealth	**56,042**	**106,920**	**88,336**
Companies controlled by Dr. Yu	4,629	7,673	13,807
Companies significantly influenced by Dr. Yu	2,563	2,981	–
Entities associated with Dr. Yu[(1)]	**7,192**	**10,654**	**13,807**
Total	**63,234**	**117,574**	**102,143**

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables due from:			
Meinian Onehealth and its subsidiaries	45,973	61,649	81,390
Associates of Meinian Onehealth	2,639	–	–
Entities associated with Meinian OneHealth	**48,612**	**61,649**	**81,390**
Companies controlled by Dr. Yu	5,020	8,522	17,582
Companies significantly influenced by Dr. Yu	4,105	–	–
Entities associated with Dr. Yu	**9,125**	**8,522**	**17,582**
Total	**57,737**	**70,171**	**98,972**

As of December 31, 2019, 2020 and 2021, the remaining balances of trade receivables due from our related parties were RMB57.7 million, RMB70.2 million and RMB99.0 million, respectively. As of April 30, 2022, RMB16.3 million of the RMB99.0 million trade receivable balance due from related parties as of December 31, 2021 had been settled, and RMB10.8 million of the RMB117.3 million trade receivable balance due from non-related parties as of December 31, 2021 had been settled. The payment and settlement rate of trade receivables as of the Latest Practicable Date from related parties and non-related parties generally reflect the payment schedules we agreed to with these parties based on their business volume, credit history and business relationship with us. We expect our related parties to make these payments in accordance with the terms and schedule of the commercial agreements we signed with these related parties. Our service terms, income recognition policy and payment collection process are generally consistent for related parties and non-related parties. We typically bill our customers on a monthly basis. As part of our payment collection efforts, we organize meetings on a regular or issue-specific basis for sales, legal and finance personnel to review receivables and formulate collection plans. Our payment collection efforts include the use of phone calls, text messages and in-person visits. If there is any collection difficulty, we send written correspondence, such as collection letters and legal letters, to push for payment. As such, we do not believe there is any material recoverability issue for trade receivables due from related parties.

The table below sets forth other receivables due from related parties. As of December 31, 2021, the amount of other receivables due from related parties totaled RMB222.3 million, which comprised of prepayments to onshore shareholders and other miscellaneous amounts such as rental and real property deposits. As of April 30, 2022, RMB216.0 million of the RMB222.3 million in other receivables due from related parties had been settled. As of April 1, 2022, the entire balance of RMB214.1 million in prepayments to onshore shareholders was settled. For details and status of the payment due from our related parties, please see "Financial Information – Net Current Assets/Liabilities – Prepayments, Deposits and Other Receivables" in this Prospectus. As of April 30, 2022, RMB0.5 million of our RMB1.3 million in other receivables due from non-related parties has subsequently been settled, mainly attributable to repayment of petty cash borrowings or reimbursement of petty cash advances by employees. Such borrowings and advances are made for business purposes and are fully compliant with relevant internal policies and rules.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables due from:			
Meinian Onehealth and its subsidiaries	–	–	–
Entities associated with Meinian OneHealth	**–**	**–**	**–**
Companies controlled by Dr. Yu	8,880	1,368	8,115

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Entities associated with Dr. Yu	**8,880**	**1,368**	**8,115**
Other shareholders[(2)]	**–**	**–**	**214,140**
Total	**8,880**	**1,368**	**222,255**

Notes:

(1) Entities associated with Dr. Yu comprise companies controlled by Dr. Yu and companies significantly influenced by Dr. Yu. Companies controlled by Dr. Yu are those entities over which Dr. Yu has control power, and such control power is usually obtained from Dr. Yu's direct or indirect ownership of 50% or more of the voting interest in these entities. Companies significantly influenced by Dr. Yu are usually those entities in which Dr. Yu holds, directly or indirectly, more than 20% but less than 50% of the voting interest, which gives rise to a significant influence. For a list of entities associated with Dr. Yu and our other related parties under HKFRS, please refer to Note 31 of the Accountants' Report included in Appendix I.

(2) Other receivables with other shareholders are related to pre-payments to onshore shareholders, which were made in relation to the capital reduction associated with our onshore entities as a part of the Reorganization in 2021. This balance was remitted to us in 2021 as a part of such shareholders' capital contribution to us in accordance with the Reorganization.

We believe that we maintain mutually beneficial relationships with Meinian OneHealth and with Dr. Yu's associates based on synergies with health checkup services offered by Meinian OneHealth and Dr. Yu's associates. As of December 31, 2021, we established business relationships with over 600 health checkup centers that are related to Meinian OneHealth by equity ownership, franchise arrangement or other forms of cooperation relationships. We provided services to approximately 30 institutional customers that are Dr. Yu's associates. Most of Dr. Yu's associates are local health checkup centers and engaged in providing checkup and/or other healthcare services to consumers. According to Meinian OneHealth's annual reports and other publicly disclosed information, Meinian OneHealth is a leading company in the field of preventive healthcare in China that performed more than 30.8 million health examinations in 2021 and approximately 133 million health examinations in the past five years, which resulted in stable growth in its operational and financial performance. Also according to Meinian OneHealth's annual reports and other publicly disclosed information, Meinian OneHealth's revenue for the year ended December 31, 2021 was RMB9.2 billion, which represented an increase by 16.7% compared to the year ended December 31, 2020. Meinian OneHealth is our largest customer and we expect Meinian OneHealth's growth to create increased demands for our services and products, which can further improve our operational and financial performance. In addition, with increased demand, we expect to better understand consumer preference and develop services and products that can serve unmet market demands. At the same time, our cooperation with Dr. Yu's associates also experienced steady growth in demand for our services and products, which we expect to continue to benefit us in the future. According to Frost & Sullivan, the physical examination industry in China has significant

growth prospects and the Chinese consumers have not fully adopted consumer genetic testing as a routine aspect of health examination or health management, which could represent significant untapped market potential, especially given China's large population and the aging trend. As consumers' awareness for preventative healthcare and genetic testing continues to improve, we expect demands for our genetic testing services from health checkup centers associated with Meinian OneHealth and Dr. Yu to increase in a sustainable manner.

Meinian OneHealth and its health checkup centers have become channels for us to acquire offline consumer traffic and educate consumers about genetic testing. At the same time, we believe our diversified service portfolio, comprehensive testing capacity and efficient operational model add value to the service menu of Meinian OneHealth and Dr. Yu's associates. Our genetic testing services also offer personalized and precise disease prevention options to consumers, which are usually not provided in traditional health checkup programs. Furthermore, the accuracy and timely delivery of our testing results in a cost-effective manner as well as professional interpretation services also improve the service offerings of health checkup centers and creates more value for consumers.

As an industry leader in China's consumer genetic testing market and cancer screening market, we provide a variety of services at relatively competitive prices. As of December 31, 2021, we had 91 multi-dimensional testing solutions for consumer genetic testing and cancer screening that cover a wide range of diseases and health concerns. These testing solutions are priced at different levels to satisfy the needs of different consumer groups. We also continue to develop services and products that can further satisfy consumers' needs and bring commercial value to our health checkup center customers. In addition, our high-throughput testing platform allows us to operate efficiently and deliver testing services on a large scale in a timely manner. Moreover, we hired a group of well-trained genetic counselors to provide one-on-one interpretation service for our consumers, which aims to improve consumer experience. From our past experience in working with customers associated with Meinian OneHealth and Dr. Yu as well as other institutional customers, we understand their business model and consumers' preference, which can also create advantages for us over other genetic testing companies that do not have comparable experience in working with these customers or similar insight into the genetic testing market. Based on the above, we believe it is unlikely that Meinian OneHealth and Dr. Yu's associates would replace us as a service provider in the foreseeable future. Our Directors are of the view that the risk of our relationships with Meinian OneHealth and Dr. Yu's associates to experience a material adverse change or termination remains relatively low.

In addition to maintaining good business relationships with Meinian OneHealth and Dr. Yu's associates, we actively explore business cooperation opportunities with other customers to expand our channel coverage. The number of our customers who were Independent Third Parties increased by 39.1% from 866 as of December 31, 2019 to 1,205 as of December 31, 2021. As of December 31, 2021, 80.5% of our customers were Independent Third Parties. We continue to expand our sales force and increased efforts to develop cooperative relationships with public hospitals and health checkup centers. During the second half of 2021, we hired 85 salespeople and signed agreements with 85 healthcare institutions that are Independent Third

Parties. We also plan to introduce testing products and services to be used in settings other than health checkup centers, such as aesthetic medical centers, insurance companies and pet care businesses in accordance with our development strategy. We generated revenue from sales to aesthetic medical centers and insurance companies in the past, and we expect to explore cooperation models with these institutions and achieve synergistic growth. Additionally, we have expanded our online business actively and established cooperation arrangements with e-commerce platforms and online healthcare platforms. Also, as we continue to put efforts in the expansion of our geographic coverage, we expect to work with an increasing number of local hospitals and healthcare institutions that are not related parties to us. After our IVD product candidates receive relevant certificates and commercialization approvals, we will be able to sell reagents and provide testing services, and we expect to further expand our customer coverage to genetic testing companies, research institutions and other healthcare service providers that are unrelated parties. We plan to acquire companies with industry-leading technologies or testing products in the area of disease screening or diagnosis to add diversity to our testing portfolio and we also expect to integrate the established sales channels of such companies and further expand our customer coverage. Moreover, our Audit Committee will monitor risks related to related party transactions and assess the terms of such transaction to ensure that the related party transactions are in the best interests of our Company and all shareholders. Based on such measures to mitigate the risks of reliance on Meinian OneHealth and Dr. Yu's associates, we believe any future change in the operational or financial performance of Meinian OneHealth or Dr. Yu's associates would not have a material adverse effect on our operations.

OUR SUPPLIERS

We maintain stable and long-term relationships with our major suppliers and procure a variety of services and products, including reagents and consumables, logistic services and property leasing. We consider several factors in the evaluation and selection of suppliers, including the supplier's background, reputation, and industry experience, and most importantly the quality and price of their services. We generally enter into supply agreements with our principal raw material suppliers. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us. Our agreement with the supplier specifically lists our quality requirements. We will decide whether to accept the supply upon inspecting and examining the materials. Some of them are subject to an onsite inspection conducted by us to evaluate the production processes and quality management, and test raw material and packaging material samples. Our principal suppliers for raw materials usually provide us with credit terms ranging from one to six months.

For the years ended December 31, 2019, 2020 and 2021, purchases from our five largest suppliers in each period amounted to RMB19.6 million, RMB27.7 million and RMB25.7 million, representing 53.3%, 50.2% and 42.9% of our total purchases for the respective period.

The following tables set forth details about our five largest suppliers during the Track Record Period.

Five Largest Suppliers for the Year Ended December 31, 2019	Supplier Background	Products/ Services	Starting Year of Business Relationship	Purchase Amount	% of Total Purchase Cost
				(RMB'000)	
Beijing Tianyi Hongfang[(1)]	A private company engaged in investment management and asset management located in Beijing, PRC	Landlord and related services	2016[(2)]	6,207	16.9
Supplier A	A private company engaged in the sale of medical diagnostic equipment and reagents located in Beijing, PRC	Raw materials	2018	5,664	15.4
Supplier B	A private company engaged in the provision of medical testing services and genetic research located in Beijing, PRC	Testing services	2018	3,067	8.4
Supplier C	A private company engaged in the sale of medical diagnostic equipment and reagents located in Beijing, PRC	Raw materials	2017	2,320	6.3
Supplier D	A private logistics company located in Beijing, PRC	Logistics services	2016	2,313	6.3
Total				**19,571**	**53.3**

Notes:

(1) Beijing Tianyi Hongfang's full name is Beijing Tianyi Hongfang Investment Management Co., Ltd.

(2) The business relationship had been in existence since our inception.

Five Largest Suppliers for the Year Ended December 31, 2020	Supplier Background	Products/ Services	Starting Year of Business Relationship	Purchase Amount	% of Total Purchase Cost
				(RMB'000)	
Supplier E	A private company engaged in the consultation and development of genetic technology located in Changsha, PRC	Testing services	2019	7,933	14.4
Supplier F	A private company engaged in the provision of diagnostic and testing services located in Tianjin, PRC	Testing services	2020	6,949	12.6
Beijing Tianyi Hongfang	A private company engaged in investment management and asset management located in Beijing, PRC	Landlord	2016	6,423	11.6
Supplier G	A private company engaged in the research and development, and outsourcing and sales of reagents based in Jiangsu, PRC	Raw materials	2017	3,349	6.1
Supplier H	A public company engaged in the diagnostic and testing products and services business based in Jiangsu, PRC	Raw materials	2020	3,059	5.5
Total				**27,713**	**50.2**

Five Largest Suppliers for the Year Ended December 31, 2021	Supplier Background	Products/ Services	Starting Year of Business Relationship	Purchase Amount	% of Total Purchase Cost
				(RMB'000)	
Supplier G	A private company engaged in the research and development, and outsourcing and sales of reagents based in Jiangsu, PRC	Raw materials	2017	6,506	10.9
Beijing Tianyi Hongfang	A private company engaged in investment management and asset management located in Beijing, PRC	Landlord	2016	5,466	9.1
Supplier I	A private company engaged in sales of healthcare products based in Beijing, PRC	Raw materials	2018	5,161	8.6
Supplier J	A private company engaged in the development of healthcare technology and sales of healthcare products based in Beijing, PRC	Raw materials	2021	4,619	7.7
Meinian Meican	A private company engaged in the provision of health checkup and other healthcare services located in Beijing, PRC	Testing services	2019	3,969	6.6
Total				**25,721**	**42.9**

During the Track Record Period, Beijing Tianyi Hongfang, one of our landlords, is one of our five largest suppliers. As of the Latest Practicable Date, we leased five properties from Beijing Tianyi Hongfang with an aggregate area of approximately 3,000 sq.m. for office and laboratory space as our headquarters in Beijing, China. Beijing Tianyi Hongfang is controlled by Dr. Yu, an executive Director of our Company and one of our Controlling Shareholders. As of the date of this Prospectus, Dr. Yu, collectively with our other Controlling Shareholders, controls approximately 36.10% of the voting rights of the issued share capital of our Company, and is expected to control approximately 34.30% of our voting rights upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). Dr. Yu has served as an executive director of Beijing Tianyi Hongfang since February 2015 and owned 81.3% of its

equity interests as of December 31, 2021. Except for Dr. Yu and his close associates, none of our Directors and their respective close associates, or Shareholders who own 5% or more of the total issued Shares, had an interest in any of our Group's five largest suppliers during the Track Record Period. For details about our relationship with Dr. Yu, please refer to "Relationship with Our Controlling Shareholders."

During the Track Record Period, all of our five largest suppliers, other than Beijing Tianyi Hongfang, were Independent Third Parties. As of December 31, 2021, Meinian OneHealth owned a minority interest in Meinian Meican through its 18.95% ownership interest in Nantong Meifu Health Industry Investment Partnership (L.P.), which in turn owned 61.25% of the equity interests of Meinian Meican.

During the Track Record Period, while most of our genetic testing was conducted entirely at our in-house laboratory, we also procured testing services from certain suppliers under limited circumstances. Such circumstances included:

- we occasionally contracted with suppliers (Supplier B) to perform certain procedures of our genetic testing services, such as DNA extraction, if such procedures required relatively low technical expertise and procurement from external parties was a cost-effective option for us. Generally, we outsourced only if the procedures were relevant to a certain technology under our development, and suppliers could help us make comparisons in terms of accuracy of testing results, quality and costs; or

- when there was a sudden surge of demand for our testing services, such as COVID-19-related testing services, we occasionally outsourced testing services to third-party suppliers (Supplier E and Supplier F) instead of expanding our testing capacity for this type of sudden surge in demand.

In 2019, we procured whole-genome microarray services from Supplier B. Whole-genome microarray is a technology used for our whole genome testing services, which only took less than 0.5% of our total number of tests performed in 2019. The testing procedure involves relatively low technical expertise and there are more than 30 companies in the market that provide similar services, according to Frost & Sullivan. In 2019, the revenue attributable to outsourced testing services from Supplier B was approximately RMB11.0 million, which represented approximately 8.9% of our total revenue for the same year. In 2019, the purchase cost of such testing services from Supplier B was approximately RMB3.1 million, which represent approximately 8.4% of our total purchase cost for the same year. The gross profit margin for our testing services that involved outsourcing arrangement with Supplier B was approximately 72.0%, which is higher than the gross profit margin from such services performed entirely at our own laboratory of approximately 58.1%, as we needed to invest in additional labor and equipment resources in order to perform this procedure at that time.

In 2020, we procured COVID-19 nucleic acid testing services from Supplier E and Supplier F in order to accommodate a sudden surge of demand for our COVID-19-related testing services in Beijing and to ensure timely response to customer needs. In 2020, the revenue attributable to testing services outsourced to Supplier E and Supplier F was approximately RMB14.9 million and RMB9.2 million, representing approximately 7.3% and 4.5% of the Company's total revenue in 2020, respectively. In 2020, the purchase cost of such testing services from Supplier E and Supplier F was approximately RMB7.9 million and RMB6.9 million, representing approximately 14.4% and 12.6% of the Company's total purchase cost in 2020, respectively. The gross profit margin for our testing services that involved outsourcing arrangement from Suppliers E and F was approximately 46.8% and 24.1%, respectively, and the difference in gross profit margin was mainly due to government mandates to lower the price of COVID-19 nucleic acid testing services. At the time we outsourced testing services to Supplier E and Supplier F, the gross profit margin from such services performed entirely at our own laboratory was approximately 54.1%. As we gradually expanded our testing capacity for COVID-19-related testing services, we do not expect to outsource such testing services to any external suppliers in the future.

We are committed to providing high-quality testing services to consumers. When we select suppliers for testing services, we check potential suppliers' industry qualifications, including qualification certificates or licenses, such as Practice License of Medical Institution, External Quality Assessment Certificate and medical device registration license. We also use a quality control mechanism to assess the qualification of these suppliers. For example, our testing and operations team would review the service providers' operational protocols to ensure the accuracy of test results. During the Track Record Period, certain customers entered into agreements with us that contained standard clauses that explicitly allow for such outsourcing arrangement, while other customers' agreements were silent on whether any outsourcing is allowed. We outsourced testing services when needed, after we conducted the aforementioned supplier selection process, in order to satisfy customers' demands. Generally, we did not specifically inform our customers of such outsourcing arrangement. As advised by our PRC Legal Advisor, based on the above, our practice of not specifically informing our customers of such outsourcing arrangement does not constitute a breach of our contractual obligations under the aforementioned agreements with our customers. In addition, as advised by our PRC Legal Advisor, there is no prohibition of such outsourcing arrangement under relevant laws and regulations. We believe, based on advice from our PRC Legal Advisor, that our procurement of testing services from external suppliers comply with all relevant laws and regulations in all material aspects during the Track Record Period.

In addition, Meinian Meican, which was one of our five largest customers in 2020 and 2021, was also among our five largest suppliers for the year ended December 31, 2021. As a customer, Meinian Meican is a health checkup center that procures genetic testing services from us, including COVID-19 nucleic acid testing services and other types of genetic testing services. In 2020, almost all of the samples for our COVID-19-related testing services were collected by our staff at our own sample collection sites. The number COVID-19-related tests we performed increased by 61.9% from approximately 588,000 tests in 2020 to approximately 952,000 tests in 2021. Due to the high demand for our COVID-19-related testing services, we procured sample collection services from Meinian Meican in 2021. We believe such

arrangement provides more convenient options to our consumers while saves costs of operating our own sample collection sites. Pursuant to our agreement, our individual consumers who need to take COVID-19 nucleic acid tests can go to sample collection sites operated by Meinian Meican, and Meinian Meican's staff would collect samples and courier the samples to our lab through third-party logistics service providers. These sample collection services are independent from the genetic testing services that we provided to Meinian Meican.

During the Track Record Period, we procured similar sample collection services from three other suppliers for our COVID-19-related testing services. Our procurement of sample collection services from these three suppliers started in 2021, also due to the sharp increase in demand for our COVID-19-related testing services. Individual consumers who purchase COVID-19-related testing services from us can pick any sample collection site operated by these suppliers, depending on the consumer's preference. Among these three suppliers,

- Ciming Health Checkup Management Group Co. Beijing Yangqiao Clinic ("**Ciming Yangqiao**") is a branch of a subsidiary of Meinian Onehealth and is one of our related parties. Dr. Yu, one of our Executive Directors and one of our Controlling Shareholders, owns approximately 10.5% of the equity interests of Ciming Yangqiao. Certain members of Meinian Onehealth's senior management team hold management positions in Ciming Yangqiao. We provided various testing services to Ciming Yangqiao during the Track Record Period, including consumer genetic testing services and cancer screening services in addition to our procurement of sample collection services from them. The sample collection services provided by Ciming Yangqiao was independent from the testing services that we provided to them. Save as disclosed above, to our best knowledge, we, our subsidiaries (including the PRC Consolidated Entities), our Directors, senior management or Controlling Shareholders, or any of their respective associates do not have other past or present relationships with Ciming Yangqiao.

- One supplier is a hospital located in Beijing and is an Independent Third Party. This supplier provided sample collection services to us and procured COVID-19-related testing services from us during the Track Record Period. The sample collection services provided by this supplier were independent from the testing services that we provided to them. Save as disclosed above, to our best knowledge, we, our subsidiaries (including the PRC Consolidated Entities), our Directors, senior management or Controlling Shareholders, or any of their respective associates do not have past or present relationships with this supplier.

- One supplier is a community clinic center located in Beijing and is an Independent Third Party. This supplier provided sample collection services to us but did not procure any testing services from us during the Track Record Period. Save as disclosed above, to our best knowledge, we, our subsidiaries (including the PRC Consolidated Entities), our Directors, senior management or Controlling Shareholders, or any of their respective associates do not have past or present relationships with this supplier.

The sample collection fees charged by Meinian Meican are based on contract terms negotiated at arm's length, and are determined primarily by the volume of sample collection services they provide with reference to the government's pricing requirement for COVID-19 testing. The key commercial terms and fee arrangement in our contract with Meinian Meican are generally comparable to the key commercial terms and fee arrangements with our other sample collection service providers. Meinian Meican, the hospital supplier and the community clinic center supplier charged us RMB20 per person for regular sample collection services. Meinian Meican also provided other types of sample collection services, such as door-to-door sample collection services, for which Meinian Meican charged a higher fee of RMB50 per person. Our sample collection arrangement with Ciming Yangqiao only lasted less than three months from January 2021 to March 2021 in order to accommodate high demands for our COVID-19-related testing services during the Spring Festival travel season of 2021, and Ciming Yangqiao charged us RMB25 per person as a sample collection fee due to higher labor and site costs during this period. Upon the receipt of invoice from these suppliers, we generally make payment within one to six months.

As of the Latest Practicable Date, we paid and settled approximately RMB3.7 million in fees for Meinian Meican's sample collection services provided to us before December 31, 2021, and we expect to settle the remaining amount of approximately RMB0.1 million in accordance with the terms and schedule of our agreement with Meinian Meican. For the year ended December 31, 2021, the amount of sample collection fees payable from us to Ciming Yangqiao, the hospital supplier and the community clinic center supplier was approximately RMB0.7 million, RMB35,000 and RMB0.3 million, respectively. As of the Latest Practicable Date, we fully paid and settled such fees due to Ciming Yangqiao and the community clinic center supplier, and we expect to settle the remaining amount of approximately RMB23,000 due to the hospital supplier in accordance with the terms and schedule of our agreement with this supplier. We did not procure sample collection services from any of these suppliers prior to 2021.

Meinian Meican represented 18.1% of our revenues and 6.6% of our cost of sales for the year ended December 31, 2021. The gross profit derived from Meinian Meican for the year ended December 31, 2021 was RMB32.5 million, which consisted of RMB2.4 million from COVID-19 nucleic acid testing services and RMB30.1 million from non-COVID-19-related consumer genetic testing services and cancer screening services. During the same period, our gross profit margin for services provided to Meinian Meican was 39.0% for COVID-19 nucleic acid testing services and 79.1% for other types of genetic testing services. The gross profit margin for COVID-19 nucleic acid testing services for Meinian Meican is lower than our average gross profit margin for such services during the same period, mainly because Meinian Meican is an institutional customer and the unit price we provide to institutional customers is generally lower compared to the unit price we provide to individual consumers, and our revenue from individual consumers accounted for approximately 54% of our revenue from COVID-19-related testing services in 2021. Meinian Meican was not one of our suppliers from 2019 to 2020.

The table below sets forth the gross profit margins of our testing services provided to Meinian Meican by type of testing services (other than COVID-19-related testing services).

	For the Year Ended December 31,		
	2019	2020	2021
Gross Profit Margin			
Cancer risk assessment	61.2%	63.4%	67.5%
Chronic disease risk assessment	71.0%	70.5%	74.2%
Other consumer genetic testing services	9.5%	35.1%	83.0%
Cancer screening services	60.8%	81.1%	76.4%

During the Track Record Period, the service fees we charged for testing services provided to Meinian Meican were generally comparable to the service fees we charged for such services provided to other customers who were Independent Third Parties. In 2021, the gross profit margin for other consumer genetic testing services provided to Meinian Meican was generally in line with the gross profit margin for such services provided to all customers. The gross profit margin for other consumer genetic testing services provided to Meinian Meican was lower than the gross profit margin for such services provided to all customers in 2019 and 2020, mainly because the specific testing items that Meinian Meican purchased under this type of testing services in those years had relatively lower gross profit margins compared to other testing items. During the Track Record Period, the gross profit margins for cancer risk assessment services, chronic disease risk assessment, COVID-19-related testing services and cancer screening services provided to Meinian Meican were generally in line with the gross profit margins for such services provided to all customers. For the years ended December 31, 2019, 2020 and 2021, other consumer genetic testing services accounted for approximately 36.1%, 4.8% and 38.4% of our total revenue attributable to Meinian Meican, respectively, while cancer risk assessment services, chronic disease risk assessment, COVID-19-related testing services and cancer screening services together accounted for approximately 63.9%, 95.2% and 61.6% of our total revenue attributable to Meinian Meican, respectively. The detailed analysis for our gross profit margin for each type of testing services provided to Meinian Meican is set forth below.

Cancer Risk Assessment

The gross profit margins for our cancer risk assessment services provided to Meinian Meican were 61.2%, 63.4% and 67.5% for the years ended December 31, 2019, 2020 and 2021, respectively, which remained relatively stable. For the years ended December 31, 2019, 2020 and 2021, the gross profit margins for cancer risk assessment services provided to Meinian Meican were generally in line with the gross profit margins for such services provided to all customers, which were 58.8%, 63.1% and 67.4%, respectively.

Chronic Disease Risk Assessment

The gross profit margins for our chronic disease risk assessment services provided to Meinian Meican were 71.0%, 70.5% and 74.2% for the years ended December 31, 2019, 2020 and 2021, respectively, which remained relatively stable. For the years ended December 31, 2019, 2020 and 2021, the gross profit margins for chronic disease risk assessment services provided to Meinian Meican were generally in line with the gross profit margins for such services provided to all customers, which were 74.8%, 74.9% and 74.8%, respectively.

Other Consumer Genetic Testing Services

For the years ended December 31, 2019 and 2020, our gross profit margins for other consumer genetic testing services provided to Meinian Meican were 9.5% and 35.1%, respectively, which were lower than the gross profit margins of 71.4% and 73.3% for other consumer genetic testing services provided to all customers for the same relevant years. The difference in gross profit margins for our other consumer genetic testing services between Meinian Meican and all customers is mainly attributed to the fact that a significant portion of our revenue from Meinian Meican during the relevant years was generated from testing services with relatively lower gross profit margins. In particular, Meinian Meican's procurement of HPV Testing, a testing service with relatively lower gross profit margin among other consumer genetic testing services, comprised approximately 98% and 53% of our revenue from Meinian Meican for other consumer genetic testing services for the years ended December 31, 2019 and 2020, respectively.

The gross profit margin for our other consumer genetic testing services provided to Meinian Meican increased from 9.5% for the year ended December 31, 2019 to 35.1% for the year ended December 31, 2020, mainly because (i) Meinian Meican purchased a significantly lower percentage of HPV Testing in 2020, which had a relatively lower gross profit margin, due to lower market demands for HPV Testing in 2020, and (ii) Meinian Meican purchased a significantly higher percentage of other services, such as Comprehensive Assessment of Human Immunity, that carried higher gross profit margin for the year ended December 31, 2020. Comprehensive Assessment of Human Immunity had a gross profit margin of 69.4% and contributed to approximately 46.0% of our revenue from Meinian Meican for other consumer genetic testing services for the year ended December 31, 2020. The gross profit margin for these services provided to Meinian Meican was generally at the same level as services provided to other Independent Third Parties.

The gross profit margin for our other consumer genetic testing services provided to Meinian Meican increased from 35.1% for the year ended December 31, 2020 to 83.0% for the year ended December 31, 2021 due to Meinian Meican's selective procurement of testing services with relatively higher gross profit margins. In particular, approximately 93.5% of our revenue from Meinian Meican for other consumer genetic testing services in 2021 was attributable to Meijianling (personal whole genome baseline gene testing), which is a new testing service introduced in 2021. The gross profit margin of Meijianling for Meinian Meican was 87.7% in 2021, and the gross profit margin of Meijianling for all customers was also 87.7% in 2021.

Cancer Screening Services

The gross profit margin for our cancer screening services provided to Meinian Meican increased from 60.8% for the year ended December 31, 2019 to 81.1% for the year ended December 31, 2020, mainly due to cost control efforts and automation of production technology, which lowered the average unit cost for our cancer screening services. Such increase was in line with the increase in the gross profit margin for cancer screening services of our Group as a whole.

The gross profit margin for our cancer screening services provided to Meinian Meican decreased to 76.4% for the year ended December 31, 2021, primarily due to the greater rate of increase in cost of sales compared to the rate of increase in revenue for cancer screening services for the same period, which was also in line with the change in the gross profit margin for cancer screening services of our Group as a whole.

The gross profit margin derived from the provision of a particular type of testing service to Meinian Meican is generally the same as the gross profit margin derived from the provision of such service to other Independent Third Party customers who procure the same amount of testing services from us. In addition, during the Track Record Period, our contract terms and pricing mechanism for Meinian Meican are generally comparable to contract terms and pricing mechanism for our other Independent Third Party customers. We charge service fees based on normal commercial terms negotiated at arm's length with reference to various factors, such as government policies, market factors, industry dynamics and our development plan. We entered into genetic testing service agreements with Meinian Meican for terms of one to three years, which may be renewed upon parties' mutual agreement, and such arrangements are generally the same for other customers that are Independent Third Parties. The credit term we grant to Meinian Meican is usually three to six months, which is consistent with the credit term granted to our other Independent Third Party customers.

INVENTORY

Our inventory consists of raw materials such as reagents and consumables. We purchase almost all of our raw materials in China and maintain an inventory level for raw materials to support one to two months of testing requirements. We have established an inventory management system that manages and monitors each stage of the warehousing process and ensure the inventory maintained at sufficient level. Our inventory personnel are responsible for the inspection, storage and distribution of raw materials. Our accounting department also performs stocktaking and sends representatives to verify inventory and conduct impairment tests on a monthly basis. During the Track Record Period, we did not experience any material shortage of inventory.

AWARDS AND RECOGNITIONS

The table below sets forth the major awards that we received as of the Latest Practicable Date:

Award/Recognition	Award/ Grant year	Award/Grant Authority
Zhongguancun High and New Technology Enterprise (中關村高新技術企業)	2016	Administrative Commission of Zhongguancun Science Park (中關村科技園區管理委員會)
National High and New Technology Enterprise (國家高新技術企業)	2017	Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and other agencies (北京市科學技術委員會,北京市財政局等)
Zhongguancun Golden Seed Enterprise (中關村金種子企業)	2017	Administrative Commission of Zhongguancun Science Park (中關村科技園區管理委員會)
Beijing Municipal New Technology and New Products (Service) Certificate for Gene Detection Service based on Sanger Sequencing Technology to identify the Loci of Individual Susceptible Gene SNP (北京市新技術新產品(服務)證書(基於Sanger測序技術鑑定個體易感基因SNP位點的基因檢測服務))	2017	Beijing Municipal Science & Technology Commission, Beijing Municipal Commission of Development and Reform, Beijing Municipal Bureau of Economy and Information Technology and other agencies (北京市科學技術委員會,北京市發展和改革委員會,北京市經濟和信息化委員會等)
Beijing Municipal New Technology and New Products (Service) Certificate for Microbial Diversity Detection Service by Amplicon Deep Sequencing Technology (北京市新技術新產品(服務)證書(擴增子深度測序技術進行微生物多樣性檢測服務))	2017	Beijing Municipal Science & Technology Commission, Beijing Municipal Commission of Development and Reform, Beijing Municipal Bureau of Economy and Information Technology and other agencies (北京市科學技術委員會,北京市發展和改革委員會,北京市經濟和信息化委員會等)

Award/Recognition	Award/ Grant year	Award/Grant Authority
Certificate of Finalists for the 6th China Innovation & Entrepreneurship Competition Industry Finals (第六屆中國創新創業大賽行業總決賽入圍證書)	2017	China Innovation & Entrepreneurship Competition Organizing Committee (中國創新創業大賽組委會)
Certificate of Finalists for the 7th China Innovation & Entrepreneurship Competition Industry Finals (第七屆中國創新創業大賽行業總決賽入圍證書)	2018	China Innovation & Entrepreneurship Competition Organizing Committee (中國創新創業大賽組委會)
Asia-Pacific Annual Top Ten Excellent Enterprises for Precision Medicine (亞太精準醫療年度十佳風尚企業)	2018	Asia-Pacific Precision Medicine Alliance and Asia-Pacific Institute of Precision Medicine (亞太精準醫療聯盟及亞太精準醫學研究院)
Asia-Pacific Annual Top Ten Genetic Testing Brands Award for Precision Medicine (亞太精準醫療年度十佳基因檢測品牌獎)	2018	Asia-Pacific Precision Medicine Alliance and Asia-Pacific Institute of Precision Medicine (亞太精準醫療聯盟及亞太精準醫學研究院)
Zhongguancun High and New Technology Enterprise (中關村高新技術企業)	2019	Administrative Commission of Zhongguancun Science Park (中關村科技園區管理委員會)
National High and New Technology Enterprise (國家高新技術企業)	2020	Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and other agencies (北京市科學技術委員會,北京市財政局等)
Beijing Municipal "Specialization, Expertise, Distinction, Innovation" Small and Mid-size Enterprise (北京市"專精特新"中小企業)	2020	Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局)
Zhongguancun High and New Technology Enterprise (中關村高新技術企業)	2021	Administrative Commission of Zhongguancun Science Park (中關村科技園區管理委員會)

COMPETITION

The genetic testing market in which we operate is characterized by rapid changes resulting from technological advancement and scientific discoveries. In addition, it is subject to changes in the overall healthcare industry in China and globally. While we believe that our research and development, manufacturing and sales capabilities provide us with competitive advantages, we face potential competition from various sources, including major domestic as well as international companies that provide similar testing services and products.

We compete primarily on the basis of our services' proven track record of reliable performance, our ability to reach a large consumer base, brand recognition among health checkup centers, hospitals, and other institutional customers and the level of support we provide to our consumers. We believe that our continued success depends on our ability to (i) effectively market our services; (ii) innovate and develop advanced technologies; (iii) develop a broad portfolio of proprietary products; (iv) maintain high quality standards; and (v) obtain and maintain regulatory approvals.

For competitive landscape of our services and product candidates, see "– Products in Our Pipeline" in this section and "Industry Overview" in this Prospectus.

QUALITY ASSURANCE AND QUALITY CONTROL

We have our own in-house quality control system and devote significant attention to quality control for our research and development, testing process and sample transportation. Our quality control team has the primary responsibility to inspect raw materials, production process and the quality of finished goods as well as monitor our operations in real time throughout the entire development and production process to ensure compliance with the applicable regulatory and industry requirements.

Our management team is actively involved in setting quality control policies and managing our internal and external quality performance. We established a strict quality control system in accordance with NMPA and other applicable regulations and standards.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. The table below sets forth the relevant details about the material licenses required for our operation in the PRC:

License/Permit	Holder	Grant Date	Expiration[1] Date
Practice License of Medical Institution	Beijing Mega Lab	April 4, 2018	December 31, 2022[2]
Permit to Use Clinical Gene Amplification Testing Technology (for Septin9 gene methylation testing, CYP2C19 gene polymorphism detection and ApoE genotyping)	Beijing Mega Lab	April 3, 2019	N/A
Permit to Use Clinical Gene Amplification Testing Technology (for MTHFR (C677T) gene testing and human papillomavirus genotyping)	Beijing Mega Lab	December 7, 2020	N/A
Permit to Conduct COVID-19 Nucleic Acid Testing	Beijing Mega Lab	May 18, 2020	N/A
External Quality Assessment Certificate (for HPV 16/HPV 18 testing and genotyping, folate metabolism gene (MTHFR) polymorphism detection and clopidogrel metabolism gene (CYP2C19) polymorphism detection in the 2020 National External Quality Assessment)	Beijing Mega Lab	December 14, 2020	N/A

License/Permit	Holder	Grant Date	Expiration[(1)] Date
External Quality Assessment Certificate (for COVID-19 nucleic acid testing in the 2020 National External Quality Assessment)	Beijing Mega Lab	July 17, 2020	N/A
External Quality Assessment Certificate (for HLA-B27 genetic testing, Septin9 gene methylation testing and ApoE genotyping in the 2020 External Quality Assessment Plan)	Beijing Mega Lab	January 2021	N/A
Notice of Filing in Beijing for Pathogenic Microbe Laboratory and Laboratory Activities	Beijing Mega Lab	May 1, 2020	N/A
Filing Certificate for Information System Security Protection Level (Mega Integrated Management System Level III)	Mega Genomics Beijing	April 30, 2021	N/A
Registration Certificate for the Use of Special Equipment (fixed pressure vessel)	Beijing Mega Lab	May 18, 2020	N/A
Registration Certificate for the Use of Special Equipment (vertical pressure steam sterilizer)	Mega Genomics Beijing	September 27, 2017	N/A
Business License for Medical Devices	Beijing Mega Medical Devices Co., Ltd.	May 6, 2021	May 5, 2026

License/Permit	Holder	Grant Date	Expiration[1] Date
Filing Certificate for Class II Medical Devices Business	Beijing Mega Medical Devices Co., Ltd.	April 30, 2021	N/A
Certificate of Registration for Quality Management Systems (for genetic testing technology services)	Mega Genomics Beijing (Beijing Mega Lab)	May 23, 2019	May 22, 2022[3]

Notes:

(1) Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, except as stated in note (3) below, the material licenses and permits required for our operations are within their periods of validity and there is no circumstance where the licenses and permits have expired as of the Latest Practicable Date without renewal, and there is no material legal impediment to renew any license or permit that will expire shortly after listing under the currently effective laws and regulations.

(2) We are in the process of preparing for the renewal of the Practice License of Medical Institution. We do not expect to have any difficulty in renewing such license, and we expect to obtain the renewed license before the expiration date.

(3) We already completed the preparation of application materials for the renewal of the Certificate of Registration for Quality Management Systems (for genetic testing technology services), and are currently waiting for the relevant authority to conduct on-site review, which was delayed due to the recent COVID-19 outbreak in Beijing. We do not expect to have any material legal impediment in renewing this certificate, and we expect to obtain the renewed certificate after the review process resumes. As advised by our PRC Legal Advisor, the expiration of this certificate would not cause us to carry out business in violation of any laws and regulations, and would not have any material adverse impact on our business or operations.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to a number of environmental protection and occupational health and safety laws and regulations. We strive to operate our facility in a manner that is environmental friendly and protects the safety and well-being of our employees and communities. We have a number of company-wide measures to ensure compliance with regulatory requirements and standard operating procedures relating to emissions of gases, water and other waste materials, bio-waste generation and treatment, handling, use, storage, treatment and disposal of hazardous substances, worker health and safety requirements, and emergency planning and response. Our testing process generates solid waste, liquid waste and exhaust gas. We generally contract with third parties for the disposal of these wastes. We adopted a number of environmental protection targets and milestones in accordance with relevant laws and regulations in order to make our operations more energy efficient and environmentally friendly. In addition, we have specially-assigned personnel to monitor and assess whether we achieved such targets and milestones and to implement rectification procedures if we fail to meet these internal standards. We did not have any incident or complaint relating to environmental protection, which had a material and adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, our subsidiary, Beijing Mega Lab, was not in full compliance with relevant environmental protection, health and safety laws. However, as of the Latest Practicable Date, (i) we have not been issued any citation, complaint or administrative action for potential violation of any environmental protection, health and safety laws by Beijing Mega Lab; (ii) the competent authorities mentioned below have confirmed that Beijing Mega Lab was not subject to any administrative actions, fines or penalties for potential violation of relevant laws; (iii) we have taken the measures mentioned below to rectify such non-compliance; and (iv) as advised by our PRC Legal Advisor, the risk of being penalized in the future for such non-compliance is relatively low, and such non-compliance should not have a material adverse effect on our business or operations. Details of each non-compliant matter are provided below.

- Beijing Mega Lab engaged in the genetic testing business before it obtained approvals for the completion inspection of its environmental protection facilities, primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. According to Article 23 of the Administrative Regulations on Environmental Protection in Construction Projects (建設項目環境保護管理條例), if a construction project is started before its environmental protection facilities obtains approvals for the completion inspection, local environmental protection administrative authorities should order the builder to make correction within a stipulated period and impose a fine between RMB200,000 to RMB1 million; if correction is not made within the stipulated period, a fine between RMB1 million to RMB2 million should be imposed. Since Beijing Mega Lab has not received any correction order from the regulatory agencies that have oversight authorities, the maximum potential penalty for Beijing Mega Lab is RMB1 million. In July 2021, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor verbally consulted a deputy team leader of a local branch of Beijing Haidian Ecological Environment Bureau, which is the government authority that oversees Beijing Mega Lab with respect to the supervision and inspection of environmental protection, about our environmental protection compliance issues. The officer consulted is mainly responsible for the supervision of the ecological environment in areas including Huayuan North Road, the location where Beijing Mega Lab is registered, as well as the supervision and inspection of ecological environment-related businesses within the jurisdiction. In consideration of the regulatory authority of the government agency and the duties of the officer consulted, our PRC Legal Advisor is of the view that the interviewee, who is a deputy team leader of a local branch, is entitled to provide verbal confirmation with respect to the matters of consultation. Based on the result of this verbal consultation and as advised by our PRC Legal Advisor: (i) Beijing Mega Lab has obtained approvals, licenses and acceptance required by relevant environmental protection laws and regulations; (ii) we have not been issued any citation or complaint for potential violation of any environmental protection or pollution prevention and control laws and regulations by Beijing Mega Lab as of the Latest Practicable Date; and (iii) Beijing Mega Lab was not subject to any administrative actions, fines or penalties for violation of any environmental protection or pollution prevention and control laws and regulations during the Track Record Period and up to the Latest Practicable Date. To rectify this historical non-compliance issue, we obtained an approval reply for the completion inspection

of environmental protection issued by Beijing Haidian Ecological Environment Bureau. We understand that the relevant non-compliance should not have a material adverse effect on our business or operations.

- Beijing Mega Lab commenced construction projects without a construction work commencement permit, primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. Pursuant to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》), if a construction project commenced without a construction work commencement permit, the permit-issuing authority can order construction stoppage and require rectification within a specified time limit, and impose a fine of more than 1% but less than 2% of the project contract price. Based on the aforementioned rule and the project contract price of such construction project, the maximum potential penalty for Beijing Mega Lab is approximately RMB110,000. Beijing Mega Lab did not obtain the construction work commencement permit when the construction projects started. To rectify such non-compliance, we subsequently obtained all of the required approval documents for fire protection and environmental protection, which could ensure the normal operation of our construction projects. As advised by our PRC Legal Advisor, the risk of being penalized for such non-compliance is relatively low, and this non-compliance should not have a material adverse effect on our business or operations. During the Track Record Period and up to the Latest Practicable Date, the relevant government authority had not imposed any administrative actions, fines or penalties on us with respect to our failure to obtain the construction work commencement permit.

- Beijing Mega Lab did not fulfill certain filing and inspection obligations relating to occupational disease protection, such as the filing of project declaration for occupational disease hazards, the construction of occupational disease protection facilities and the evaluation of occupational disease hazards, primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. As advised by our PRC legal advisor, according to the Law of People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) and the Measures of Occupational Disease Hazard Project Declaration (職業病危害項目申報辦法), the maximum potential penalty for Beijing Mega Lab is approximately RMB300,000. As advised by our PRC Legal Advisor and according to verbal consultation with BMHC (which is the local government authority responsible for the supervision of occupational diseases prevention and treatment): (i) the occupational disease hazard risk level of the construction projects of Beijing Mega Lab is assessed to be at the lowest level, (ii) such non-compliance did not materially damage the lives or health of our employees during the Track Record Period and up to the Latest Practicable Date, and (iii) Beijing Mega Lab was not subject to any administrative actions, fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance. As of the Latest Practicable Date, we have designed laboratory personal protection policy and have begun to arrange testing agencies to inspect and evaluate occupational disease hazards to fulfill applicable filing requirements. We completed the initial evaluation and communicated with the government agencies that have oversight authorities in March 2022, and we could formally submit the final evaluation report when the

evaluation process is completed by the testing agencies, which is expected to be no later than the end of July 2022 subject to the development of the COVID-19 pandemic. Based on the above and as advised by our PRC Legal Advisor, the risk of being penalized for such non-compliance is relatively low, and the non-compliance should not have a material adverse effect on our business or operations.

For risks relating to our historical and potential non-compliance incidents, please see "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury" and "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – We may be subject to fines or penalties by relevant governmental authorities in respect of Beijing Mega Lab's construction projects".

Governance of Environmental and Social Matters

We are committed to establishing and maintaining positive Environmental, Social and Governance ("**ESG**") practices and initiatives. We adopt a sustainable development approach in our daily business operation decisions. Under the oversight of our management, we actively identify and monitor actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate considerations of these issues into our business, strategic and financial planning. Our management team assesses the likelihood of such risks and the estimated magnitude of any potential impact. At the same time, our relevant business units are responsible for promoting and implementing various sustainable development measures.

Our Audit Committee and ultimately our Directors supervise our management on various operational and financial risks, including risks related to environment protection, climate issues and social factors, pursuant to our risk management policies. For details of our risk management framework, please see "– Risk Management and Internal Control" in this section. We also plan to establish an ESG sub-committee to assist our Directors in refining our ESG practices and initiatives.

Environmental

We are dedicated to taking environmental responsibility in all aspects of our business, from procurement of raw materials to treatment of wastes. The main pollutants generated from our testing services include solid waste and wastewater and gas emission. During the Track Record Period, we engaged third-party environmental testing institutions to evaluate our wastewater pollution level and other impact on the environment, from time to time, as our Directors deem appropriate. During the Track Record Period, the pH value of the wastewater from our laboratory was within the range of 6 to 9 and the Chemical Oxygen Demand (COD) of wastewater did not exceed 500 mg/L in accordance with relevant national environmental standards based on the result of the testing reports. During the Track Record Period, to further

lower the pollutant level of our gas emission, we also modified our existing fresh air ventilation system by adding an active carbon purification device to the original system, and such modification has been completed as of the Latest Practicable Date.

We expect to implement the following environmental protection measures to monitor and reduce the major pollutants generated during our provision of testing services:

- In 2019, 2020 and 2021, we disposed approximately 31.4 tons, 40.9 tons and 62.8 tons of medical wastes, respectively. We expect to strengthen the monitoring and implementation of guidelines related to the handling, use, storage, treatment and disposal of medical waste. We also plan to increase training on these guidelines and procedures as part of our employee-training program to ensure such procedures are strictly enforced.

- We expect to closely monitor our gas emissions with the assistance of third-party environmental testing institutions to ensure that the air pollutants and waste gas emission are controlled in accordance with the relevant national or local environmental standards; and

- We expect to closely monitor and control the wastewater discharged from our sewage treatment processing facilities on a regular basis to ensure that the wastewater is controlled in accordance with the relevant national or local environmental standards. In addition, we plan to upgrade our existing wastewater treatment system in 2022 to further enhance our wastewater treatment capacity.

We recognize the importance of environmental protection as an important corporate responsibility and will adopt stringent measures for environmental protection as well as enhance our testing efficiency in order to ensure our compliance with existing environmental protection laws and regulations. For details of the environmental requirements pursuant to the laws and regulations in the PRC, please refer to "Regulatory Overview – Regulation of Environment Protection" in this Prospectus. For the years ended December 31, 2019, 2020 and 2021, our expenses in relation to environmental protection amounted to RMB0.1 million, RMB0.1 million and RMB0.4 million, respectively, including waste disposal charge and environmental testing institution service charge. Our Directors do not expect any material increase in the cost of compliance with applicable environmental laws and regulations in the near future.

For the years ended December 31, 2019, 2020 and 2021, our consumption of electricity amounted to approximately 682.2 thousand, 661.7 thousand and 734.6 thousand Kilowatt-hours, respectively, which was generally consistent with the number of tests we performed during each period. We understand that the importance of power saving and resources conservation. We expect to review the power consumption of our existing testing equipment and explore more energy-efficient options. During the Track Record Period, our monthly water consumption was approximately 20 to 30 tons. We plan to keep monitoring water consumption level and upgrade our wastewater processing capability to increase our usage of recycled water if necessary. We expect to continue to explore potential energy-saving solutions within our

production process as well as improve the efficiency of energy and resource usage. Further, we expect to improve our employees' awareness of environmental protection and resource conservation through continuous training efforts.

Historically, we mainly tracked parameters related to wastewater, gas emission and power usage and ensured compliance with relevant laws and regulations during the Track Record Period. In that regard, we established a set of targets to monitor our impact on the environment and to guide our business operations. Our ESG targets for the next three years are set forth as below.

- Our wastewater mainly consists of brine generated from our laboratory testing process and handwashing wastewater. The parameters we use to assess water pollutants include pH value, COD, Biochemical oxygen demand (BOD5), suspended solids (SS), ammonia nitrogen (NH3-N), phosphorus level, chlorine residual and fecal coliform. During the Track Record Period, each of these parameters with regard to our wastewater discharge was within the limits set by relevant authorities in the PRC. Our target is to maintain these parameter values to be 10% below the respective national limit. If any parameter value exceeds this target, we expect to take stringent measures to reduce the relevant water pollutant level. In addition, we expect to spend approximately RMB200,000 to upgrade our laboratory wastewater treatment system to ensure compliance with relevant limits and reduce our impact on the environment;

- Our gas emission from laboratory operations mainly includes non-methane hydrocarbons, and the maximum emission concentration permitted for us is $50mg/m^3$. According to third-party gas emission testing results our gas emission met the relevant local limits during the Track Record Period. We expect to conduct regular gas emission assessment and to change emission filters on a monthly basis (for medium-efficiency filters) or a semi-annual basis (for high-efficiency filters) to ensure compliance with relevant limits; and

- We also expect to spend approximately RMB200,000 to further upgrade our fresh air ventilation system from a fixed-speed system to a variable-speed system, which is expected to reduce our current power usage by approximately 30%.

Climate related risks

We may face climate-related risks arising from the extreme weather conditions. In particular, we may incur substantial losses due to loss of revenue from disruption of testing services, and additional expenditure on repairs or replacement of our damaged equipment and machinery depending on the nature of the natural disasters such as typhoons and floods. In response to such risks, we have formulated contingent plans in order to reduce our loss and negative impact on the safety of our employees and our businesses to the largest extent.

In addition, we pay close attention to global trends and China's national strategy of addressing climate change and ecological environment protection, and will actively enhance our ability to address climate change and comply with China's initiatives and action plans

regarding future carbon emission. Our Directors will continue to closely monitor relevant carbon emission policies as well as other environmental protection policies and regulations, and respond with appropriate mitigating measures in due course. We also plan to formulate internal mechanism after our listing to systematically identify, assess and manage climate change-related risks, and formulate relevant response strategies.

Social responsibility

We are dedicated to taking social responsibilities. We adopt policies on compensation and dismissal, equal opportunities, diversity and anti-discrimination. We are proud to be an equal opportunity employer with a dedicated workforce, and do not discriminate based on gender, gender identity, religion, race, ethnicity or disability. If our employees encounter any unequal discrimination, they should seek immediate assistance from either their department head, human resources department or our management team. We intend to immediately follow up, investigate, and, if necessary, report to the law enforcement authorities.

We strive to provide a safe and healthy working environment for our employees and ensure compliance with applicable laws and regulations. We have work safety guidelines that set out safety practices, accident prevention and accident reporting. We conduct regular safety inspections and maintenance of our testing facilities. We adopted and implemented a comprehensive set of work safety guidelines that outline safety practices related to, including accident prevention, reporting and handling, bacteria and virus exposure and fire hazard. To reduce the risk of unnecessary exposure of employees to biological hazards and to maintain a safe laboratory environment, we strictly and physically divide our laboratory space into clean area, quasi-contaminated area and contaminated area.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and knowhow related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, three invention patents and two design patents had been granted to us, and four invention patents were under application. We also registered 33 software copyrights and 58 trademarks. We plan to submit additional invention patent applications for our self-developed technologies, including various cancer markers, methylation-based multiplex PCR library preparation sequencing technology, and miRNA multiplex qRT-PCR technology. As of the Latest Practicable Date, we self-owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

During the Track Record Period and up to the Latest Practicable Date, to our knowledge none of our employees breached the confidentiality obligations under their employment contracts in a material respect; we were not subject to, nor were we party to, any material intellectual property rights infringement claims or litigations; and we were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Also see "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could disrupt our business."

DATA AND PRIVACY PROTECTION

We understand the importance of our consumers' privacy and take appropriate measures to protect consumers' data and personal information in accordance with legal and regulatory requirements and proven industry security standards. We provide our privacy policy and user agreement to consumers to review and ask for consent before we provide our services. These documents are also publicly available on our official website to ensure public access at any time.

To comply with the regulatory requirements under the Personal Information Protection Law (coming into effect on November 1, 2021)《個人信息保護法》), such as collection of personal information, our privacy policy provides prior notice and relevant disclosure in the following areas: (i) types of information we collect including name, gender, age, phone number and ID number, (ii) how we use the information collected from consumers, for example, information regarding name, gender and age will be used as identification information in the testing reports, the phone number will be used to deliver electronic testing reports to consumers and certain testing services (including COVID-19-related testing) requires consumers' ID number for government reporting purposes, (iii) how consumers can manage their personal information, (iv) location and term of our information storage, (v) measures we take to ensure information security and (vi) protection of minors.

In addition, we adopted internal protocols that regulate both confidentiality and privacy issues related to consumers' samples and data. There are standard operating procedures for sample/data collection, test procedures, data storage as well as data access. Our information system called the Mega Integrated Management System, is divided into multiple sub-systems based on business processes and functions, such as different sub-systems for (i) report viewing appointments, (ii) sample management and (iii) laboratory management. We store consumers' data in encrypted format and strictly limit the personnel who can access personal data. We implement de-identification and other measures to ensure privacy and security. For example, we adopted a set of rules and management procedures in accordance with relevant laws and regulations, such as the Administrative Measures for Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), including Mega Data Security Management Rules, System Emergency Response Measures, Change Management Procedures and Operation and Maintenance Management Procedures. We also established a data governance committee to supervise data privacy and data security matters, and an information security group that is responsible for network security and data security.

To ensure data security and further improve our data governance capability, we require our employees to comply with a number of data governance policies and rules when they handle consumer data and other important data. Such policies and rules include: (i) unless otherwise allowed by law or agreed with the owner of personal information, only a minimum amount of personal information will be used; (ii) employees are prohibited from disclosing any personal information of consumers to external parties; (iii) when an employee leaves our Company, the employee is required to follow our handover procedures and immediately return our properties and documents, especially those that contain personal data; (iv) when working with third parties, qualification review and due diligence are required to ensure data security, and a strict approval process is required to be followed if a third party requires access to personal data; (v) employees who suspect or become aware of any incident that involves or may involve data security are required to promptly report such incident; and (vi) our data governance committee is required to submit an annual report to the Board of Directors regarding our data governance status. Additionally, we protect the personal data of our employees. When an employee joins us, the Human Resource Department typically collects personal information, such as ID number, phone number and personal address. Our compensation and benefits team of the Human Resource Department is responsible for the management of such information, which cannot be accessed by any other department or personnel outside of the Human Resource Department. Moreover, the data governance policies mentioned above are also applicable to our employees' personal information.

To comply with the regulatory requirements under the Administrative Measures for Hierarchical Protection of Information Security, our integrated management system has obtained the Filing Certificate for Information System Security Protection (Level III). We regularly conduct data security training and security assessment to strengthen our employees' awareness of data security and privacy protection.

EMPLOYEES

As of the Latest Practicable Date, we had 374 employees in total. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

Function	Number	Percentage
		(%)
Research and Development	23	6
Testing and Operations	80	21
Sales and Marketing	236	63
Information Technology	11	3
Others	24	7
Total	374	100

Note: Others includes human resources department, finance department, legal department and other administrative departments.

We regard talent as one of our greatest assets. Our management team consists of eight members, who have an average of over 10 years of work experience in development or marketing of healthcare products and services. Approximately 90% of our management team members hold a master's degree or above.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels including our corporate websites and social networking platforms. 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. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. We also provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures. We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with all of our executive officers and employees. These contracts typically include a non-competition provision and a confidentiality provision effective during and after their employment with us.

We maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period. None of our employees are currently represented by labor unions.

During the Track Record Period, two of our subsidiaries, Mega Genomics Beijing and Beijing Mega Lab, did not make full social insurance and housing provident fund contributions for certain employees. Due to business development needs, some employees of Mega Genomics Beijing worked in other cities where Mega Genomics Beijing could not open social insurance and housing provident fund accounts locally. Taking into account the preference of some employees to make social insurance and housing provident fund contributions in other cities, Mega Genomics Beijing made such payment for those employees through a third-party agency.

Our PRC Legal Advisor has advised that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

We have fully complied with relevant requirements starting from July 2021. We have also discontinued the practice of making such payment through any third-party agency.

Under the PRC Social Insurance Law, an employer is required to apply for social insurance account and housing provident fund account registration and make social insurance and housing provident fund contributions for its employees to the employer's local social insurance institution and housing provident fund institution. Since all our employees (including those whose social insurance and housing provident fund contributions were previously paid through a third party) sign employment contracts with Mega Genomics Beijing or Beijing Mega Lab, we make social insurance and housing provident fund contributions in Beijing for all our employees, which is in compliance with relevant requirements.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or overdue charges with respect to social insurance and housing provident funds; (ii) we had not been subject to any material administrative penalties during the Track Record Period, as confirmed by the compliance certificate issued by relevant PRC authorities, and up to the Latest Practicable Date; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iv) we have made provisions of RMB1.4 million, nil and nil for the social insurance and housing provident fund contribution shortfall in 2019, 2020 and 2021, respectively. Our PRC Legal Advisor has advised us that the abovementioned non-compliance issues should not have a material adverse effect on our business and operation.

To prevent occurrence of non-compliance incidents in the future, we have improved and adopted various internal policies to enhance our internal control. We have established an internal control department to monitor various matters including the compliance of applicable laws and regulations by our Group and our employees. In our employees' manual, which is distributed to new employees immediately after they are on board, we have emphasized the importance of compliance with applicable laws and regulations as well as our internal policies. Regulatory compliance will be one of the key contents in our employees trainings to be conducted from time to time, and we will continue to update such contents according to the development of our business and updates of regulatory environment.

PROPERTIES

We are headquartered in Beijing, China, and entered into lease and sublease agreements in respect of properties located in Beijing and Shanghai. Among such properties, five are leased by Mega Genomics Beijing in the same building in Beijing with an aggregate area of approximately 3,000 sq.m. and are used as a combined office and laboratory space. The relevant lease agreements for four of these properties expire on March 31, 2023 and are renewed annually, and the lease term for the fifth property is expected to last from January 14, 2022 to October 31, 2022. The renewal process is typically initiated one month before the expiration date of the agreements. As advised by our PRC Legal Advisor, there is no legal impediment to renew such lease agreements as long as there is no material adverse change to the ownership certificates of the relevant properties. Mega Genomics Beijing in turn subleased portions of such properties to Beijing Mega Lab and such sublease expires on November 30, 2023. Beijing Mega Lab expects to initiate the renewal process one month before the expiration date of the sublease. As advised by our PRC Legal Advisor, there is no legal impediment to renew this sublease as long as there is no material adverse change to the ownership certificates of the relevant properties. In addition, to accommodate our increasing team size, we subleased an office space with an area of approximately 280 sq.m. from Baisite Jiexun Technology Co., Ltd. ("**Baisite Jiexun**"), such sublease expired on December 28, 2021, and we did not renew the lease. We also leased six workstations in Shanghai, and such lease expires on May 5, 2023. We do not anticipate undue difficulty in renewing our leases upon their expirations.

As of the Latest Practicable Date, the agreements with respect to six leases and subleases in the PRC for our business operations had not been registered and filed with the relevant regulatory authorities, primarily due to the difficulty of obtaining relevant landlords' cooperation to register such lease and sublease agreements. With respect to unregistered leases and subleases, our PRC Legal Advisor is of the opinion that the non-registration of lease and sublease agreements does not affect the validity of our lease and sublease agreements. As advised by our PRC Legal Advisor, the failure to register our lease and sublease agreements may subject us to a fine of up to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease and sublease agreements, and we have not received any notice from relevant authorities requiring us to correct such defect. During the Track Record Period, we did not experience any dispute arising out of our leased and subleased properties. Our PRC Legal Advisor has advised us, and our Directors believe, that such defect would not materially and adversely affect our

business and operations. We intend to continue to communicate with landlords and lessors of our leased and subleased properties in order to obtain their assistance in the filing and registration of our lease and sublease agreements.

Regarding the property that we subleased from Baisite Jiexun, we have not obtained authorization documents that evidence Baisite Jiexun's rights to sublease the property, primarily due to the difficulty of obtaining relevant landlords' cooperation to issue written consent for sublease. As a result, the sublease agreement may be terminated by the actual property owner and there is a risk that we may not be able to continue to use this property. As advised by our PRC Legal Advisor, relevant PRC laws and regulations do not expressly stipulate the fines or penalties for such non-compliance. As of the Latest Practicable Date, we have not received any notice that we cannot continue to use the properties. Our PRC Legal Advisor has advised us, and our Directors believe, that such defect would not materially and adversely affect our business and operations. The relevant lease was terminated on December 28, 2021, and we did not renew the lease.

We used this property subleased from Baisite Jiexun as an office and R&D space during the Track Record Period, while the designated use of this property as stated in its title certificate is industrial, which creates the potential risk that we may not be able to continue to use this property. This lease with Baisite Jiexun was terminated on December 28, 2021, and we did not renew the lease. When we leased this property, we had an immediate need for a temporary office space, and we were not able to ask the lessor to change the designated use of this property within a short period of time. Our PRC legal advisor has advised us that (i) according to the Land Administration Law of the People's Republic of China and other relevant PRC laws and regulations, the owner of the property may be ordered to return the property and fined by relevant authorities, and as the lessee, we would not be subject to any penalty or fine, (ii) since the lease was terminated on December 28, 2021, there are no additional rental losses or relocation costs, and (iii) such deviation from the designated land use would not materially and adversely affect our business and operations.

INSURANCE

We could face medical liability claims if anyone alleges that our services identified inaccurate or incomplete information regarding a targeted testing item, or otherwise failed to perform as designed, or provided inaccurate interpretation services. A consumer could allege that our test results caused unnecessary treatment or other costs, or resulted in the consumer missing the best opportunity or timing for treatment. At present, currently effective laws and regulations of the PRC do not require compulsory purchase of insurance for the provision of genetic testing services. However, we maintain insurance policies that we consider to be in line with market practice and adequate for our business. We purchase insurance policies under which we are the insured party and certain medical liabilities are covered by such policies if our consumers who purchase and use our services, including Septin9 colorectal cancer screening test, RNF180/Septin9 gastric cancer screening test and SDC2 colorectal cancer screening test, suffer losses or damages when our test generates a false negative result. As of the Latest Practicable Date, we have not purchased any insurance for other testing items. We

purchase property all risks insurance for machinery, equipment and other properties. We currently do not maintain product liability insurance. We maintain insurance policies that are required by applicable PRC laws and regulations, and we also maintain social welfare insurance for our employees in accordance with relevant PRC laws and regulations. See "Risks Factors – Risks Relating to Conducting Business in the PRC and Related Regulations".

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global esoteric testing markets, our ability to develop and commercialize our services, and our ability to compete with other esoteric testing companies. For details of various risks and uncertainties we face, see "Risk Factors". We also face various financial risks. In particular, we are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of our business.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our Audit Committee (chaired by Mr. Jia Qingfeng, our independent non-executive Director with approximately 13 years' experience in financial administration and risk control) and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management are expected to be analyzed on the basis of likelihood and impact, and properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

Our senior management oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across our Group.

Our legal and internal control personnel are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments are expected to (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously

monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. During the Track Record Period, we regularly reviewed and enhanced our internal control system. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group's internal control. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- Our Directors (who are responsible for monitoring the corporate governance of our Group), with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations upon Listing.

- Our Audit Committee shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group. For more details, see "Directors and Senior Management – Audit Committee".

- We engage a compliance adviser to provide advice to our Directors and management team upon Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to, *inter alia*, ensure our use of the proceeds from the Global Offering complies with the section entitled "Future Plans and Use of Proceeds" in this Prospectus after the Listing and provide support and advice regarding the requirements of relevant regulatory authorities on a timely basis.

- We will engage a PRC legal advisor to advise us on and keep us abreast with PRC laws and regulations upon Listing. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, members of our senior management and relevant employees on the latest applicable laws and regulations.

- We maintain strict anti-bribery policies among our sales personnel in our sales and marketing activities. Our anti-bribery policies clearly define the responsibilities and authorities of relevant departments in carrying out our anti-bribery and anti-corruption functions, and set up the internal protocols for reporting, investigation and remedy procedures, reporting channels and whistleblower protection mechanisms. Our anti-bribery policies strictly prohibit our employees from offering,

giving or promising something of value, whether tangible or intangible, either directly or indirectly through any agent, with the purpose of influencing the behavior of the recipient to the employees' advantage or inducing improper behavior on the part of the recipient. Legitimate and appropriate gifts to business partners in the ordinary course of business are subject to heightened scrutiny, including restrictions with respect to the type of gifts, limitation on the value of gifts, as well as a series of internal documentation, review and approval policy. Under our anti-bribery policies, doctors and nurses of public hospitals in China are treated as "relevant government personnel", the relationship with whom are subject to even higher standard for the purpose of our anti-bribery policies, including complete prohibition of offering, giving or promising something of value even for legitimate and appropriate purposes under certain circumstances. We also monitor our sales and marketing personnel to ensure their compliance with applicable promotion and advertising requirements.

- We maintain 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.

- Our Directors believe that internal controls create value for us. We are dedicated to cultivating a culture of integrity among all of our employees. To ensure such culture is embedded into everyday workflow and set the expectations for individual behavior across our Group, we conduct regular internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training as a part of our internal control measures.

- We will comply with the Corporate Governance Code. We have established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, see the section headed "Directors and Senior Management".

- We have adopted internal protocols governing both the confidentiality and privacy for consumers' samples and data.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, legal department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal proceedings or other disputes in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in, nor were we aware of the threat of, any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) against us or our Directors that we believe would have a material and adverse effect on our business, financial conditions, results of operations or reputations.

In October 2018, a service provider initiated a claim against us in the People's Court of Beijing Dongcheng District for unpaid payments in the amount of RMB1.9 million under a service contract and petitioned for a preliminary lien for the same amount on our commercial bank account. The court granted the preliminary lien request following its standard practice and procedure. As a result of the claim, the amount in dispute was reserved and categorized as restricted cash balance as of December 31, 2018. We settled this claim, and the service provider withdrew this case from the People's Court of Beijing Dongcheng District in November 2018. The process to remove the preliminary lien was completed in early 2019. This claim did not constitute a legal proceeding that would have a material and adverse effect on our business operations, as advised by our PRC Legal Advisor.

Non-Compliance

Unless described elsewhere as non-compliance which would not have a material adverse effect on our business as a whole in this Prospectus, as advised by our PRC Legal Advisor, we had compiled with the relevant PRC laws and regulations in all material respects during the Track Record Period and as of the Latest Practicable Date.

BACKGROUND

Foreign investment activities in China are mainly governed by (i) the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (applicable when we adopted the Contractual Agreements) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version)《外商投資准入特別管理措施(負面清單)(2021年版)》 (collectively, the "**Negative List**")[(1)], and (ii) the Catalogue of Industries for Encouraged Foreign Investment (2020 Version) (鼓勵外商投資產業目錄(2020年版)), which was promulgated jointly by the MOFCOM and the NDRC on December 27, 2020 and became effective on January 27, 2021. The Negative List divides industries into two categories in terms of foreign investment, namely "restricted" and "prohibited," and all industries not listed under any of these categories are deemed to be "permitted." Our business segments during the Track Record Period include consumer genetic testing services, cancer screening services and other services. The consumer genetic testing services and cancer screening services (the "**Relevant Services**") accounted for 91.7%, 100% and 99.5% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively, while other services only accounted for 8.3%, 0% and 0.5% of our total revenue for the same period, respectively.

With regard to Relevant Services, as advised by our PRC Legal Advisor, we conduct our Relevant Services, including the collection of human genetic information and resources for the purposes of research, development and application of screening technology and test for diagnosis, and the development and application of gene diagnosis and treatment technology, which are classified as foreign investment prohibited businesses under applicable PRC laws, regulations or rules. In order to comply with PRC laws and regulations, and maintain effective control over our genetic testing services, Mega Genomics WFOE entered into the Contractual Arrangements with Mega Genomics Beijing and the Registered Shareholders. Under the Contractual Arrangements, Mega Genomics WFOE acquired effective control over the financial and operational management and results of the PRC Consolidated Entities, and is entitled to all the economic benefits derived from the operations of the PRC Consolidated Entities. During the Track Record Period, the revenue generated by the PRC Consolidated Entities represents all consolidated revenue of our Group.

If the applicable PRC laws and regulations allow foreign ownership, our Group will unwind and terminate the Contractual Arrangements as soon as practicable to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under applicable PRC laws and regulations.

Note:

(1) The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) was promulgated jointly by the MOFCOM and the NDRC on June 23, 2020 and became effective on July 23, 2020. On December 27, 2021, the MOFCOM and the NDRC promulgated the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version)《外商投資准入特別管理措施(負面清單)(2021年版)》, which took effect on January 1, 2022, upon which the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version)《外商投資准入特別管理措施(負面清單)(2020年版)》 was repealed.

With regard to the other services, this business segment mainly includes our provision of (i) genetic research and analysis services and (ii) technical training and consulting services to third party research institutions, which was conducted before the adoption of the Contractual Arrangements:

(a) This business segment accounts for a highly insignificant portion of our business. As for our provision of genetic research and analysis services, we have since discontinued this service and completed all pre-existing projects as of the Latest Practicable Date due to its low profitability and our business plan and strategy adjustment. Meanwhile, our practice of technical training and consulting services to third party research institutions generates a highly insignificant portion of revenue and involves few customers. For example, for the year of 2021, we have since signed only one consulting contract with one third party research institution, which accounts for only 0.5% of our total revenue for the year ended December 31, 2021. The substantial obligations under such consulting agreement were fulfilled before the adoption of the Contractual Arrangements and such consulting agreement has expired on December 31, 2021; and

(b) We have no plan to continue the operation of genetic research and analysis services in this business segment and we will not provide technical training and consulting services to third party research institutions after listing in the foreseeable future due to our business plan and strategy adjustment. Considering our Group's various newly emerged business needs, we may operate services not subject to foreign ownership restrictions which are relevant to our main businesses in the future such as sales of consumables and reagents. However, to ensure that the Contractual Arrangements are narrowly tailored, such services not subject to foreign ownership restrictions would only be conducted through Mega Genomics WFOE rather than through the PRC Consolidated Entities. We also aim to continue to focus on the Relevant Services to constantly increase our revenue; and

(c) Currently other than (i) the genetic research and analysis services and (ii) the technical training and consulting services, we have not commenced substantive operations of any other services under this business segment, and considering the insignificance of this business segment in terms of its revenue contribution, it would not be cost-effective to transfer such other services out of our Group.

Based on the above, during the Track Record Period, the Contractual Arrangements were not adopted by our Group until June 2021 upon the completion of the Reorganization. There was only one consulting agreement still valid before the adoption of the Contractual Arrangements and the contractual obligations therein had been mostly performed when we adopted the Contractual Arrangements. Such consulting agreement has also expired on December 31, 2021. Since June 2021,we have not conducted nor will we conduct any businesses that fall outside of the "restricted" or "prohibited" category of the Negative List through PRC Consolidated Entities, and thus we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations

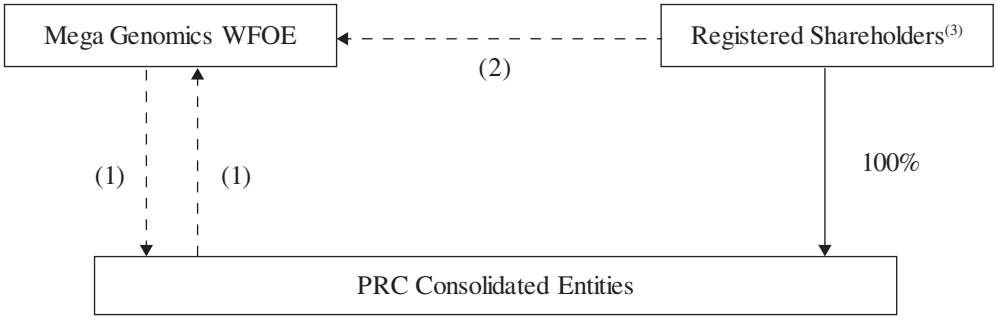
under the Listing Decision HKEX-LD43-3. If we conduct any business that are not under "restricted" or "prohibited" category of the Negative List, we will transfer such part of services to or conduct through Mega Genomics WFOE in order to ensure that we continue to remain narrowly tailored.

OVERVIEW

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements have been entered into by Mega Genomics WFOE with Mega Genomics Beijing, the Registered Shareholders and Individual Registered Shareholders, whereby Mega Genomics WFOE acquired effective control over the financial and operational policies of the PRC Consolidated Entities and will become entitled to all the economic benefits derived from their operations. We believe that the Contractual Arrangements are narrowly tailored, as they are used to enable us to conduct businesses in industries that are subject to foreign investment prohibition in the PRC.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Mega Genomics WFOE and Mega Genomics Beijing and the Registered Shareholders; (ii) the Exclusive Consultancy and Services Agreement, provides Mega Genomics Beijing with better economic and technical support from Mega Genomics WFOE and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The following simplified diagram illustrates the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements:



"–" denotes legal and beneficial interest in the equity interest

"- - -" denotes the Contractual Arrangements

Notes:

1. Mega Genomics WFOE provides comprehensive business support, technical services and consultancy to the PRC Consolidated Entities.

   The PRC Consolidated Entities paid service fees to Mega Genomics WFOE in exchange for the services. See "Summary of the Contractual Arrangements – Exclusive Consultancy and Services Agreement" of this section.

2. The Registered Shareholders executed an option agreement in favor of Mega Genomics WFOE, for the acquisition of 100% of the equity interests in and/or assets in Mega Genomics Beijing. For details, please see the section headed "Summary of the Contractual Arrangements – Exclusive Option Agreement" of this section.

   The Registered Shareholders pledged as first charge all of their respective equity interests in Mega Genomics Beijing to Mega Genomics WFOE as collateral security to secure performance of their obligations and Mega Genomics Beijing's obligations under the Contractual Arrangements. See "Summary of the Contractual Arrangements – Equity Pledge Agreement" of this section.

   The Registered Shareholders executed powers of attorney in favor of Mega Genomics WFOE. See "Summary of the Contractual Arrangements – Powers of Attorney" of this section.

3. The Registered Shareholders of Mega Genomics Beijing include (i) 9 natural persons being Ms. Guo, Zhang Yajun, Deng Zhenguo, Liu Yi, Hu Jianping, Si Yali, Gong Yudong, Song Xinbo and Zhou Quan; and (ii) 4 partnerships without actual business and only served as equity holding platforms in Mega Genomics Beijing, being Tianjin Hongyin, Tianjin Meihong, Tianjin Meizhiyin and Beijing Yinwei, collectively, the "**Platform Registered Shareholders**"; and (iii) 11 other entities with actual business such as investment fund and listed company, being Meinian OneHealth, Beijing Shiji, Qingdao Damei, Zhuhai Zhongwei, Tibet Tengyun, Maccura Biotechnology, Xiamen Fanding Jiayin, Ganzhou Zhangxin, Suzhou Ruihua, Qingdao Huichuang and Shanghai Yifangda, collectively, the "**Entities Registered Shareholders**". The Individual Shareholders include all ultimate beneficial owners of the Platform Registered Shareholders. The registered shareholders of Tianjin Hongyin are Lin Lin, Xu Ke, Sun Tong, Li Bin, Huang Yufeng, Yin Jianchun, He Shun, Xiong Fangjun, Li Yangkun, Guo Zhang, Xia Hongli, Wang Lianwu, Xiao Zhe, Yang Yue, Liu Zheng, Zhang Shengjiang, Zhang Ruigang, Wang Yanli, Xu Tianfu, Feng Lei, Zhai Yong, Li Yan, Wu Yanchen, Wang Kai, Yao Ling, Wang Honglin, Zhang Bin, Liu Yang, An Xia. The registered shareholders of Tianjin Meihong are Zhang Ning, Shi Lin, Huang Wei, Wang Chunfei, Yu Jiye, Le Yang, Li Ruolin, Zhang Qiang, Zhou Baofu, Zhang Li, Jiang Jing, Bian Guofu, Wang Xiaona, Zhang Haiping, Ren Xiumei, Yi Xiang, Li Xindong, Li Cong and Liu Xiaofeng. The registered shareholders of Tianjin Meizhiyin are Du Jun, Qu Weiwei, Wu Yanwei, Pan Wanbing, Huang Yufeng, Zhang Ziqi, Wang Yi, Jiang Jing, Qi Lulu, Yang Xiuli, Li Yan, Ren Xiumei, Li Cong, An Xia, Yi Xiang. The ultimate beneficial owner of Beijing Yinwei is Dr. Yu. Meinian OneHealth, Beijing Shiji, Qingdao Damei, Zhuhai Zhongwei, Tibet Tengyun, Maccura Biotechnology, Xiamen Fanding Jiayin, Ganzhou Zhangxin, Suzhou Ruihua, Qingdao Huichuang, Shanghai Yifangda are external institutional shareholders, and their ultimate beneficial owners are respectively consistent with our Company's shareholders, Mei Nian Investment Limited, Tianjin Shiji, Tianjin Damei, Tianjin Hongzhi Kangjian Management Consulting Partnership (LP), GRteam Global Limited, Maccura Biotechnology (USA) LLC, Tianjin Fanding Jiayin, Zhongcai Rongxin, Tianjin Ruihua, Tianjin Yifeng, Tianjin Yixin, for the details, please refer to "History, Reorganization and Group Structure – Our Company".

4. The Registered Shareholders' respective shareholding in the PRC Consolidated Entities are as below:

Shareholder	**Amount of registered capital subscribed** *(RMB)*	**Percentage ownership** *(%)*
Meinian OneHealth	2,261,021	18.63
Tianjin Hongyin	2,004,035	16.51
Ms. Guo	1,335,048	11.00
Tianjin Meihong	1,164,092	9.59
Beijing Yinwei	883,000	7.28
Beijing Shiji	734,046	6.05
Qingdao Damei	669,951	5.52
Zhuhai Zhongwei	500,000	4.12
Tibet Tengyun	300,000	2.47
Maccura Biotechnology	300,000	2.47
Xiamen Fanding Jiayin	242,736	2.00

Shareholder	Amount of registered capital subscribed *(RMB)*	Percentage ownership *(%)*
Ganzhou Zhangxin	233,400	1.92
Suzhou Ruihua	233,400	1.92
Tianjin Meizhiyin	224,576	1.85
Qingdao Huichuang	160,206	1.32
Zhang Yajun (張雅軍)	150,000	1.24
Deng Zhenguo (鄧振國)	134,852	1.11
Liu Yi (劉伊)	121,368	1.00
Hu Jianping (胡劍萍)	120,000	0.99
Shanghai Yifangda	100,000	0.82
Si Yali (司亞麗)	89,902	0.74
Gong Yudong (宮玉棟)	84,958	0.70
Song Xinbo (宋新波)	67,432	0.56
Zhou Quan (周全)	22,477	0.19
Total	12,136,800	100.00

The shareholding structure of the Registered Shareholders on Mega Genomics Beijing substantially mirrored the corresponding shareholding in our Company as of the Latest Practicable Date, please refer to "History, Reorganization and Group Structure – Reorganization" for details.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS

Exclusive Option Agreement

Mega Genomics Beijing and its Registered Shareholders entered into an exclusive option agreement with Mega Genomics WFOE on June 10, 2021 (the "**Exclusive Option Agreement**"), pursuant to which Mega Genomics WFOE was granted an irrevocable and exclusive right to purchase all or any of the equity interest in Mega Genomics Beijing held by the Registered Shareholders at present or in the future and/or all or any of the assets of Mega Genomics Beijing for a consideration equivalent to the lowest price permitted under PRC laws at the time of purchase. At Mega Genomics WFOE's request, the Registered Shareholders and/or Mega Genomics Beijing will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of Mega Genomics Beijing to Mega Genomics WFOE (or its designee) after Mega Genomics WFOE exercises its purchase right. Subject to relevant PRC laws and regulations, the Registered Shareholders shall compensate Mega Genomics WFOE (or its designee) with an amount equivalent to dividends received from or assets distributed by Mega Genomics Beijing. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to Mega Genomics WFOE any consideration they receive in the event that Mega Genomics WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Mega Genomics Beijing.

Mega Genomics Beijing and/or the Registered Shareholders have covenanted that Mega Genomics Beijing shall not, among other things:

- increase or reduce its registered capital, or alter the structure of the registered capital in any other way without the prior written consent of Mega Genomics WFOE;

- sell, transfer, pledge or dispose of in any manner any legal or beneficial interest derived from its equity interests, or its assets, business or income (save for the transactions related to the daily business operation), or allow the aforementioned to be the subject of a guarantee (save for pledges made pursuant to the Equity Pledge Agreement) without the prior written consent of Mega Genomics WFOE;

- distribute any form of dividend to the Registered Shareholders without the prior written consent of Mega Genomics WFOE;

- incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of Mega Genomics Beijing or not disclosed and consented in writing to by Mega Genomics WFOE;

- execute any material contract (i.e., a contract with nominal value above RMB100,000), except in the ordinary course of business;

- supplement, modify or amend Mega Genomics Beijing's constitutional documents in any way without the prior written consent of Mega Genomics WFOE; and

- merge or combine with any third party, or acquire or invest in any third party without the prior written consent of Mega Genomics WFOE.

Therefore, due to the relevant restrictive provisions in the Exclusive Option Agreement, the potential adverse effect on Mega Genomics WFOE and us in the event of any loss suffered from the PRC Consolidated Entities can be limited to a certain extent.

In order to prevent the flow of the relevant assets and value of Mega Genomics Beijing to the Registered Shareholders, Mega Genomics Beijing is not allowed to make any distributions to its shareholders without the prior written consent of Mega Genomics WFOE during the term of the Exclusive Option Agreement. If Mega Genomics WFOE exercises its purchase right, all or any part of the equity interests in and/or assets of Mega Genomics Beijing acquired would be transferred to Mega Genomics WFOE and the benefits of equity ownership and/or assets, as applicable, would flow to us and our Shareholders.

The Exclusive Option Agreement will remain effective until all equity interests in and assets of Mega Genomics Beijing held by the Registered Shareholders are transferred to Mega Genomics WFOE (and/or its designee) pursuant to the terms of the agreement.

Exclusive Consultancy and Services Agreement

Mega Genomics Beijing entered into an exclusive consultancy and services agreement with Mega Genomics WFOE on June 10, 2021 (the "**Exclusive Consultancy and Services Agreement**"), pursuant to which Mega Genomics Beijing agreed to engage Mega Genomics WFOE as its exclusive provider of comprehensive business support, technical and consultancy services, in exchange for service fees. Under these arrangements, the calculation method for service fees paid from Mega Genomics Beijing to Mega Genomics WFOE shall be the remaining of the comprehensive pre-tax profit of Mega Genomics Beijing from deducting any

(i) Mega Genomics Beijing's losses from the previous year (if any) and (ii) necessary costs, expenses and taxes required for Mega Genomics Beijing's business operations. Meanwhile, Mega Genomics WFOE has the right to adjust the amount of such service fees based on the nature of its services provided, Mega Genomics Beijing's operating conditions, and its development needs. The actual service fees paid by Mega Genomics Beijing shall be confirmed by the audit report issued by a Chinese registered accounting firm recognized by both Mega Genomics Beijing and Mega Genomics WFOE. The service fees are payable on a quarterly basis upon receipt of a payment bill issued by Mega Genomics WFOE.

Pursuant to the Exclusive Consultancy and Services Agreement, Mega Genomics WFOE has the exclusive and complete proprietary rights to all intellectual properties developed in performance of obligations under the Exclusive Consultancy and Services Agreement, whether developed by Mega Genomics WFOE, by Mega Genomics Beijing based on Mega Genomics WFOE's intellectual properties, or by Mega Genomics WFOE based on Mega Genomics Beijing's intellectual properties.

The Exclusive Consultancy and Services Agreement shall remain effective until (i) all equity interests in and assets of Mega Genomics Beijing held by the Registered Shareholders are transferred to Mega Genomics WFOE (and/or its designee) pursuant to the terms of the Exclusive Option Agreement; or (ii) Mega Genomics WFOE is allowed by the applicable law to hold direct ownership in Mega Genomics Beijing; Mega Genomics WFOE and its subsidiaries may legally engage in the business of Mega Genomics Beijing, and Mega Genomics WFOE is officially registered as the sole shareholder of Mega Genomics Beijing.

Equity Pledge Agreement

Mega Genomics Beijing and its Registered Shareholders, entered into an equity pledge agreement with Mega Genomics WFOE on June 10, 2021 (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders pledged as first charge all of their respective equity interests in Mega Genomics Beijing to Mega Genomics WFOE as collateral security to secure performance of their obligations and Mega Genomics Beijing's obligations under this agreement, the Exclusive Option Agreement, Exclusive Consultancy and Services Agreement, and the Powers of Attorney. In addition, under the Equity Pledge Agreement, none of the Registered Shareholders nor Mega Genomics Beijing may transfer or permit the encumbrance of any of the equity interests in Mega Genomics Beijing without Mega Genomics WFOE's prior written consent.

Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is successfully resolved to Mega Genomics WFOE's satisfaction, Mega Genomics WFOE is entitled to implement the pledge under the Equity Pledge Agreement by issuing the written demand at the time of the event of default or at any time thereafter.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

The Equity Pledge Agreement will remain effective until (i) all the outstanding debts and the obligations under this agreement are fully paid and performed; (ii) the Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement and the Powers of Attorney have expired or are terminated; or (iii) Mega Genomics WFOE determines to exercise its purchase right under the Exclusive Option Agreement to acquire all the equity interests in Mega Genomics Beijing, to the extent permitted under applicable laws.

Powers of Attorney

Pursuant to the powers of attorney dated June 10, 2021, each of the Registered Shareholders irrevocably authorized Mega Genomics WFOE, its successor and liquidator, or an individual designated by Mega Genomics WFOE (in order to avoid potential conflicts of interest, the designated person shall not be the Registered Shareholders or their associates), to exercise the following rights (the "**Powers of Attorney**"), which include:

- the right to execute the equity interest/share/asset transfer agreement under the Exclusive Option Agreement and perform the Equity Pledge Agreement and the Exclusive Option Agreement and their respective amendments and restatements from time to time;

- the right to propose and attend shareholders' meetings;

- the right to exercise shareholders' voting rights, including but not limited to the right to appoint and elect company directors, supervisors and other senior management members of which shareholders have the right to appoint;

- the right to sign shareholders meeting minutes and resolutions;

- the right to file documents in relation to the operation with the relevant company registry; and

- the right to authorize or transfer the above rights to any third party at the discretion of Mega Genomics WFOE.

As a result of the Powers of Attorney, we, through Mega Genomics WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of Mega Genomics Beijing.

The Powers of Attorney remain effective until Mega Genomics WFOE notifies each of the Registered Shareholders to terminate the Powers of Attorney entirely or in part.

Spouse Undertakings

Each of the spouses of the individual Registered Shareholders executed an irrevocable undertaking dated June 10, 2021, whereby he/she expressly acknowledged and undertook that, among others, (i) he/she does not hold any right or interest in any equity interests held by his/her spouse as a registered shareholder in Mega Genomics Beijing; and (ii) he/she will not take any measures that are in conflict with the Contractual Arrangements.

Each of the spouses of the individual Registered Shareholders also undertook that should he/she by any reason hold any equity interest in Mega Genomics Beijing, he/she will be bound by, as amended from time to time, the Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement, the Equity Pledge Agreement and the Powers of Attorney. He/she undertook to comply with the obligations of Mega Genomics Beijing's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon Mega Genomics WFOE's request.

Undertakings by Our Individual Registered Shareholders

The Platform Registered Shareholders, as investment holding companies, do not carry out any substantive business and are mainly established for holding the equity interests of Mega Genomics Beijing on behalf of their respective ultimate beneficial owners. In order to further ensure the stability, validity and enforceability of our Contractual Arrangements, each of ultimate beneficial owners of the Platform Registered Shareholders (the "**Individual Registered Shareholders**") has respectively signed a letter of irrevocable undertaking on September 15, 2021 that he/she is not, and will not pledge, sell or dispose equity interest in any Registered Shareholders, place any security interest or priority interest for third party in a way that would negatively impact Mega Genomics Beijing's (i) any priority effect of its equity pledge or (ii) any stable enforcement of its Contractual Arrangements. If an Individual Registered Shareholder has any need to pledge or place any security interest or dispose the equity interest in Registered Shareholders, Individual Registered Shareholders shall obtain consent from Mega Genomics WFOE or our company, to ensure that the pledge, dispose will not exert negative impact on the priority effect of equity pledge in Mega Genomics Beijing and stable enforcement of Contractual Arrangements. Each of the Individual Registered Shareholders undertakes that, should he/she by any reason hold any equity interest of Mega Genomics Beijing, he/she will be bound by, as amended from time to time, the Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement, the Equity Pledge Agreement and the Powers of Attorney. He/she undertakes to comply with the obligations of Registered Shareholders, and will sign all necessary documents and take all necessary actions to ensure that the Contractual Arrangements are properly implemented, and to ensure that Registered Shareholders implement such Contractual Arrangements. Specially, Dr. Yu, being one of the Individual Registered Shareholders and the ultimate beneficial owners of Beijing Yinwei who exerts significant influence over the operations of Mega Genomics Beijing, makes additional undertakings the same as those aforementioned in terms of the equity interest he holds in Mega Genomics Beijing (through Meinian OneHealth and Zhuhai Zhongwei) in his letter of irrevocable undertaking.

As advised by our PRC Legal Advisor, the Platform Registered Shareholders and the Entities Registered Shareholders, being partnerships or company entities, are legally bound by and are required to perform under the terms of the Contractual Arrangements, with substantively the same obligations and legal responsibility as those that would be imposed on a natural person who is Registered Shareholder. Further, as advised by our PRC Legal Advisor, even if the ultimate beneficial owners enter into arrangements that may directly or indirectly concern interests in the Platform Registered Shareholders and the Entities Registered Shareholders, which include any change in the partners or the shareholders of the Platform Registered Shareholders and the Entities Registered Shareholders under PRC laws, these arrangements would not affect the validity of the Contractual Arrangements or its legally binding effect upon the Platform Registered Shareholders and the Entities Registered Shareholders. As advised by our PRC Legal Advisor,with all the Registered Shareholders of Mega Genomics Beijing signing the Contractual Agreements, it is sufficient to ensure the stability, validity and enforceability of our Contractual Arrangements.

As advised by our PRC Legal Advisor, we are of the view that such letter of irrevocable undertakings signed by our Individual Registered Shareholders further strengthens our protection provided to shareholders in terms of our control to PRC Consolidated Entities and/or our enforcement of any Contractual Arrangements, since the letter of irrevocable undertakings given by Individual Registered Shareholders ensure that the natural persons behind the Platform Registered Shareholders are supportive of, and would not undermine the stability of or jeopardize the Platform Registered Shareholder's performance under the Contractual Arrangements on the following specific reasons:

(a) the letter of irrevocable undertakings prevent the Individual Registered Shareholders from entering into any arrangement involving their respective interests in the Platform Registered Shareholders, including pledge, sell or dispose equity interest that would adversely affect the first priority pledge granted by the Platform Registered Shareholders to WFOE under the Equity Pledge Agreement;

(b) the letter of irrevocable undertakings require the Individual Registered Shareholders to refrain from taking any action that would harm the operation of the Contractual Arrangements; and

(c) the letter of irrevocable undertakings further ensure that the Individual Registered Shareholders will be bound by, as amended from time to time, the Contractual Arrangements.

As for the Entities Registered Shareholders, unlike the Platform Registered Shareholders, they have actual business operation and the ability to perform the contracts, and they undertake the corresponding responsibilities and obligations directly to ensure the stability, validity and enforceability of our Contractual Arrangements. It is therefore not necessary for the ultimate beneficial owners of the Entities Registered Shareholders to provide such undertakings.

Dispute Resolution

Each of the Exclusive Option Agreement, the Exclusive Consultancy and Services Agreement and the Equity Pledge Agreement stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the provisions of such agreements. In the event the parties fail to reach an agreement on the resolution of such a dispute within 15 days, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission ("**CIETAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling by three arbitrators shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for enforcement of arbitration rulings. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the PRC Consolidated Entities or injunctive relief or order the winding up of the PRC Consolidated Entities. Mega Genomics WFOE may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) or other competent jurisdiction for interim remedies or enforcement order of the arbitration rulings.

However, our PRC Legal Advisor has advised that (i) a tribunal normally would not grant injunctive relief or winding up order of Mega Genomics Beijing under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that Mega Genomics Beijing or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Mega Genomics Beijing and conduct our business could be materially and adversely affected. For details, please see the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" in this Prospectus for details.

Succession

According to the terms of the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, each of the Registered Shareholders has undertaken that he/she/it has carried out all appropriate measures and executed all necessary documents, such that in the event of their death, loss of capacity, divorce, bankruptcy or under other circumstance which would affect their exercise of equity interest in Mega Genomics Beijing, his/her/its successor or any other person who, as a result, obtains shareholding or relevant rights in Mega Genomics Beijing would not be able to affect or impede the performance of obligations under the relevant contract.

In addition, the spouses of the individual Registered Shareholders have executed an irrevocable undertaking dated June 10, 2021. For details, please see the section headed "Spouse Undertakings" in this section for details of the undertaking.

Arrangements to Address Potential Conflicts of Interests

Pursuant to the Powers of Attorney dated June 10, 2021, each of the Registered Shareholders has given their irrevocable undertakings which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Specifically, each of the Registered Shareholders has undertaken that they (i) would not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into between the Registered Shareholders (or its designee) and Mega Genomics WFOE; (ii) they shall not commit or refrain from committing any act that may lead to conflicts of interests between the Registered Shareholders and Mega Genomics Beijing and (iii) in the event of the occurrence of a conflict of interests, subject to the consent of Mega Genomics WFOE (or its designee), they shall take any measure to eliminate such conflicts.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that the Company, Mega Genomics WFOE or other PRC subsidiaries of ours, are obligated to share the losses of Mega Genomics Beijing, but Mega Genomics WFOE may provide financial support as permitted under PRC laws at its discretion to Mega Genomics Beijing under the terms of the Exclusive Consultancy and Services Agreement, no matter if Mega Genomics Beijing suffers any losses of business. Further, Mega Genomics Beijing is a limited liability company and is solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, the Company or Mega Genomics WFOE is not expressly required to share the losses of Mega Genomics Beijing or provide financial support to Mega Genomics Beijing. Despite the foregoing, given that the Group conducts the Relevant Services in the PRC through Mega Genomics Beijing which hold the requisite PRC licenses and approvals, and that Mega Genomics Beijing's results of operations and assets and liabilities are consolidated into the Group's results of operations and assets and liabilities under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Mega Genomics Beijing suffers losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a liquidation under PRC laws, Mega Genomics Beijing shall transfer all its assets in which the Registered Shareholders have a proprietary interest in to Mega Genomics WFOE (or its designee) at the lowest price permitted under PRC laws.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in "Risk Factors – Risks Relating to our Contractual Arrangements." We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

Company's confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the Relevant Services through Mega Genomics Beijing under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Services to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor and the Sole Sponsor's PRC legal advisor have consulted the BMHC. As advised by our PRC Legal Advisor, BMHC is the competent authority to provide confirmation on the matters relating to the operation of medical institutions in Beijing, including our laboratory, and to interpret and execute the specific implementation of relevant PRC laws, regulations and rules of the industry in which we operate our principal businesses in Beijing. During the aforesaid consultation, BMHC has confirmed that it does not object to the adoption of the Contractual Arrangements. Our PRC Legal Advisor is of the opinion that:

1. Each of the Contractual Arrangements is legal, valid and binding under PRC laws, and is enforceable except for the following provisions regarding dispute resolution and liquidation:

   (a) a court with competent jurisdiction shall have the power to grant interim relief, such as a judgement or ruling to withhold or freeze relevant property or equity interests, and either party shall have the right to apply to courts with competent jurisdiction for enforcement of the arbitral rulings after such rulings have become effective; in addition to the PRC courts, the Hong Kong and Cayman

Islands courts shall also be deemed to have jurisdiction for the above purposes, including the power to grant or enforce the award of the arbitral tribunal and the power to issue and/or enforce interim measures in support of the arbitration pending the constitution of the arbitral tribunal and where appropriate. However, there is a risk that such interim measures issued by the Hong Kong or Cayman Islands courts may not be recognized and enforced by the PRC courts under PRC laws and regulations.

(b) If any of the PRC Consolidated Entities is dissolved or liquidated at the request of the PRC law, Mega Genomics WFOE shall have the right to appoint a liquidator to manage all assets of such entity, branches, etc. to the extent permitted by PRC law. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC laws.

None of the Contractual Arrangements violates any PRC laws or administrative regulations or any provisions of the articles of association of the domestic enterprises that are parties to the Contractual Arrangements; the Contractual Arrangements will not be deemed to be in violation of the PRC laws that would render the Contractual Arrangements invalid; therefore, the controlling structure formed under the Contractual Arrangements is not invalid for violation of PRC laws.

2. As of the Latest Practicable Date, there are no lawsuits, arbitrations or administrative penalties filed against the legality or validity of the Contractual Arrangements, or mandatory legal proceedings requiring the termination or dissolution of the Contractual Arrangements or the controlling structure.

3. Notwithstanding the foregoing, the possibility that future government authorities may make contrary determinations on the validity of the Contractual Arrangements and the legality of the controlling structure under the Contractual Arrangements based on their interpretation of existing PRC laws or based on future laws and regulations promulgated (including, but not limited to, provisions on industrial policies for foreign investment) cannot be ruled out, nor can the possibility of contrary attitudes or opinions of the PRC legislature, administrative authorities, courts or arbitral tribunals be completely ruled out. If such different or contrary determinations are made, the Contractual Arrangements shall be adjusted accordingly in accordance with the law and may be subject to penalties or the risk of suspension of relevant business operations. See "Risk Factors – Risks Relating to our Contractual Arrangements."

4. None of the agreements under the Contractual Arrangements would be void for the reason of being deemed as violation of the mandatory provisions of laws or "administrative regulations", "offence the public order or good morals" or "malicious collusion and thus harms the lawful rights and interests of another person" under Civil Code of PRC.

Based on the above analysis and advice from our PRC Legal Advisor and confirmation from relevant governmental authorities, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant provisions regarding dispute resolution and liquidation as disclosed above, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

TAX REQUIREMENTS RELATING TO THE CONTRACTUAL ARRANGEMENTS

In terms of tax requirements relating to the Contractual Arrangements, as advised by our PRC Legal Advisor, pursuant to the PRC Civil Code and Contractual Arrangements, the Mega Genomics WFOE shall have the right to receive service fees from Mega Genomics Beijing, and the Mega Genomics WFOE will be subject to value-added tax and enterprise income tax upon receipt of such service fees paid by Mega Genomics Beijing. The Contractual Arrangements were adopted in June 2021, and there is no actual tax liability as of the Latest Practicable Date. The Mega Genomics WFOE will comply with the tax related PRC laws and regulations and pay tax once the tax liability arises. If the Contractual Arrangements had been adopted at the beginning of the Track Record Period, the amount of our Group's additional tax liabilities that would have been incurred for the years ended December 31, 2019, 2020 and 2021 would be nil[(1)], approximately RMB10.5 million and RMB21.2 million respectively, and the aggregated amount would be approximately RMB31.7 million for the Track Record Period. Apart from the aforementioned taxes, our PRC Legal Advisor has confirmed that there are no other material tax requirements in respect of the receipt of such service fees and there is no legal impediment for our Group to fulfill the aforementioned tax requirements as of the Latest Practicable Date. For details of the tax risk in relation to Contractual Arrangements, please see the section headed "Risk Factors – Risks Relating to our Contractual Arrangements – The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment" in this Prospectus.

In addition, Mega Genomics Beijing enjoys preferential tax treatments because it has been identified as a high-tech enterprise and Mega Genomics Lab enjoys preferential tax treatment due to the policy of COVID-19. Mega Genomics WFOE does not enjoy any tax benefits because of the absence of the above two factors or any other factors that may lead to the receipt of any preferential tax treatment, and not as a result of the adoption of the Contractual Arrangements.

Note:

(1) Due to the accumulated losses of Mega Genomics Beijing in 2019, the service fees paid by Mega Genomics Beijing to the Mega Genomics WFOE would be nil for 2019 pursuant to the Exclusive Consultancy and Service Agreement, and therefore the additional tax amount would be nil in 2019 accordingly.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of the PRC Consolidated Entities

Under the Exclusive Consultancy and Services Agreement, it was agreed that, in consideration of the services provided by Mega Genomics WFOE, Mega Genomics Beijing shall pay service fees to Mega Genomics WFOE. The service fees shall be equal to 100% of the total consolidated profits of the PRC Consolidated Entities, after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Mega Genomics WFOE has the right to periodically receive or inspect the accounts of Mega Genomics Beijing.

In addition, under the Exclusive Option Agreement, Mega Genomics WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders, as Mega Genomics WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend from Mega Genomics Beijing, they shall promptly transfer such income, profit distribution or dividend to Mega Genomics WFOE or any other person designated by Mega Genomics WFOE.

As a result of the Contractual Arrangements, Mega Genomics WFOE is able to effectively control, recognize and receive all the economic benefits (after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions) of the business and operations of the PRC Consolidated Entities. Accordingly, the PRC Consolidated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the PRC Consolidated Entities is disclosed in Note 2.1 to the Accountants' Report set out in Appendix I.

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

The Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulations**"), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see "Regulatory Overview – Regulation of Foreign Investments."

Impact of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People's Republic of China (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to conduct the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Our PRC Legal Advisor is of the view that given the FIL does not explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements, when the FIL becomes effective on January 1, 2020 and if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Contractual Arrangements may not be affected. See "Risk Factors – Risks Relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations" for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to be compliant with the FIL.

Recent Developments

On December 24, 2021, the Draft Regulations on Listing were promulgated. As advised by our PRC Legal Advisor, we believe, according to the answer stated by the responsible person of the CSRC in a press conference on December 24, 2021, the Draft Regulations on Listing will follow the legal principle of non-retroactivity, and if the Draft Regulations on Listing become effective in their current forms, specifically: (i) the CSRC would initiate the filing requirements and procedures with the new overseas initial public offering applicants ("**New Applicants**"), under which the New Applicants shall submit filling materials within 3 business days after submitting initial public offering applications overseas; (ii) the CSRC would initiate the filing requirements and procedures with the existing overseas-listed stock enterprises ("**Stock Enterprises**") that conduct subsequent financing activities (i.e. a Stock Enterprise that issues new securities overseas shall submit the filing materials within 3 business days after the issuance of new securities is completed for filing purpose only); and (iii) the Stock Enterprises without any further financing activities would be granted a sufficient transitional period in order for them to complete the relevant procedures required by the CSCR (such as filing relevant information) which will be further specified by the relevant regulators. Therefore, if the Draft Regulations on Listing become effective in their current forms, we will be deemed a Stock Enterprise instead of a New Applicant applying the arrangement of transition period, and we are not required to complete any examination/filing procedures and/or obtain approval from the CSRC before the listing, provided that we have completed the listing at the time the Draft Regulations on Listing become effective.

According to the Governmental Consultations with BMHC, the BMHC was aware of the Contractual Arrangements adopted by certain listed companies and the listing plans of our Company. Since that the Draft Regulations has not become effective and the Article 6 of the Negative List (2021 version)[1] shall only apply to the situations where domestic enterprises were seeking a direct overseas issuance and listing according to the press conference held by the NDRC on January 18, 2022, our listing with red-chip structure that adopted Contractual Arrangements for the Relevant Services which are classified as foreign investment prohibited businesses under the applicable PRC laws, as indirect overseas issuance and listing rather than direct overseas issuance and listing (i.e. H share listing), is not required to obtain any examination and approval from the relevant authorities (including the BMHC) as of the Latest Practicable Date in accordance with the relevant laws and regulations currently in effect (including the Negative List (2021 version)). As confirmed by our Directors, our Company has not received any enquiries or notices from the BMHC or any relevant authorities as of the Latest Practicable Date.

On the basis of the foregoing, as advised by our PRC Legal Advisor, we believe that (1) as of the Latest Practicable Date, we are not required to obtain any examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect explicitly; (2) as of the Latest Practicable Date, the Draft Regulations on Listing stipulate that both the direct and indirect overseas issuance and listing of domestic enterprises should be subject to the CSRC filing process without additional distinction between foreign investment prohibited business and foreign investment restricted business, and the Article 6 of the Negative List (2021 version) shall only apply to the direct overseas issuance and listing (such as H share listing) rather than the indirect overseas issuance and listing (such as our listing with red-chip structure adopting Contractual Arrangements). If the Draft Regulations on Listing become effective in their current forms, for the Contractual Arrangements adopted for the Relevant Services which are classified as foreign investment prohibited businesses under the applicable PRC laws, our Company is not required to complete additional approval procedure other than the aforementioned CSRC filing process; (3) if the Draft Regulations on Listing become effective in their current forms, (i) for the listing of our Company, provided that we have completed the listing at the time the Draft Regulations on Listing become effective, we will be deemed a Stock Enterprise instead of a New Applicant without any requirement of completing any examination/filing procedures and/or obtaining approval from the CSRC before the listing, and we will be separately granted a sufficient transitional period in order for us to complete the relevant procedures required by the CSRC (such as filing relevant information) after the Draft Regulations on Listing become effective; and (ii) for any subsequent financing activities of our Company post the listing, we should be subject to the filing procedures of the subsequent financing activities of listed companies under the Draft Regulations on Listing; and (4) our listing with red-chip structure that adopted Contractual Arrangements for the Relevant Services which are classified as foreign investment prohibited businesses under the applicable PRC laws, as indirect overseas issuance and listing rather than direct overseas issuance and listing (i.e. H share listing), is not required to complete any examination/filing procedures and/or obtain approval from the CSRC and/or the relevant authorities as of the Latest Practicable Date in accordance with the relevant laws and regulations currently in effect.

1 The Article 6 provides that where a domestic enterprise engaged in the business in the prohibited areas of the Negative List (2021 version) seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval of the relevant competent authorities of the State.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services and a commitment to help people live better and healthier by promoting gene technology. According to Frost & Sullivan, we are the largest consumer genetic testing platform in China, where we had over 60% of the market share as measured by the number of tests administered in 2020, and 34.2% of market share in terms of revenue in the same year. As of December 31, 2021, we performed over 12 million genetic tests from the time of our establishment in 2016 with an average of over 246,000 tests performed per month in 2021.

Our consumer genetic testing services provide the full spectrum of genetic testing services covering a variety of specialty areas, including nutrition and metabolism, cancer risk assessment, chronic disease susceptibility, pharmacogenetic testing and infectious disease testing. Our testing services help consumers understand their unique physical traits and make better decisions about their lifestyle, diet and medication.

Our cancer screening genetic tests provide non-invasive method for consumers and healthcare providers to detect colorectal and gastric cancer at the early stages. In China's cancer genetic testing screening market, we are the largest market player as measured by tests administered in 2020, and our gross profit margin of 80.5% in 2020 for cancer screening services was significantly higher than the industry average of 60.3% in 2020 according to Frost & Sullivan.

According to Frost & Sullivan, we are the only company to have achieved sustained profitability in the consumer genetic testing industry in China over the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, we generated revenue of RMB123.7 million, RMB203.2 million and RMB237.2 million, respectively, and had profits for the years of RMB29.7 million, RMB79.1 million, and RMB79.0 million, respectively.

BASIS OF PRESENTATION

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021, and the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing on/before January 1, 2021 have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the periods covered by the Interim Financial Information.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below.

Growth of the Genetic Testing Market in China

We believe that our financial performance and future growth are dependent on the overall growth of the genetic testing market, especially the consumer genetic testing and cancer screening markets, in China. According to Frost & Sullivan, the market for genetic testing in China was RMB15.1 billion in 2020 and is expected to grow at CAGR of 26.4% from 2020 to 2025 and CAGR of 25.8% from 2025 to 2030. This market for genetic testing in China is expected to reach RMB153.6 billion by 2030. Furthermore, the penetration rate of consumer genetic testing in China was 0.8% in China and 8.8% in the United States in 2020. Compared to the United States, China's significantly larger population and substantially lower penetration rate represent a market that has significant potential for growth. For more information regarding the projected growth of the genetic testing market in China, see "Industry Overview" in this Prospectus. We believe by leveraging our leading position in the genetic testing market in China, we are well-positioned to capture the tremendous market opportunities to improve our results of operation and financial performance.

Further Innovation and Optimization of Our Platform Technologies

Our advanced technology platforms form the foundation of our business, in supporting our commercialized service offerings, R&D efforts to expand LDT service offerings, and development of IVD product candidates in the pipeline. We are continuously refining, innovating and optimizing our testing technologies, which are critical to maintaining our industry leading position. We have established our proprietary technology platforms, in which we use a wide array of molecular diagnostics platforms technologies for our various genetic and molecular testing applications including endpoint fluorescent PCR, qPCR, NGS (multiplex PCR, whole exome sequencing and whole genome sequencing), and customized them for our commercialized and R&D operations. Our automation of testing processes has enabled us to capture greater gains from the economies of scale from our high volume of consumer genetic testing and cancer screening. Our innovations such as blood nucleic acid extraction-free technology have helped us to reduce the average unit cost of testing and testing time.

We plan to allocate more resources to develop and optimize our testing technologies to achieve, among other objectives, higher levels of automation, expanded scale of operations and enhanced data analytics capabilities. The outcomes of our continued investments in testing technologies may have a significant impact on our results of operations.

Expansion of Our Service Offerings

Our comprehensive portfolio of consumer genetic tests and cancer screening tests has been the core of our business during the Track Record Period. We have developed 80 laboratory-developed tests and are continuing to expand our testing services portfolio. We take a market-driven approach to identify areas of R&D for new LDT testing services based on consumer needs and the capacity of our technology platforms to provide cost-effective testing solutions. We believe that our services being developed in our pipeline will drive our future growth. We expect to increase our research and development expenses significantly with the goal of fueling further innovation and expanding the scope of our services and business.

Development and Commercialization of Our IVD Testing Kit Products

Our business and results of operations also depend on our ability to successfully develop and commercialize our genetic and molecular IVD testing kit candidates in our product pipeline. Whether our product candidates can demonstrate favorable clinical trial results, and whether we can obtain the requisite regulatory approvals for our product candidates in time, are crucial factors for our business and results of operations. Our genetic testing kits in development include Alzheimer's disease screening kits as well as screening kits for colorectal cancer, gastric cancer, cervical cancer, BRCA1/BRCA2 gene mutation testing kits and Lung nodule (benign or malignant) auxiliary diagnostic kits. In addition, our self-developed ApoE gene testing kits and folate metabolic capacity assessment testing kits have completed registration inspection for registration filing. See "Business – Our Strategies – Invest in Research and Development as well as Product Commercialization". Our pipeline products are technologically compatible with our existing testing services so that we can leverage our

existing proprietary technologies to improve return of R&D expenditure. We believe the commercialization of testing kit products that can be sold to consumers will enable us to earn new revenue streams and improve our results of operation.

Our results of operations depend on our ability to successfully commercialize our product candidates upon receiving regulatory approval. There can be no assurance that the IVD genetic testing kits in our product pipeline will receive regulatory approval or in the timeframe we expect. Any failure or delay in obtaining regulatory approval for our products in the pipeline could have adverse effects on our business, financial condition, results of operations and prospects. The commercialization process of IVD genetic testing products is subject to numerous risks, many of which are beyond our control. For further details of the risks relating to the development and commercialization of new products, see "Risk Factors – Risks Related to Our Business, Industry and Intellectual Property Rights".

Our Ability to Improve Operating Efficiency

Our effective control of cost of sales and ability to improve operating efficiency has made our business more profitable. We have devoted efforts to control our cost of sales, which primarily includes raw material costs, cost of performing testing services, staff costs, and test report printing and delivery costs. Our cost of sales as a percentage of revenue was 36.6%, 28.0% and 29.7% for the years ended December 31, 2019, 2020 and 2021, respectively. Since 2019, we have lowered the average cost of sales per unit for each consumer genetic test and cancer screening test through (i) technological advancements in our production process such as greater automation, (ii) optimizing our operation process, such as the use of electronic delivery of test reports to save printing and delivery costs, and (iii) replacement of procured consumables with self-produced consumables.

A significant portion of our costs of sales and operating expenses is fixed in nature, such as depreciation and amortization, which does not fluctuate significantly with the movement of our sales. Therefore, increases of sales volume tends to improve our cost efficiency and profitability through economies of scale. Nevertheless, there are input costs and other factors affecting our operational efficiency that are beyond our control. And despite our continued investments in production technology and efforts to optimize operations, future efficiency gains cannot be assured. Our ability to improve operating efficiency will remain a key factor with direct impact on our business, financial condition, results of operations and prospects.

Our Ability to Broaden Our Sales Network and Deepen Market Penetration

A key strength of our business is the ability to deliver our service offerings to customers through our vast and multifaceted sales network. As of December 31, 2021, we provided testing services through over 1,400 healthcare institutions in over 340 cities across China. We also reached consumers through online channels with close partnerships with major e-commerce platforms. We intend to expand our sales channel by providing our service offerings to more health checkup centers, hospitals, medical institutions and insurance companies. We are also deepening cooperation with existing customers, for instance, by penetrating more specialty

departments in hospitals with which we have existing relationships. Our ability to expand our sales network and penetrate deeper into our existing sales channels could have a significant impact on our business growth and the results of our operations.

Seasonality of the Genetic Testing Market

Sales of our services are subject to seasonal factors. Consumers in China generally prefer to undertake health examinations towards the end of the year, according to Frost & Sullivan. Based on historical data, demand for our testing services from health checkup centers have generally been higher in the second half of the calendar year. Revenue in the second half of our financial year generally accounts for a majority of our total revenue for the year. On the other hand, some components of our costs and expenses such as rental expenses and staff costs are relatively fixed in nature and not affected by the seasonality impact. As a result of the seasonality effect and our relatively fixed costs and expenses structure, we may generate less operating profit in the first half of our financial year than in the second half of our financial year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that we believe are most significant to the preparation of our consolidated financial statements. See Notes 2.4 and 3 to the Accountants' Report included in Appendix I to this Prospectus for details of these accounting policies and estimates.

Critical Accounting Policies

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

We transfer control of goods or services over time and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

We derive revenue from rendering of gene testing for detection of cancers and other diseases, provision of gene science research and analysis and sales of medical material.

Revenue from consumer genetic testing services and cancer screening services is generally recognized at the point in time when control of the asset is transferred to the customer, generally on the delivery of the testing reports to customers. Revenue from the provision of genetic research and analysis services is recognized over time, using an output method to measure progress toward complete production of science research and analysis, because the customer simultaneously receives and consumes the benefits provided by our performance as we perform. Revenue from the sale of medical materials is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt of materials by customers. Revenue from consulting service recognised at the point in time when the service for the transaction is completed under the terms of contracts.

Other Income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Investments and other financial assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus, in the case of a financial

asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with our policies of revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also

recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

De-recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from our consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- we have transferred our rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if, and to what extent, we have retained the risk and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we continue to recognise the transferred asset to the extent of our continuing involvement. In that case, we also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

Impairment of Financial Assets

We recognise an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a

12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified Approach

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on market historical credit loss experience and our Group's and main customers' historical expected default rates, adjusted for forward-looking factors specific to the debtors and the economic environment.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognise such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Laboratory equipment	9.5% or 19.0%
Other equipment	19.0%
Leasehold improvements	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is de-recognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use Assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices and warehouses	3-8 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects our exercise of the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate ("**IBR**") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply short-term lease recognition exemption to our short-term leases of office premises and staff dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

As lessor

When we act as a lessor, we classify at lease inception (or when there is a lease modification) each of our leases as either an operating lease or a finance lease.

Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Critical Accounting Estimates

Provision for expected credit losses on trade receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging period for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on our historical expected default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in Note 17 to the Historical Financial Information.

Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies, details of which are set out in Note 25 to the Accountants' Report included in Appendix I to this Prospectus.

Leases – Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). We estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The table below sets forth our consolidated statements of profit or loss for the years indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Prospectus:

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	123,700	203,220	237,185
Cost of sales	(45,224)	(56,979)	(70,509)
Gross profit	78,476	146,241	166,676
Other income and gains	14,524	3,680	14,265
Selling and distribution expenses	(4,944)	(19,475)	(22,977)
Administrative expenses	(15,583)	(18,553)	(22,968)
Impairment losses on trade receivables, net	(6,451)	726	(6,165)
Other expenses	(8,145)	(1,165)	(5,872)
Listing expenses	–	–	(20,167)
Finance costs	(3,052)	(1,851)	(785)
Interest on redemption liabilities on ordinary shares	(16,533)	(14,700)	(6,125)
Profit before tax	38,292	94,903	95,882
Income tax expense	(8,601)	(15,806)	(16,867)
Profit for the year	**29,691**	**79,097**	**79,015**

Non-HKFRS measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we also use Adjusted Net Profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe the presentation of this non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating non-cash items.

Interest on redemption liabilities on ordinary shares was a non-cash, interest expense recorded to reflect interest incurred on our conditional obligation to redeem ordinary shares issued in our Series A financing in 2016. This redemption obligation was measured at net present value of the redemption obligation amount and recorded as a financial liability and incurred interest. For more information regarding interest on redemption liabilities on ordinary shares, see "– Description of Key Statement of Profit or Loss Items – Interest on redemption liabilities on ordinary shares."

The use of the non-HKFRS measures has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for or superior to analysis of, the results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net profit for the years to our adjusted net profit for the years indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	**29,691**	**79,097**	**79,015**
Interest on redemption liabilities on ordinary shares	(16,533)	(14,700)	(6,125)
Adjusted Net Profit	**46,224**	**93,797**	**85,140**

Revenue

Revenue by Business Segment

The following table sets out our revenue by business segments during the Track Record Period:

	For the year ended December 31,					
	2019		**2020**		**2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Consumer genetic testing services	106,571	86.1	161,709	79.6	135,469	57.1
Cancer screening services	6,872	5.6	41,511	20.4	100,585	42.4
Other services	10,257	8.3	–	–	1,131	0.5
Total	**123,700**	**100.0**	**203,220**	**100.0**	**237,185**	**100.0**

Consumer genetic testing services. This business segment accounts for revenue from our provision of consumer genetic testing services which includes testing for nutrition and metabolism, cancer risk assessment, chronic disease susceptibility, pharmacogenetic testing and infectious disease testing. For details of this business segment, see "Business – Consumer Genetic Testing Services." Over the Track Record Period, consumer genetic testing services has been our largest segment for revenue generation, accounting for 86.1%, 79.6% and 57.1% respectively, of our total revenue for the years ended December 31, 2019, 2020 and 2021.

Cancer screening services. This business segment accounts for revenue from our provision of cancer screening services including the Septin9 colorectal cancer screening test, SDC2 colorectal cancer screening test and RNF180/Septin9 gastric cancer screening test. For details of this business segment, see "Business – Cancer Screening Services." Over the Track Record Period, cancer screening services has been our fastest growing segment for revenue generation, accounting for 5.6%, 20.4% and 42.4% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively.

Other services. This business segment accounts for revenue from the following sources. Our provision of genetic research and analysis services to third party research institutions. Immediately prior to our Track Record Period, we made the strategic decision to discontinue the provision of this unprofitable service, and in subsequent years gradually completed pre-existing projects. We have leased surplus research equipment previously used for this type of service and sold off unused or surplus medical materials and consumables used in genetic testing. Our provision of consulting services mainly in the form of technical training and consulting for our customers. In 2020, due to the COVID-19 pandemic and social distancing restrictions, consulting services diminished, but has resumed in 2021. Over the Track Record Period, revenue contribution from other services declined from as a percentage of our total revenue, accounting for 8.3%, nil and 0.5% for the years ended December 31, 2019, 2020 and 2021, respectively.

During the Track Record Period, we offered genetic testing services through a combined approach with both self-developed LDT services and outsourced IVD products. The tables below set forth a breakdown of our revenue and gross profit from consumer genetic testing services and cancer screening services by IVD products or LDT services during the Track Record Period.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue						
Consumer genetic testing IVD	1,124	1.0	76,044	37.4	53,674	22.7
Cancer screening IVD	6,872	6.0	41,511	20.4	100,585	42.6
IVD	**7,996**	**7.0**	**117,555**	**57.8**	**154,259**	**65.3**
Consumer genetic testing LDT	105,447	93.0	85,665	42.2	81,794	34.7
LDT	**105,447**	**93.0**	**85,665**	**42.2**	**81,794**	**34.7**
Total	**113,443**	**100.0**	**203,220**	**100.0**	**236,054**	**100.0**

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gross Profit						
Consumer genetic testing IVD	88	0.1	51,200	35.0	29,998	18.1
Cancer screening IVD	4,171	5.5	33,407	22.9	76,095	45.9
IVD	**4,259**	**5.6**	**84,607**	**57.9**	**106,093**	**64.0**
Consumer genetic testing LDT	71,948	94.4	61,634	42.1	59,650	36.0
LDT	**71,948**	**94.4**	**61,634**	**42.1**	**59,650**	**36.0**
Total	**76,207**	**100.0**	**146,241**	**100.0**	**165,742**	**100.0**

As of December 31, 2021, out of our 91 testing solutions, 80 of them were provided with self-developed LDT services and 11 of them were provided with IVD testing kits procured from independent third-party suppliers. During the Track Record Period, the overall increasing trend in the percentage of revenue from testing services provided with IVD products was mainly due to the rapid growth of our cancer screening services as well as the introduction of COVID-19-related testing services during the pandemic, which were both provided with outsourced IVD testing kits.

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. We incur certain costs for testing services provided by independent third parties. We occasionally engage these independent third parties to supplement our in-house services when service volumes are extraordinarily high to fulfill our customers' needs. The outsourced services are basic services with relatively low technical thresholds, and we have systems in place to ensure that these third parties are qualified to conduct these services, and that the testing results meet our quality standards. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	17,924	39.6	19,957	35.0	36,697	52.0
Testing services	8,933	19.8	21,311	37.4	11,567	16.4
Staff costs	5,815	12.9	3,726	6.5	10,384	14.7
Depreciation and amortization	5,603	12.4	5,958	10.5	5,499	7.8
Printing and delivery costs	3,686	8.2	2,999	5.3	2,663	3.8
Others	3,263	7.1	3,028	5.3	3,699	5.3
Total	**45,224**	**100.0**	**56,979**	**100.0**	**70,509**	**100.0**

For the years ended December 31, 2019, 2020 and 2021, our cost of sales was RMB45.2 million, RMB57.0 million and RMB70.5 million, respectively.

The following table sets out our cost of sales by business segment during the Track Record Period:

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Consumer genetic testing services	34,535	76.4	48,875	85.8	45,821	65.0
Cancer screening services	2,701	6.0	8,104	14.2	24,490	34.7
Other services	7,988	17.7	–	–	198	0.3
Total	**45,224**	**100.0**	**56,979**	**100.0**	**70,509**	**100.0**

Gross Profit and Gross Profit Margin

For the years ended December 31, 2019, 2020 and 2021, our gross profit was RMB78.5 million, RMB146.2 million and RMB166.7 million, respectively. For the same years, our gross profit margin was 63.4%, 72.0% and 70.3%, respectively.

The following table sets out our gross profit by business segment during the Track Record Period:

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Consumer genetic testing services	72,036	91.8	112,834	77.2	89,647	53.8
Cancer screening services	4,171	5.3	33,407	22.8	76,095	45.7
Other services	2,269	2.9	–	–	934	0.5
Total	**78,476**	**100.0**	**146,241**	**100.0**	**166,676**	**100.0**

The following table sets out our gross profit margin by business segment during the Track Record Period:

	For the year ended December 31		
	2019	2020	2021
Consumer genetic testing services	67.6%	69.8%	66.2%
Cancer screening services	60.7%	80.5%	75.7%
Other services	22.1%	–	82.5%
Gross profit margin	**63.4%**	**72.0%**	**70.3%**

Other Income and Gains

Our other income and gains primarily consist rental income, supplemented by bank interest income, government grants, investment income from financial assets at fair value through profit or loss, changes in fair value of financial assets at fair value through profit or loss, and others.

Rental income was from lease payments received from our rental of certain testing equipment to institutional customers. Prior to our Track Record Period, we made the strategic decision to discontinue the provision of genetic research and analysis services to third party research institutions and we subsequently leased idle testing equipment previously used for this type of service. We did not procure any additional equipment, and all of the leased equipment were existing and idle testing equipment.

During the Track Record Period, we provided equipment leasing services to six customers. Two of these customers, Jinjian Technology Services (Beijing) Co., Ltd. and Meizhi Health Management (Beijing) Co., Ltd., are our related parties. The other four customers are non-related parties who engage in the provision of gene sequencing services. We generally offer consistent service terms and fees to our equipment leasing customers. The lease agreements are negotiated on arm's length basis, and we do not provide preferential or varying service terms or fees to related parties. The types of equipment we lease mainly include genetic sequencing machine, pipetting workstation and compute nodes. Customers also review the equipment's functionality and condition before they make the leasing decision.

For the years ended December 31, 2019, 2020 and 2021, gross profit from our equipment leasing business was RMB5.0 million, RMB0.7 million and RMB5.5 million, respectively. Gross profit from our equipment leasing business decreased significantly from 2019 to 2020, mainly due to the decrease in customer demand as a result of the COVID-19 pandemic. As businesses gradually recovered from the impact of the pandemic, our customers' demand for equipment leasing rebounded and gross profit from this line of business increased accordingly during 2021.

Government grants mainly represent subsidies and awards from local governments in China to support our operations and certain capital expenditures. Such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. The table below sets forth a breakdown of our other income and gains for the years indicated:

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Rental income	11,015	75.8	1,382	37.6	10,495	73.6
Bank interest income	35	0.2	344	9.3	269	1.9
Government grants	1,253	8.6	1,158	31.5	626	4.4
Investment income from financial assets at fair value through profit or loss	–	–	–	–	2,708	18.9
Changes in fair value of financial assets at fair value through profit or loss	–	–	100	2.7	58	0.4
Others	2,221	15.3	696	18.9	109	0.8
Total	**14,524**	**100.0**	**3,680**	**100.0**	**14,265**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses consist of staff costs, depreciation and amortization, lease fee, promotional expenses, transportation costs, travel expenses, business hospitality expenses, and others. Staff costs consist of the salaries and benefits for our in-house marketing and development staff. Promotional expenses mainly consist of expenses associated with various marketing and development activities. Other selling and distribution expenses include rental expenses, amortization of intangible assets and pending expenses, hospitality expenses and product insurance costs. For the years ended December 31, 2019, 2020 and 2021, we recorded selling and distribution expenses of RMB4.9 million, RMB19.5 million and RMB23.0 million, respectively.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated, both in actual amounts and as a percentage of total selling and distribution expenses.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	3,460	70.0	3,148	16.2	16,008	69.7
Depreciation and amortization	339	6.8	466	2.3	337	1.5
Promotional expenses	295	6.0	14,100	72.4	2,303	10.0
Transportation costs	11	0.2	653	3.4	24	0.1
Travel expense	612	12.4	558	2.9	2,663	11.6
Business hospitality expenses	98	2.0	123	0.6	428	1.9
Others	129	2.6	427	2.2	1,214	5.2
Total	**4,944**	**100.0**	**19,475**	**100.0**	**22,977**	**100.0**

Our staff costs increased significantly in 2021, primarily because our in-house marketing and development staff grew significantly from a team of 25 employees as of December 31, 2020 to 133 employees as of December 31, 2021. The increase in employees in 2021 is consistent with our business growth and, in particular the significant increase in cancer screening services. Our promotional expenses increased significantly in 2020, mainly because we purchased and distributed promotion items to encourage consumers to undertake genetic testings in 2020 in response to consumers' reluctance to visit health checkup centers in early 2020. As the effects of the COVID-19 pandemic in China gradually subdued in 2021 and consumer demand gradually returned, such expenses decreased accordingly in 2021.

Administrative Expenses

Our administrative expenses consist of staff costs relating to our administrative and management personnel, research and development expenses, depreciation and amortization, consulting fees, tax and surcharge, and other expenses such as office expenses, professional services, and travel expenses. For the years ended December 31, 2019, 2020 and 2021, we recorded administrative expenses of RMB15.6 million, RMB18.6 million and RMB23.0 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the years indicated, both in actual amounts and as a percentage of total administrative expenses.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	7,081	45.4	3,712	20.0	4,380	19.1
Research and development expenses	4,390	28.2	4,446	24.0	11,407	49.7
Depreciation and amortization	2,412	15.5	6,659	35.9	2,167	9.4
Consulting fees	162	1.0	42	0.2	1,071	4.7
Tax and surcharge	309	2.0	2,631	14.2	2,370	10.3
Others	1,229	7.9	1,063	5.7	1,573	6.8
Total	**15,583**	**100.0**	**18,553**	**100.0**	**22,968**	**100.0**

Research and Development Costs

Our research and development costs primarily consist of staff costs relating to our R&D personnel, raw materials, depreciation and amortization and others. During the Track Record Period, our R&D personnel were primarily engaged in developing new testing services and products and improving existing testing items. For the years ended December 31, 2019, 2020 and 2021, we recorded research and development costs of RMB4.4 million, RMB4.4 million and RMB11.4 million, respectively.

The following table sets forth a breakdown of our research and development costs for the years indicated, both in actual amounts and as a percentage of total research and development costs.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	3,748	85.4	2,785	62.6	6,263	54.9
Raw materials	76	1.7	1,158	26.0	2,110	18.5
Depreciation and amortization	64	1.5	98	2.2	809	7.1
Depreciation of right-of-use assets	387	8.8	351	7.9	388	3.4
Utilities	42	1.0	29	0.7	36	0.3
Others	73	1.7	25	0.6	1,801	15.8
Total	**4,390**	**100.0**	**4,446**	**100.0**	**11,407**	**100.0**

Our staff costs under research and development slightly decreased in 2020 compared to 2019 primarily due to the government's provision of temporary relief for social insurance and housing provident fund contribution due to the COVID-19 pandemic which lowered our staff costs in 2020, and this government policy ended in 2021. Our staff costs increased significantly in 2021 as our research and development team increased from 19 employees to 27 employees in 2021 as a result of the increase in our research activities.

Impairment losses on trade receivables, net

We recorded net impairment losses on trade receivables of RMB6.5 million and RMB6.2 million for the years ended December 31, 2019 and 2021 respectively. In the year ended December 31, 2020, we recorded a net impairment gain on trade receivables of RMB726,000.

At each reporting date, we recognize allowances for the expected credit losses on trade receivables based on our accounting policy for impairment of financial assets and provision matrix that is based on market historical credit loss experience and our Group's and main customers' historical expected default rates, adjusted for forward-looking factors specific to the debtors and the economic environment. During the Track Record Period, we especially considered the progress of collection efforts on the relevant receivable accounts of customers and the amount of trade receivables aging over one year. For the year ended December 31, 2020, we recorded a net impairment gain primarily as a result of our progress in collections in the second half of 2020, especially trade receivables aged between one and two years. For more information about our accounting policy for impairment of financial assets, see "– Critical Accounting Policies and Estimates – Critical Accounting Policies – Investments and other financial assets – Impairment of Financial Assets" and "– Critical Accounting Policies and Estimates – Critical Accounting Estimates – Provision for expected credit losses on trade receivables."

Other Expenses

Our other expenses consist primarily of equipment rental expenses arising from our equipment leasing activities. For the years ended December 31, 2019, 2020 and 2021, we recorded other expenses of RMB8.1 million, RMB1.2 million and RMB5.9 million, respectively.

Listing Expenses

RMB20.2 million in expenses related to this Listing was recognized and charged to our consolidated statements of profit or loss for 2021 and RMB1.0 million was capitalized to deferred listing expenses. Such expenses mainly consisted of professional advisory fees.

Finance Costs

Our finance costs mainly consist of interest expenses on lease liabilities and other borrowings. For the years ended December 31, 2019, 2020 and 2021, we recorded finance costs of RMB3.1 million, RMB1.9 million and RMB0.8 million, respectively.

	For the year ended December 31,					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest expenses on:						
Lease liabilities	1,277	41.8	1,011	54.6	724	92.2
Other borrowings	1,775	58.2	840	45.4	61	7.8
Total	**3,052**	**100.0**	**1,851**	**100.0**	**785**	**100.0**

Interest on redemption liabilities on ordinary shares

Our Series A Investors were entitled to a redemption right under the 2016 Series A Financing Agreement, which under certain conditions would entitle holders of these shares to a 10% return on their Series A investment. In June 2021, the redemption right of the remaining Series A Investors was terminated and the remaining amount of the redemption obligation was derecognized. For more information regarding the Series A Financing, see "History, Reorganization and Group Structure – Equity transfer subsequent to the Series A financing." For further details of the Series A Financing Agreement, see Note 26 of the Accountants' Report in Appendix I.

Income Tax Expense

Our income tax expense primarily consists of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under relevant laws and regulations in China. For the years ended December 31, 2019, 2020 and 2021, our income tax expenses were RMB8.6 million, RMB15.8 million and RMB16.9 million, respectively.

Profit for the Year

We recorded net profit of RMB29.7 million, RMB79.1 million and RMB79.0 million for the years ended December 31, 2019, 2020 and 2021, respectively.

Prior to the Track Record Period, we had an accumulated loss of RMB68.6 million due to our initial capital investment to develop our services and sales network in an effort to establish our presence and gradually gain market share in the genetic testing industry. At the onset of the our operations (prior to the Track Record Period), we devoted significant capital and human resources for the establishment of our businesses, the development of products and services, the recruitment of our R&D team, operations team, sales team and distribution

network as well as the accumulation of the required facilities and equipment. As a result of the initial investment and business development efforts, we incurred a significant amount of expenses, which resulted in an accumulated loss of RMB68.6 million as of December 31, 2018.

During the Track Record Period, we expanded our product and service portfolios, broadened our customer coverage, and optimized our business profile by focusing on more profitable segments of the genetic testing industry, which bolstered our ability to generate revenues. At the same time, we implemented effective measures to control our expenses more efficiently in conjunction with the significant growth in business volume and gradually realized scale effect. As a result, our revenues increased significantly and we generated net profits during our Track Record Period. For details regarding our financial performance and how we were able to generate net profits during the Track Record Period, please refer to the section headed "– Discussion of Results of Operations."

Adjusted Net Profit (Non-HKFRS measure)

Our Adjusted Net Profit for the years ended December 31, 2019, 2020 and 2021 was RMB46.2 million, RMB93.8 million and RMB85.1 million, respectively.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands as a company with limited liability under the Companies Act and, accordingly, are not subject to income tax in the Cayman Islands.

PRC

Our subsidiaries in China are subject to Enterprise Income Tax ("**EIT**") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("**EIT Law**"). Our subsidiaries in China are generally subject to EIT at the statutory rate of 25% pursuant to the EIT Law. Our subsidiary, Mega Genomics Beijing is qualified as a High and New Technology Enterprise and has been subject to tax at a preferential income tax rate of 15% throughout the Track Record Period. This qualification was extended in 2020 for three years. For more information on PRC taxation policies, see "Regulatory Overview – Tax Regulations – PRC Enterprise Income Tax."

Since 2016, certain PRC enterprises have been required to pay a value-added tax of in lieu of business tax. Our subsidiary, Beijing Mega Lab, as a medical institution, is subject to 6% VAT. During the COVID-19 pandemic, the PRC government instituted a VAT relief policy which exempted our COVID-19 testing from the 6% VAT. This policy ended on March 31, 2021.

Any discontinuation of preferential tax treatment to which we are currently entitled or any unfavorable tax policy change against us or our operating subsidiaries could have an adverse impact on the results of our operations. For more information about such risk, see "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs."

DISCUSSION OF RESULTS OF OPERATIONS

Year ended December 31, 2020 compared with year ended December 31, 2021

Revenue

Our total revenue increased by 16.7% from RMB203.2 million in 2020 to RMB237.2 million in 2021, as a result of the consumers' growing acceptance of and our continuous development of cancer screening services.

Consumer genetic testing services. Revenue from consumer genetic testing services decreased by 16.2% from RMB161.7 million in 2020 to RMB135.5 million in 2021, primarily due to the decrease in the average unit price of COVID-19 tests in 2021 compared to 2020, when the tests were initially introduced. The average unit price of the COVID-19 tests decreased from RMB125.7 in 2020 to RMB43.6 in 2021 as a result of government mandates to lower the price of COVID-19 diagnostic tests.

Cancer screening services. Revenue from cancer screening services increased by 142.3% from RMB41.5 million in 2020 to RMB100.6 million in 2021, primarily due to rapid sales growth with broader market acceptance and demand for cancer screening services.

Other services. Revenues generated from other services increased from nil in 2020 to RMB1.1 million in 2021. Revenues generated from other services primarily include our provision of genetic research and analysis services to third party research institutions and our provision of consulting services mainly in the form of technical training and consulting for our customers. The increase was primarily due to resumption of technical training and consulting services, which generally were not provided in 2020 due to the COVID-19 pandemic.

Cost of Sales

Our cost of sales increased by 23.7% from RMB57.0 million in 2020 to RMB70.5 million in 2021. This increase in cost of sales was consistent with our revenue growth and increase in the number of testing services provided.

Consumer genetic testing services. The cost of sales for consumer genetic testing services decreased by 6.2% from RMB48.9 million in 2020 to RMB45.8 million in 2021 due to a decrease in the number of consumer genetic tests provided in 2021.

Cancer screening services. The cost of sales for cancer screening services significantly increased by 202.2% from RMB8.1 million in 2020 to RMB24.5 million in 2021 due to the continued expansion of the scope of our cancer screening services and the increase in cancer screening services provided to consumers in 2021.

Other services. The cost of sales of other services rose from nil in 2020 to RMB0.2 million in 2021 with the resumption of technical training and consulting services.

Gross Profit and Gross Profit Margin

Overall, our gross profit increased by 14.0% from RMB146.2 million in 2020 to RMB166.7 million in 2021, and our overall gross profit margin was 70.3% for the year ended December 31, 2021, which is largely in line with the gross profit margin of 72.0% for the year ended December 31, 2020.

Consumer genetic testing services. The gross profit of our consumer genetic testing services decreased by 20.5% from RMB112.8 million in 2020 to RMB89.6 million in 2021 primarily due to a reduction in sales revenue that was greater than our reduction in cost of sales in 2021. Gross profit margin decreased slightly from 69.8% in 2020 to 66.2% in 2021 primarily due to the price decrease of COVID-19 tests in 2021 due to government regulations. The effect of the price decrease was partially offset by our efforts to lower the average unit cost of sales for COVID-19 tests, which decreased from RMB39.3 in 2020 to RMB18.0 in 2021.

Cancer screening services. The gross profit of our cancer screening services increased significantly by 127.8% from RMB33.4 million in 2020 to RMB76.1 million in 2021 primarily due to the increase in the number of services provided and the corresponding increase in sales volume, which were significantly higher than our increase in cost of sales. The gross profit margin decreased slightly from 80.5% in 2020 to 75.7% in 2021 primarily due to the greater rate of increase in cost of sales compared to the rate of increase in revenue for cancer screening services.

Other services. The gross profit of our other services increased from nil in 2020 to RMB0.9 million in 2021. Gross profit margin for the year ended December 31, 2021 was 82.5%, reflecting the higher margin of technical training and consulting services.

Other Income and Gains

Our other income and gains increased significantly from RMB3.7 million in 2020 to RMB14.3 million in 2021, primarily due to an increase in rental income as equipment leasing resumed in 2021 after disruptions caused by the COVID-19 pandemic in 2020.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 18.0% from RMB19.5 million in 2020 to RMB23.0 million in 2021, primarily due to an increase in staff costs as selling and marketing activities resumed in 2021 following a decline in 2020 due to the COVID-19 pandemic and partially offset by the decrease in promotional activities and expenses. As a result of the resumption in business activities and the significant increase in cancer screening services in particular, our in-house marketing and development staff grew from a team of 25 employees as of December 31, 2020 to 133 employees as of December 31, 2021. Our promotional expenses decreased significantly in 2021 compared to 2020, mainly because we purchased and distributed promotion items to encourage consumers to undertake genetic testings in 2020 in response to consumers' reluctance to visit health checkup centers in early 2020, and such expenses decreased in 2021 as the effects of the COVID-19 pandemic in China gradually subdued in 2021 and consumers' preferences gradually returned.

Administrative Expenses

Our administrative expenses increased by 23.8% from RMB18.6 million in 2020 to RMB23.0 million in 2021, primarily due to the increase in research and development expenses, as we made significant progress in the development of our IVD registration pipeline in 2021 and the increase in consulting fees related to our restructuring. For more information about the current development stage for each of our product candidates, see "Business – Overview" in this Prospectus.

Other Expenses

Our other expenses increased significantly from RMB1.2 million in 2020 to RMB5.9 million in 2021, primarily due to the increase in equipment rental expenses as equipment leasing activities resumed in 2021, as the economy in China gradually recovered from the impact of the COVID-19 pandemic and our equipment rental customers resumed normal operations in 2021.

Finance Costs

Our finance costs decreased by 57.6% from RMB1.9 million in 2020 to RMB0.8 million in 2021, primarily due to decreases in interest from other borrowings, as other borrowings were fully paid down in 2021.

Income Tax Expense

Our income tax expense increased from RMB15.8 million in 2020 to RMB16.9 million in 2021, which was generally in line with our increased net profit in 2021.

Profit for the Year/Adjusted Net Profit (Non-HKFRS measure)

As the result of the foregoing reasons, our profit for the year remained stable from RMB79.1 million in 2020 to RMB79.0 million in 2021. Our Adjusted Net Profit was RMB85.1 million in 2021, which is largely in line with our adjusted net profit of RMB93.8 million in 2020.

Year ended December 31, 2019 compared with the year ended December 31, 2020

Revenue

Our total revenue increased by 64.3% from RMB123.7 million in 2019 to RMB203.2 million in 2020. This revenue increase was primarily driven by revenue growth from our consumer genetic testing and cancer screening segments.

Consumer genetic testing services. Revenue from consumer genetic testing services increased by 51.7% from RMB106.6 million in 2019 to RMB161.7 million in 2020 primarily due to the increase in sales volume of consumer genetic tests with higher average price. The average unit price for consumer genetic testing services increased from RMB39.6 in 2019 to RMB60.3 in 2020.

Cancer screening services. Revenue from cancer screening services increased significantly by 504.1% from RMB6.9 million in 2019 to RMB41.5 million in 2020, primarily due to volume increase in cancer screening services through market education efforts and growing market acceptance and demand of such services. We provided approximately 21,000 cancer screening services in 2019 and approximately 106,000 cancer screening services in 2020.

Other services. Revenue from other services decreased from RMB10.3 million in 2019 to nil in 2020. This decrease was primarily attributable to the decline in revenue from genetic research and analysis service as we completed remaining projects for this type of service and lower revenue from consulting service as we shifted the focus of our business to consumer genetic testing and cancer screening. We believe this shift had a minimal impact on our results of operation, as we continued to rely on consumer genetic testing services and cancer screenings services as our primary sources of revenue generation.

Cost of Sales

Our cost of sales increased by 26.1% from RMB45.2 million in 2019 to RMB57.0 million in 2020. The increase was primarily driven by increasing cost of sales from consumer genetic testing and cancer screening segments from higher revenue.

Consumer genetic testing services. The cost of sales of our consumer genetic testing services increased by 41.5% from RMB34.5 million in 2019 to RMB48.9 million in 2020, driven by the increase in revenue of this segment.

Cancer screening services. The cost of sales of the cancer screening services rose sharply by 200.0% from RMB2.7 million in 2019 to RMB8.1 million in 2020, driven by the increases in the number cancer screening services provided to consumers and the corresponding increase in revenue of this segment.

Other services. The cost of sales of our other services decreased from RMB8.0 million in 2019 to nil in 2020 mainly due to the diminution of sales revenue from genetic research and analysis service.

Gross Profit and Gross Profit Margin

Our gross profit increased by 86.4% from RMB78.5 million in 2019 to RMB146.2 million in 2020, driven by strong profit growth from consumer genetic testing services and cancer screening services. Our gross profit margin increased from 63.4% in 2019 to 72.0% in 2020.

Consumer genetic testing services. The gross profit of our consumer genetic testing services increased by 56.6% from RMB72.0 million in 2019 to RMB112.8 million in 2020, in line with the revenue increase of this segment. Gross profit margin increased from 67.6% in 2019 to 69.8% in 2020, primarily due to the growth in sales of tests with higher margins and effective efforts to control cost of sales per test through optimization of production processes and savings in procurement.

Cancer screening services. The gross profit of our cancer screening services rose sharply by 700.9% from RMB4.2 million in 2019 to RMB33.4 million in 2020 primarily due to the increases in revenue and sales volume and effective efforts to control costs. The gross profit margin has increased from 60.7% in 2019 to 80.5% in 2020 primarily due to cost control efforts and automation of production technology, which lowered the average unit cost for our cancer screening services by approximately 40.0%.

Other services. The gross profit of our other services decreased from RMB2.3 million in 2019 to nil in 2020 due to the decline in revenue from genetic research and analysis services. The gross profit margin decreased from 22.1% in 2019 to nil in 2020.

Other Income and Gains

Our other income and gains decreased significantly by 74.7% from RMB14.5 million in 2019 to RMB3.7 million in 2020. The decrease was primarily due to a decrease in rental income as a result of reduced research equipment rental demand from our institutional customers during the COVID-19 pandemic.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly by 293.9% from RMB4.9 million in 2019 to RMB19.5 million in 2020. The increase was primarily attributable to promotion spending, which increased from RMB0.3 million in 2019 to RMB14.1 million in

2020. We purchased promotion items for distribution to inform and encourage consumers to undertake genetic testings due to the COVID-19 pandemic, and our promotion spending increased as a result. Staff cost remained relatively stable as headcount for our in-house marketing and development team did not experience any significant changes between 2019 and 2020.

Administrative Expenses

Our administrative expenses increased by 19.1% from RMB15.6 million in 2019 to RMB18.6 million in 2020, primarily due to the increase in depreciation and amortization, which was partially offset by the decrease in staff costs in 2020 partly due to favorable social insurance contribution policies instituted by the government during the COVID-19 pandemic. Tax and surcharges increased significantly in 2020 as a result of services we provided to Beijing Mega Lab. Beijing Mega Lab provided nucleic acid tests during the COVID-19 pandemic, and we provided certain administrative support and services to Beijing Mega Lab due to its high business volumes. We collected service fees and charged VAT to Beijing Mega Lab. Under tax regulations implemented during the COVID-19 pandemic, nucleic acid tests are tax-exempt business activities. Therefore, Beijing Mega Lab could not deduct or pass on the VAT incurred and these amounts were recorded as tax and surcharges accordingly.

Other Expenses

Our other expenses decreased significantly by 85.7% from RMB8.1 million in 2019 to RMB1.2 million in 2020, primarily due to a decrease in rental expenses related to equipment leasing, which was in line with decrease in our rental income due to the COVID-19 pandemic.

Finance Costs

Our finance costs decreased by 39.4% from RMB3.1 million in 2019 to RMB1.9 million in 2020, primarily due to reduction of interest expense on other borrowings.

Income Tax Expense

Our income tax expense increased from RMB8.6 million in 2019 to RMB15.8 million in 2020. Such change was in line with our increased net profit in 2020.

Profit for the Year/Adjusted Net Profit (Non-HKFRS measure)

As the result of the foregoing reasons, our profit for the year increased by 166.4% from RMB29.7 million in 2019 to RMB79.1 million in 2020. Our Adjusted Net Profit increased by 102.9% from RMB46.2 million to RMB93.8 million.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report included in Appendix I to this Prospectus:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	79,365	95,465	86,821
Total current assets	184,380	358,108	685,362
Total assets	**263,745**	**453,573**	**772,183**
Total current liabilities	53,069	262,365	69,791
Net current assets	**131,311**	**95,743**	**615,571**
Total assets less current liabilities	**210,676**	**191,208**	**702,392**
Total non-current liabilities	213,378	14,813	7,896
Total liabilities	**266,447**	**277,178**	**77,687**
Net assets/(liabilities)	**(2,702)**	**176,395**	**694,496**
Share capital	–	–	129
Reserves	(2,702)	176,395	694,367
Total equity	**(2,702)**	**176,395**	**694,496**

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
Current assets				
Inventories	2,440	2,972	3,284	4,843
Trade receivables	108,125	130,234	203,630	211,428
Prepayments, other receivables and other assets	21,169	16,452	239,352	27,480
Financial assets at fair value through profit or loss	–	–	–	58,000
Cash and cash equivalents	52,646	208,450	239,096	163,944
Total current assets	**184,380**	**358,108**	**685,362**	**465,695**
Current liabilities				
Trade payables	12,002	26,884	29,197	27,729
Other payables and accruals	23,797	19,444	27,243	37,255
Lease liabilities	6,264	8,443	6,223	7,494
Tax payable	–	196	6,528	347
Deferred income	600	600	600	600
Other borrowings	10,406	2,654	–	–
Redemption liabilities on ordinary shares	–	204,144	–	–
Total current liabilities	**53,069**	**262,365**	**69,791**	**73,425**
Net current assets	**131,311**	**95,743**	**615,571**	**392,270**

We recorded net current assets position of RMB131.3 million, RMB95.7 million, RMB615.6 million and RMB392.3 million as of December 31, 2019, 2020, 2021 and April 30, 2022. The decrease in our net current assets position in 2020 was primarily due to the recording of redemption liabilities on ordinary shares and interests as a current liability as of December 31, 2020 upon the termination of the redemption right in 2021, which offset increases in revenues and payments received from our operating activities. The increase in our net current assets position in 2021 was primarily due to the derecognition of redemption liabilities on ordinary shares, the prepayment of onshore shareholders in the onshore reorganization, as well as increases in revenues and trade receivables generated from our operating activities.

We recorded net current assets position of RMB392.3 million as of April 30, 2022. The decrease in net current assets compared to the amount as of December 31, 2021 was due to the decrease in prepayments, other receivables and other assets. Prepayments decreased significantly in 2022 due to the settlement of prepayments in the amount of RMB214.1 million to our onshore shareholders, which were made to these onshore shareholders in relation to the capital reduction associated with our onshore entities as part of our Reorganization in 2021. This amount was settled in April 2022 after our onshore shareholders obtain their Overseas Direct Investment application to allow them to recontribute the entire amount to us at the Cayman level. Please see the section headed "– Prepayments, Deposits and Other Receivables" for details related to the settlement of the prepayment amount. Our cash and cash equivalents as of April 30, 2022 decreased compared to the amount as of December 31, 2021 due to the purchase of wealth management products, and the wealth management products of RMB58 million we held as of April 30, 2022 were short-term products issued by commercial banks in Mainland China that are redeemable on demand. We maintain a sufficient amount of cash in the ordinary course of business and purchase wealth management products from established commercial banks to maximize our capital preservation and capital utilization efficiency. We purchase short term wealth management products or products redeemable on demand with a credit ratings of PR1 and PR2, which signify low investment risk to our investment principal. We have specific policies in place to govern, execute and monitor wealth management transactions, and these transactions may only be executed with the approval of our CFO or the head of the finance department. The net effect of the decrease in cash and cash equivalents and the purchase of wealth management products did not significantly impact our net current assets positions as of April 30, 2022.

We recorded net liabilities of RMB2.7 million as of December 31, 2019, primarily because we recorded an accumulated loss of RMB68.6 million as of December 31, 2018, partially offset by (i) our retained profits of RMB29.7 million and (ii) the termination of the redemption rights for one of our Series A Investors valued at RMB26.2 million in 2019 in connection with a share transfer. Our total equity increased significantly from 2019 to 2020 and we recorded net assets of RMB176.4 million as of December 31, 2020, primarily attributable to an RMB100.0 million contribution from shareholders in connection with a capital increase agreement. Our net assets further increased to RMB694.5 million as of December 31, 2021, primarily due to the issue of shares and our termination of the redemption rights for the remaining Series A Investors in connection with the Contractual Arrangements. In addition, our strategic shift away from unprofitable and lower margin services for our consumer genetic testing services. Expansion of our cancer screening services and effective cost control measures also contributed to our improved net asset level in 2020 and 2021.

Inventories

Our inventories consist of raw materials and consumables and finished goods. The tables below set forth our inventory balances as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables.	2,440	2,972	3,284

Our inventory balance increased from RMB3.0 million as of December 31, 2020 to RMB3.3 million as of December 31, 2021, primarily due to our business growth.

	For the year ended December 31,		
	2019	2020	2021
Inventory turnover days *(note)*	22	17	16

Note: Inventory turnover days for a year is the arithmetic mean of the beginning and ending balances of inventory for the relevant year divided by cost of sales for the relevant year and multiplied by 365 days.

For the years ended December 31, 2019, 2020 and 2021, our inventory turnover days were 22 days, 17 days and 16 days, respectively. As of April 30, 2022, RMB2.6 million or 78.5% of our inventories as of December 31, 2021 have subsequently been utilised.

Trade Receivables

Our trade receivables primarily represent the balances due from certain customers. We generally allow for a credit period of up to six months, although we have also extended more favorable credit periods to certain customers to gain market share. We consider a number of factors in determining the credit term of a customer, including its payment schedules, creditworthiness as well as the local medical care policy, market environment and our own liquidity. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing.

The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	115,293	136,676	216,237
From related parties	57,737	70,171	98,972
From non-related parties	57,556	66,505	117,265
Less: impairment	(7,168)	(6,442)	(12,607)
Total	**108,125**	**130,234**	**203,630**

Our trade receivables increased from RMB108.1 million as of December 31, 2019 to RMB130.2 million as of December 31, 2020, to RMB203.6 million as of December 31, 2021. The increase from 2019 to 2020 in our trade receivables reflects our revenue increase since 2019. And the increase from 2020 to 2021 was mainly attributed to our extended credit periods to our customers to promote the development of long-term relationships.

We use a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the healthcare service sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. As of December 31, 2019, 2020 and 2021, we recorded allowances for expected credit losses in trade receivables of RMB7.2 million, RMB6.4 million and RMB12.6 million, respectively, which are in line with the increase in our trade receivables.

The table below sets forth our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
Trade receivables turnover days *(note)*. .	313	226	272

Note: Trade receivable turnover days for a year equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that year and multiplied by 365 days.

For the years ended December 31, 2019, 2020 and 2021, our average trade receivables turnover days were 313 days, 226 days and 272 days, respectively. The increase in average trade receivables turnover days in 2021 was primarily because we extended credit terms for some customers in order to expand our business. We tend to extend credit periods to certain long term customers to promote the development of long-term relationships. Consistent with our business practice, we accelerate our collection efforts towards the end of the calendar year. In addition, we have and continue to hire additional personnel to increase the frequency of our communication with our institutional customers regarding payment collection. For certain customers, we institute viable payment terms and schedule in order to improve and shorten the trade receivables turnover days. Given our established relationships with many of our customers, we believe these efforts adequately ensure the timely collection of trade receivables in the future.

For the years ended December 31, 2019, 2020 and 2021, our trade receivables turnover days for related parties were 329 days, 199 days and 302 days, respectively, and our trade receivables turnover days for non-related parties were 296 days, 264 days and 248 days, respectively. Our trade receivables turnover days for related parties increased significantly from 2020 to 2021, mainly because (i) the trade receivable balance due from related parties at the end of 2021 was relatively high, as we extended the credit period of certain customers in 2021 as part of our promotional efforts during the COVID-19 pandemic and in order to develop long-term cooperation with our strategic customers, which increased the numerator of the turnover ratio of 2021 compared to 2020; and (ii) the revenue from related parties decreased in 2021, which decreased the denominator of the turnover ratio of 2021 compared to 2020 due to our continuous efforts to diversify our customer base and reduce potential reliance on related parties. The extension of credit period was determined based on these related parties' business volume, credit history and our overall business relationship and development strategy as a

whole. This assessment complied with our unbiased policy in granting favorable payment schedules, and not based on a particular party's status as a related party. In 2019, the trade receivable turnover days were longer for related parties compared to non-related parties, mainly because the beginning trade receivable balance of 2019 was higher for related parties than non-related parties, as a large portion of such balance due from related parties was generated around the last quarter of 2018, which was not yet settled at the beginning of 2019. In 2020, the trade receivable turnover days were shorter for related parties compared to non-related parties, mainly because the revenue from related parties was higher than revenue from non-related parties in 2020. In 2021, the trade receivable turnover days were longer for related parties compared to non-related parties, mainly because the revenue from related parties was lower than revenue from non-related parties for the same year. During the Track Record Period, we did not experience, and do not expect to have, any difficulties collecting trade receivables from our related parties.

The following table sets forth an aging analysis based on the invoice date of our net trade receivables as of the dates indicated. Our trade receivable amounts in 2021 increased compared to the trade receivable amounts in 2020. This overall increase was due to the increase in our revenue in 2021 and the extension of credit periods to customers as part of our efforts to strengthen our market position and customer relationships.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	36,534	69,065	85,618
3 to 6 months	20,806	27,340	42,637
6 to 12 months	28,229	25,030	48,472
1 to 2 years	22,472	8,288	25,502
Over 2 years	84	511	1,401
Total	**108,125**	**130,234**	**203,630**

The following tables set forth a breakdown of our aging analysis by related parties and non-related parties based on the invoice date of our net trade receivables as of the dates indicated.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Related parties			
Within 3 months	20,346	35,055	33,472
3 to 6 months	10,757	13,939	21,837
6 to 12 months	12,078	17,255	20,428
1 to 2 years	11,009	2,167	16,254
Over 2 years	29	31	472
Total	**54,219**	**68,447**	**92,463**

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Non-related parties			
Within 3 months	16,188	34,010	52,146
3 to 6 months	10,049	13,401	20,800
6 to 12 months	16,151	7,775	28,044
1 to 2 years	11,463	6,121	9,248
Over 2 years	55	480	929
Total	**53,906**	**61,787**	**111,167**

The following table sets forth an aging analysis based on the due date of our net trade receivables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current	41,816	72,718	94,728
Less than 3 months past due	15,560	23,671	33,527
3 to 6 months past due	16,907	22,433	35,877
6 to 12 months past due	21,531	6,385	20,423
1 to 2 years past due	12,248	4,562	18,055
Over 2 years past due	63	465	1,020
Total	**108,125**	**130,234**	**203,630**

The following tables set forth a breakdown of our aging analysis by related parties and non-related parties based on the due date of our net trade receivables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Related parties			
Current	20,483	35,774	34,990
Less than 3 months past due	10,619	13,218	20,319
3 to 6 months past due	5,384	17,257	15,732
6 to 12 months past due	12,031	1,198	9,509
1 to 2 years past due	5,694	988	11,668
Over 2 years past due	8	12	245
Total	**54,219**	**68,447**	**92,463**

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Non-related parties			
Current	21,333	36,944	59,738
Less than 3 months past due	4,941	10,453	13,208
3 to 6 months past due	11,523	5,176	20,145
6 to 12 months past due	9,500	5,187	10,914
1 to 2 years past due	6,554	3,574	6,387
Over 2 years past due	55	453	775
Total	**53,906**	**61,787**	**111,167**

The increase in trade receivables in each range was in line with our revenue growth. As of April 30, 2022, RMB27.1 million or 12.5% of the RMB216.2 million trade receivables balance had been settled. The following table sets forth the rate for our trade receivables as of April 30, 2022.

	As of December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
	(Except for percentages)		
Trade receivables	115,293	136,676	216,237
Settlement amount	110,298	113,030	27,067
Settlement percentage	95.7%	82.7%	12.5%

The following table sets forth a breakdown of our subsequent settlement of trade receivables as of December 31, 2021 by related parties and non-related parties as of April 30, 2022.

	As of December 31, 2021		
	Related parties	Non-related parties	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	98,972	117,265	216,237
Settlement amount	16,250	10,817	27,067
Settlement percentage	7.5%	5.0%	12.5%

Based on the systems and policies we have in place, we do not believe the collection of trade receivables aged six months or older is a material risk to our business and results of operations. We expect to collect these trade receivables in the ordinary course of business at a rate that is largely in line with our historical performance, and we do not believe there is a recoverability issue for trade receivables aged six months or older based on our historical experience and under the principles of HKFRS. To account for any future liabilities, write-offs or contingencies, we have made sufficient provisions consistent with HKFRS for these trade receivables.

The Sole Sponsor has conducted the following independent due diligence work in relation to the recoverability of the Company's trade receivables:

(i) obtained and reviewed the list and status of trade receivables of the Company as of December 31, 2021, and considered the payment and credit terms of the Company's service fees and aging analysis of service fees;

(ii) obtained and reviewed the historical related financials and concurred with the Company's statement that the amount of settlement of trade receivables is usually significantly higher during the second half of a calendar year and confirmed with Frost & Sullivan that it is consistent with industry practices when dealing with health check-up customers;

(iii) conducted walkthrough tests, on sample basis, on the transactions entered into by the Company with its major customers by obtaining and reviewing the relevant transaction documents (including invoices and settlement receipts), and noted no irregularities in the recoverability of the customers;

(iv) discussed with the management of the Group to understand the recoverability of trade receivables during the Track Record Period with no irregularities noted;

(v) considered the recoverability of trade receivables by reviewing turnover days and aging analysis, which provides a cross section of trade receivable balances and subsequent settlement of all customers as a whole, and reflects the Group's overall efficiency in recovering its trade receivables;

(vi) considered the internal control measures, protocols and policies of the Company in relation to collection of overdue service fees, and noted that the Company has adopted multi-tier approach to ensure timely collection of service fees including issuing and sending dunning letters when payment is overdue and etc; and

(vii) considered, and discussed with the management of the Company to understand, the reasons that such receivables were not settled and the steps and actions undertaken by the Company to recover the trade receivables, and noted that as a result of the Company's enhanced receivables collection efforts such as regular monitoring and timely communication with related parties and designating employees responsible for collecting service fees.

Based on the due diligence set out above, nothing has come to the Sole Sponsor's attention that would cast doubt on the material recoverability of the Company's trade receivables as of December 31, 2021.

The Sole Sponsor has conducted the following independent due diligence work in relation to the sufficiency of the provision in respect of the trade receivables:

(i) reviewed the Accountants' Report as set out in Appendix I of the Prospectus and discussed with the management of the Company, and noted that the Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on market historical credit loss experience and the Group's and main customers' historical expected default rates, adjusted for forward-looking factors specific to the debtors and the economic environment;

(ii) obtained and reviewed the ECL model applied for the Company, and discussed with the management of the Company to understand the accounting policies and assumptions conducted on the provision for impairment of trade receivables and to understand whether such provision was sufficient;

(iii) reviewed the ECL rates applied in respect of trade receivables of the Company as of December 31, 2021 as set out in Appendix I of the Prospectus;

(iv) reviewed the ECL related disclosure and ECL rate applied to each aging period in respect of trade receivables of the comparable companies and cross checked with the ECL rates used by the Company; and

(v) reviewed the ECL rates prepared for the historical trade receivables during the Track Record Period, and noted that impairment allowances made based on such ECL rates were consistent with the respective historical credit loss experience.

Based on the due diligence set out above, nothing has come to the Sole Sponsor's attention that would cast doubt on the sufficiency of the provision in respect of the trade receivables.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables include prepayments, deposits and other receivables, deductible input value-added tax, income tax recoverable, deferred listing expenses, and other assets. Prepayments primarily include our prepayments for consumables and equipment. Deposits and other receivables include our employee reserved funds and deposits for our lease agreements. Other assets primarily consists of prepaid promotional materials and other miscellaneous items we use in the course of promoting our genetic tests and services. Value-added tax recoverable represents our non-deducted input value-added tax. The table below sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,249	1,496	6,125
Deposits and other receivables	12,752	5,798	223,533
Deductible input value-added tax	4,997	480	528
Income tax recoverable	2,171	705	41
Deferred listing expenses	–	–	996
Other assets	–	7,973	8,129
Total	**21,169**	**16,452**	**239,352**

Our prepayments, deposits and other receivables decreased from RMB21.2 million as of December 31, 2019 to RMB16.5 million as of December 31, 2020, primarily due to a significant decrease in deposits and other receivables and tax related amounts which were partially offset by an increase in other assets in the form of prepaid promotional materials. Prepayments, deposits and other receivables increased significantly to RMB239.4 million as of December 31, 2021. A substantial portion of the amount was comprised of other receivables to related parties, which increased from RMB1.4 million as of December 31, 2020 to RMB222.3 million as of December 31, 2021. This increase in other receivables to related parties was attributed to RMB214.1 million in prepayments to our onshore shareholders, which were made in relation to the capital reduction associated with our onshore entities as a part of the Reorganization in 2021. Pursuant to the Reorganization in 2021, Mega Genomics WFOE, our wholly foreign-owned entity in China, entered into a series of contractual agreements with Mega Genomics Beijing and its shareholders for Mega Genomics WFOE to acquire financial and operational control of Mega Genomic Beijing and its subsidiaries. Shareholders of Mega Genomics Beijing became and are referred to as our onshore shareholders upon the execution of these contractual agreements. Accordingly, Mega Genomics Beijing commenced a capital reduction process to facilitate the Reorganization, and Mega Genomics Beijing issued a total payment of RMB214.1 million to our onshore shareholders as a result of the capital reduction. For details of our shareholding structure and our Reorganization in 2021, please see the section headed "History, Reorganization and Group Structure – Reorganization".

Our onshore shareholders' Overseas Direct Investment application was completed in June 2021. Subsequently, our onshore shareholders re-contributed the same amount of payment totaling RMB214.1 million to our Company as consideration for their offshore shareholding at the Cayman level to mirror the shareholder structure during the Reorganization. As of April 1, 2022, this entire balance of RMB214.1 million was settled as our Registered Shareholders adopted resolutions on the same date to authorize the capital reduction of Mega Genomics Beijing. As advised by our PRC Legal Advisor, Mega Genomics Beijing's capital reduction process was deemed substantially complete as of April 1, 2022, subject to routine registration of the capital reduction with the local Administration for Market Regulation, and that there are no foreseeable legal impediments to complete the capital reduction process. For details of the risk related to our capital reduction process, please see the section headed "Risk Factors – Risks Relating to Conducting Business in the PRC and Related Regulations – Failure to complete the capital reduction procedures of Mega Genomics Beijing may adversely impact our reputation."

Trade Payables

Our trade payables mainly consists of payment obligations related to purchase of reagents and consumables.

Trade payables increased from RMB12.0 million as of December 31, 2019 to RMB26.9 million as of December 31, 2020, primarily as a result of our increased procurement and increased bargaining power with suppliers, which enabled us to obtain longer credit terms. Our trade payables increased to RMB29.2 million as of December 31, 2021, primarily due to an increase in the purchase of raw materials as a result of our overall business growth.

The table below sets forth our average trade payables turnover days for the years indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
Trade payables turnover days *(note)*	141	125	145

Note: Trade payable turnover days for a year equals the arithmetic mean of the beginning and ending trade payable balances divided by cost of sale for that year and multiplied by 365 days.

For the years ended December 31, 2019, 2020 and 2021, our average trade payables turnover days were 141 days, 125 days and 145 days, respectively. The increase in average trade payables turnover days from 125 days as of December 31, 2020 to 145 days as of December 31, 2021 mainly reflects our increased procurement and increased bargaining power with suppliers, which enabled us to obtain longer credit terms.

The following table sets forth an aging analysis based on the invoice date of our trade payables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	9,531	16,054	18,822
3 to 6 months	936	6,885	5,871
6 to 12 months	1,116	2,996	3,352
1 to 2 years	406	852	506
Over 2 years	13	97	646
Total	**12,002**	**26,884**	**29,197**

The changes in trade payables was in line with our business growth over the Track Record Period.

As of April 30, 2022, RMB13.1 million or 44.9% of our trade payables as of December 31, 2021 has subsequently been settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

Our other payables and accruals include payroll and welfare payables, contract liabilities, tax payables other than corporate income tax, accrued listing expense and others payables. Accrued listing expenses are mainly expenses related to this Listing. Other payables include advances by employees to be reimbursed and deposits and payables related to equipment purchases and renovation. The table below sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	8,450	3,449	4,661
Contract liabilities	13,205	10,898	10,102
Tax payables other than income tax	83	3,724	3,635
Accrued listing expenses	–	–	7,380
Other payables	2,059	1,373	1,465
Total	**23,797**	**19,444**	**27,243**

Our other payables and accruals include payroll and welfare payables, contract liabilities, tax payables other than corporate income tax, accrued listing expense and others payables. Our other payables and accruals increased by 40.1% from RMB19.4 million as of December 31, 2020 to RMB27.2 million as of December 31, 2021, primarily as a result of an increase in accrued listing expenses related to this Listing.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Our non-current financial assets at FVTPL were RMB30.1 million and RMB30.2 million as of December 31, 2020 and December 31, 2021, respectively. Our financial assets at FVTPL consists of unlisted equity of CapitalBio Technology Inc. ("CapitalBio"). The fair value of financial assets at FVTPL are valued by a market-based valuation method. The market-based valuation method requires our management to identify comparable public companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple for each comparable company. The multiple is calculated by dividing the enterprise value of the comparable company by its book value. The trading multiple is then discounted for considerations such as liquidity 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.

We acquired 0.3405% of the unlisted equity of CapitalBio in September 2020. This acquisition did not constitute a material acquisition under Rule 4.05A of the Listing Rules, as all applicable percentage ratios are less than 25%. CapitalBio is a life science company focused on the development of healthcare solution products and in particular, innovative biochip-related products for genomic, proteomic and cellomic research, bio-safety testing, and clinical applications. We believe the adoption of biochip technology could be a key driving factor in the advancement of genetic testing services, and that CapitalBio is a viable business partner for us to explore this opportunity. We maintain 0.3405% voting right under our shareholding interests in CapitalBio. We did not make any further commitment to invest in CapitalBio.

With respect to our investments in unlisted equity, our Board of Directors and various committees are generally required to be involved in the determination of whether a potential acquisition or investment aligns with our mission to provide top-quality genetic testing services, creates strategic business synergy and conforms to our long-term development plan. Our directors exercise their duty of care and review the proposed acquisition or investment, conduct due diligence and agree that the proposed acquisition or investment is consistent with our business plan. It is also our directors' duty to approve the acquisition and transaction price based on an informed understanding of the target investment's commercial value. Ms. Lin Lin, our executive director and chairperson, and Mr. Huang Yufeng, our executive director and chief executive officer, oversee our acquisition and investment activities. Ms. Lin and Mr. Huang each has more than 15 years of experience in business management in the healthcare industry and have led numerous acquisitions and investments in the healthcare industry. We will continue to rely on our Board of Directors, our management and their expertise to explore investment opportunities.

In addition to the supervision by our Board of Directors, we have instituted internal control polices for each stage of the process, including investment plan formulation, investment budget approval, investment evaluation, due diligence review and contract execution. We believe these internal control polices adequately guide our transaction execution to ensure our Company's interests are protected.

Our directors acted within their fiduciary duties for the valuation of CapitalBio. At the onset of the acquisition, our directors formed the view that it was in our best interest to acquire CapitalBio, and subsequently conducted due diligence and approved the transaction. As part of the due diligence process, our directors (i) reviewed the terms of the transaction documents; (ii) reviewed and analyzed CapitalBio's financial data, operating data, business plans and future business strategies; and (iii) communicated with legal counsel and other advisors regarding the feasibility of the acquisition. Upon the completion of a satisfactory due diligence process, our Board of Directors approved the acquisition of 0.3405% unlisted equity in CapitalBio.

To determine the fair value of our equity interest in CapitalBio for financial reporting, we engaged an independent third party qualified appraiser to provide a fair valuation of the financial asset in accordance with the HKFRS. We and our directors cooperated with the appraiser's process and provided independence for the appraiser to undertake the valuation process. Our directors were actively involved in the process to ensure that the valuation methodologies were appropriate and consistent with the general accounting principles to allow us to refer to the appraiser's financial valuation. Our directors reviewed the valuation working papers and framework prepared and used by the appraiser to generate the valuation. Subsequent to the appraiser's preliminary determination and valuation, our directors reviewed the valuation procedure and results, agreed with the final results and concluded the final results as appropriate and fair.

Based on the above, we and our directors believe that the market-based valuation is fair and reasonable, and the measurement of our level financial assets are properly conducted and disclosed. Our acquisition of 0.3405% unlisted equity in CapitalBio will be subject to the compliance of Chapter 14 of the Listing Rules upon the Listing.

The Sole Sponsor satisfied itself on the valuation of level 3 fair value measurement of financial assets on the following basis:

i. discussed with the management of the Company to understand that the following due diligence was performed by the Company and nothing came to the attention of the Company's directors to cast doubt on the accuracy or reasonableness of the valuation of the Company's level 3 fair value measurement of financial assets:

   a. reviewed CapitalBio's business overview and business plan;

   b. engaged an independent third party qualified appraiser to assess the equity value that the Company holds in CapitalBio;

   c. reviewed the basis of computation, scope of review, assumptions, limitations and qualifications and valuation methodologies on which the valuations are based; and

   d. read and analysed the valuation reports and made reasonable enquiries to the appraiser about the valuations and their assumptions or methodologies.

ii. the Sole Sponsor conducted the following independent due diligence:

   a. obtained and reviewed the relevant documents provided by the Company, including CapitalBio's business plan, and the valuation reports from the appraiser;

   b. checked the qualification of the appraiser;

   c. reviewed the relevant notes in the Accountants' Report; and

   d. discussed with the reporting accountants and confirmed that they have performed appropriate procedures on the valuation of financial assets at fair value through profit or loss in accordance with Hong Kong Standards on Auditing 540 (Revised) and other related HKSAs issued by the Hong Kong Institute of Certified Public Accountants on the basis of opining on the historical financial information of the Group for the Track Record Period as a whole.

The reporting accountants have performed procedures on the investment valuation of level 3 financial assets in accordance with Hong Kong Standards on Auditing ("HKSA") 540 (Revised) and other related HKSAs issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA").

INDEBTEDNESS

Lease Liabilities

As of December 31, 2019, 2020 and 2021 and April 30, 2022, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB23.8 million, RMB20.1 million, RMB11.6 million and RMB16.0 million, respectively, in relation to the corresponding current and non-current lease liabilities.

Other Borrowings

Our other borrowings relate primarily to long-term borrowings under sale and leaseback transactions. The following table sets forth our other borrowings for the years indicated.

	As of December 31,			As of April 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Other borrowings repayable:				
Within one year	10,406	2,654	–	–
In the second year	2,654	–	–	–
In the third to the fifth year, inclusive	–	–	–	–
Total	**13,060**	**2,654**	**–**	**–**

The portion classified as current liabilities decreased from RMB10.4 million as of December 31, 2019 to RMB2.7 million as of December 31, 2020, to nil as of December 31, 2021 as the borrowed amount was repaid. We did not incur any other borrowings in the four months ended April 30, 2022.

As of the Latest Practicable Date, we did not have any un-utilized banking facilities.

Indebtedness Statement

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed "– Indebtedness", we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans, un-utilized banking facilities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of April 30, 2022.

Our Directors also confirm that, as of the Latest Practicable Date, there is no material change in our Company's indebtedness since December 31, 2021.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated.

	As of or for the year ended December 31,		
	2019	**2020**	**2021**
Gross profit margin[(1)]	63.4%	72.0%	70.3%
Net profit margin[(2)]	24.0%	38.9%	33.3%
Current ratio[(3)]	3.5	1.4	9.8

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year.

(2) Net profit margin equals profit for the year divided by revenue for the year.

(3) Current ratio equals current assets divided by current liabilities as of the end of the year.

Gross profit margin

For discussion about fluctuations of our gross profit margin during the Track Record Period, please see "Discussion of Results of Operations."

Net profit margin

Our net profit margin increased from 24.0% in 2019 to 38.9% in 2020, primarily due to the further optimization of our service portfolio and effective cost control efforts through the optimization of production processes and savings in procurement costs. Our net profit margin decreased to 33.3% in 2021 mainly due to a decrease in the average price of consumer genetic tests.

Our net profit margin was generally higher than many of our industry peers during the Track Record Period, mainly for the following reasons:

- Our high-throughput testing platform allowed us to operate efficiently and achieve economies of scale with a large sample size, and our automated testing process further helped reduce the testing cost.

- As our channel advantages allowed us to reach a large consumer base through our institutional customers across China with relatively low costs, we were able to maintain selling and distribution expenses at a relatively lower level compared to our industry peers.

- We offer a diversified portfolio of testing services that covers a wide range of prices to satisfy different consumer groups' needs. We also have a group of well-trained genetic counselors to provide testing result interpretation service for our consumers, which helps improve consumer experience and add value to our testing services.

However, we cannot assure you that we can maintain the same level of profitability as we have achieved historically. For details, please see "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – Our historical financial and operating results may not be indicative of our future performance."

Current ratio

Our current ratio decreased from 3.5 as of December 31, 2019 to 1.4 as of December 31, 2020, before rising to 9.8 as of December 31, 2021. The overall increasing trend in current ratio over the Track Record Period reflects our growing profitability as current assets, driven by increases in our cash and cash equivalents and trade receivables, grew rapidly, while our current liabilities, especially other payables and accruals and other borrowings generally decreased. The decline in current ratio in 2020 was due to redemption liabilities on ordinary shares as a current liability as of December 31, 2020. The derecognition of this item along with increases in trade receivables, prepayments, other receivables and other assets, and financial assets at FVTPL in the 2021 contributed to the sharp increase in our current ratio as of December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, bank loans and investments received. The following table sets forth a summary of our cash flows for the years indicated.

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities before movements in working capital	77,747	123,720	119,480
Changes in working capital	(37,393)	(8,135)	(78,500)
Interest received	35	344	269
Income tax paid	(3,117)	(13,093)	(10,620)
Net cash flow from operating activities	37,272	102,836	30,629
Net cash flow from/(used in) investing activities	17,668	(31,087)	(1,714)
Net cash flow from/(used in) financing activities	(20,279)	84,055	2,620
Net increase in cash and cash equivalents	34,661	155,804	31,535
Cash and cash equivalents at the beginning of the year	17,985	52,646	208,450
Effect of foreign exchange rate change, net	–	–	(889)
Cash and cash equivalents at the end of the year	**52,646**	**208,450**	**239,096**

Net cash generated from operating activities

For the year ended December 31, 2021, our net cash generated from operating activities was RMB30.6 million, which reflects our profit before tax of RMB95.9 million, as adjusted primarily by an increase in trade receivables of RMB79.6 million, increase in prepayments, other receivables and other assets of RMB8.7 million, and increase in trade payables of RMB2.3 million, and the interest on redemption liabilities on ordinary shares of RMB6.1 million.

In 2020, our net cash generated from operating activities of RMB102.8 million reflects our profit before tax of RMB94.9 million, as adjusted by mainly (i) interest on redemption liabilities on ordinary shares of RMB14.7 million, (ii) an increase in trade payables of RMB14.9 million and partially offset by (iii) an increase in trade receivables of RMB21.4 million.

In 2019, our net cash generated from operating activities of RMB37.3 million reflects our profit before tax of RMB38.3 million, as adjusted primarily by (i) interest on redemption liabilities on ordinary shares of RMB16.5 million, (ii) depreciation of property, plant and equipment of RMB8.6 million and (iii) depreciation of right-of-use assets of RMB5.4 million, and partially offset by (iv) an increase in trade receivables of RMB20.3 million, (v) a decrease in other payables and accruals of RMB12.6 million and (vi) a decrease in trade payables of RMB11.0 million.

We expect to optimize the management of operation cash flow and collection of trade receivables with collaborative efforts from our sales, legal and finance departments. At the same time, we expect to obtain longer credit periods from our suppliers with our increasing bargaining power and good credit history.

Net cash (used in)/generated from investing activities

For the year ended December 31, 2021, our net cash used in investing activities was RMB1.7 million, mainly attributable to accumulated purchases of financial assets at fair value through profit or loss of RMB546.0 million and purchase of property, plant and equipment of RMB4.2 million, largely offset by proceeds from accumulated disposals of financial assets at fair value through profit or loss of RMB548.7 million. The financial assets at fair value through profit or loss being purchased and disposed were mainly wealth management products offered by commercial banks.

In 2020, our net cash used in investing activities was RMB31.1 million, attributable to purchases of financial assets at fair value through profit or loss of RMB30.0 million. In 2019, our net cash generated from investing activities of was RMB17.7 million, mainly attributable to repayment from a shareholder of RMB10.0 million and refund of advance payment for property, plant and equipment of RMB8.3 million that was partially offset by investments in property, plant and equipment of RMB0.6 million.

Net cash (used in)/generated from financing activities

For the year ended December 31, 2021, we had RMB2.6 million of net cash generated from financing activities, primarily attributable to issuance of shares of RMB228.8 million and largely offset by advance payment for capital reduction of RMB214.1 million related to our reorganization.

In 2020, we had RMB84.1 million of net cash flows generated from financing activities, primarily attributable to contribution from then shareholders of RMB100.0 million resulting from our series B financing activities, partially offset by repayments of other borrowings of RMB10.4 million and principal portion of lease payments of RMB3.7 million.

In 2019, we had RMB20.3 million of net cash flows used in financing activities, attributable to repayments of other borrowings of RMB10.1 million, principal portion of lease payments of RMB7.1 million, and interest paid of RMB3.1 million.

Working Capital Confirmation

The Directors are of the opinion that, taking into account the following financial resources available to us described below, we have sufficient working capital to cover our operating costs for at least the next 12 months from the expected date of this Prospectus considering our:

- future operating cash flows in respective years/periods;
- cash and cash equivalents; and
- estimated net proceeds from the Global Offering.

CAPITAL EXPENDITURES

Over the Track Record Period, principal capital expenditures related primarily to the purchase of equipment and the establishment of an automatic laboratory. The following table sets forth our capital expenditures for the years indicated.

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of property, plant and equipment	581	1,045	4,159
Purchases of intangible assets	180	–	263
Total	**761**	**1,045**	**4,422**

We expect to fund future capital expenditures through cash generated from operations, various financing alternatives and the net proceeds from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors. See also "Future Plans and Use of Proceeds – Use of Proceeds."

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of each of December 31, 2019, 2020 and 2021 and April 30, 2022, we did not have any significant capital commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we do not have any off-balance sheet transactions, besides the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants. See Note 30 to the Accountants' Report included in Appendix I.

RELATED PARTY TRANSACTIONS AND BALANCES

Historically, we have entered into related party transactions with primarily two groups of related parties under HKFRS (1) Meinian OneHealth together with its subsidiaries and associates (collectively "**Entities associated with Meinian OneHealth**") and (2) companies controlled by Dr. Yu or over which Dr. Yu has significant influence (collectively "**Entities associated with Dr. Yu**"). These transactions, our directors confirm, were conducted in the ordinary and usual course of business and on an arm's length basis. For more information regarding these related party relationships, see "Relationship with Our Controlling Shareholders." By transaction amount, our related party transactions were predominantly our provision of genetic testing services to these two groups of related parties. The table below sets forth the revenue generated from the provision of services, which were predominantly genetic testing services, to related parties and trade receivables recorded over the Track Record Period. For details of revenues generated from related party transactions, see Note 31(a) of the Accountants' Report included in Appendix I.

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from services provided to:			
Meinian Onehealth and its subsidiaries	53,593	102,571	88,336
Associates of Meinian Onehealth	2,449	4,349	–
Entities associated with Meinian OneHealth	**56,042**	**106,920**	**88,336**
Companies controlled by Dr. Yu	4,629	7,673	13,807
Companies significantly influenced by Dr. Yu	2,563	2,981	–
Entities associated with Dr. Yu	**7,192**	**10,654**	**13,807**
Total	**63,234**	**117,574**	**102,143**

The table below sets forth the total amounts due from related parties, which comprised trade receivables and other receivables due from these parties recorded over the Track Record Period. For details of our balance with each related party, see Note 31(b) of the Accountants' Report included in Appendix I.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables due from related parties	57,737	70,171	98,972
Other receivables due from related parties	8,880	1,368	222,255
Total	**66,617**	**71,539**	**321,227**

The table below sets forth the amount of trade receivables dues from Entities associated with Meinian OneHealth and Entities associated with Dr. Yu. These amounts due were trade balances generated in our ordinary course of business.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables due from:			
Meinian Onehealth and its subsidiaries	45,973	61,649	81,390
Associates of Meinian Onehealth	2,639	–	–
Entities associated with Meinian OneHealth	**48,612**	**61,649**	**81,390**
Companies controlled by Dr. Yu	5,020	8,522	17,582
Companies significantly influenced by Dr. Yu	4,105	–	–
Entities associated with Dr. Yu	**9,125**	**8,522**	**17,582**
Total	**57,737**	**70,171**	**98,972**

As of December 31, 2019, 2020 and 2021, the remaining balances of trade receivables due from our related parties were RMB57.7 million, RMB70.2 million and RMB99.0 million, respectively. As of April 30, 2022, RMB16.3 million of the RMB99.0 million trade receivable balance due from related parties has subsequently been settled, and we expect our related parties to make these payments in accordance with the terms and schedule of the commercial agreements we signed with these related parties. For details of related party transactions and revenues generated from these transactions, see Note 31 (a) of the Accountants' Report included in Appendix I; Note 31(b) sets forth our balance with each related party.

The table below sets forth other receivables due from related parties. Other receivables from related parties were mainly the result of non-trade transactions incurred in relation to our Reorganization in 2021 to mirror our onshore shareholder structure to our offshore shareholder structure. For details of the financial arrangement and process of our Reorganization, see the section headed "– Net Current Assets/Liabilities – Prepayments, Deposits and Other Receivables." As of December 31, 2021, the amount of other receivables due from related parties totaled RMB222.3 million, which comprised of prepayments to onshore shareholders and other miscellaneous amounts such as rental and real property deposits. Prepayments to onshore shareholders in the amount of RMB214.1 million were made in relation to the capital reduction associated with our onshore entities as a part of the Reorganization in 2021. These shareholders repaid the full amount as of December 31, 2021 as a part of the shareholders' capital contribution to us, and these prepayments were settled on April 1, 2022. The remaining balance of miscellaneous amounts including rental and real property deposits will be repaid by the related parties before or after the listing in accordance with the terms of the commercial agreements.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables due from:			
Meinian Onehealth and its subsidiaries	–	–	–
Entities associated with Meinian OneHealth	**–**	**–**	**–**
Companies controlled by Dr. Yu	8,880	1,368	8,115
Entities associated with Dr. Yu	**8,880**	**1,368**	**8,115**
Other shareholders	**–**	**–**	**214,140**
Total	**8,880**	**1,368**	**222,255**

The table below sets forth a breakdown of our other receivables due from each related party.

	As of December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables due from:			
Meinian Onehealth	–	–	–
Jinjian Technology Services (Beijing) Co., Ltd.	7,512	–	6,747
Shanghai Tianyi Hongfang Property Management Co., Ltd.	172	172	172
Beijing Tianyi Hongfang Investment Management Co., Ltd.	1,196	1,196	1,196
Xiamen Fanding Jiayin	–	–	54,000
Ganzhou Zhangxin	–	–	50,000
Qingdao Huichuang	–	–	35,640
Suzhou Ruihua	–	–	34,500
Shanghai Yifangda	–	–	10,000
Tibet Tengyun	–	–	30,000
Total	**8,880**	**1,368**	**222,255**

Other receivables due from Meinian OneHealth were non-trade in nature, and this balance was settled by the end of 2019. Other receivables due from Jinjian Technology Services (Beijing) Co., Ltd., Shanghai Tianyi Hongfang Property Management Co., Ltd., and Beijing Tianyi Hongfang Investment Management Co., Ltd. as of December 31, 2021 were all trade in nature. Other receivables due from Xiamen Fanding Jiayin, Ganzhou Zhangxin, Qingdao Huichuang, Suzhou Ruihua, Shanghai Yifangda and Tibet Tengyun of RMB214.1 million as of December 31, 2021 were related to the capital reduction associated with our onshore entities as a part of the Reorganization in 2021, and were non-trade in nature. These shareholders repaid the full amount of RMB214.1 million as of December 31, 2021, and these receivables were settled on April 1, 2022. For details of our Reorganization in 2021, transaction history and expected settlement date, please see "– Prepayments, Deposits and Other Receivables". For details of other receivables due from related parties, please see Note 31(b) of the Accountants' Report included in Appendix I.

Over the Track Record Period, we have also leased property from two of Dr. Yu's affiliates including Beijing Tianyi Hongfang Investment Management Co., one of our top five suppliers and leased equipment to two of Dr. Yu's affiliates. We paid compensation to certain key management personnel of the Group who are associated with Dr. Yu and/or Meinian OneHealth or their affiliates. In addition, we have recorded balances of other receivables, trade payables, and contract liabilities with certain related parties.

Our provision of genetic testing services to Meinian OneHealth and its subsidiaries and Dr. Yu's associates will continue after the Listing under our testing service agreements with Dr. Yu and Meinian OneHealth. For the commercial terms of these framework agreements, see "Connected Transactions."

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, mainly including credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risks

The carrying amounts of cash and cash equivalents, restricted cash, financial assets included in prepayments, other receivables and other assets and trade receivables represent our maximum exposure to credit risk in relation to our financial assets. As of December 31, 2019, 2020 and 2021, all restricted cash and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk. The credit quality of our financial assets included in prepayments, other receivables and other assets is considered to be normal as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. In respect of our trade receivables, we trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, we monitor receivable balances on an ongoing basis. An impairment analysis is performed using a provision matrix to measure expected credit losses. We believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables. For further details of our maximum credit risk exposure, see note 34 to the Accountants' Report included in Appendix I to this Prospectus.

Liquidity Risks

The liquidity of our Group is primarily dependent on our ability to maintain adequate cash inflows from our profitable operations to meet payment obligations as they fall due and our ability to finance future capital expenditures. We regularly review our major funding positions to ensure that we have adequate cash reserves and financial resources in meeting our financial obligations. For the maturity profile of our financial liabilities over the Track Record Period, see note 34 to the Accountants' Report included in Appendix I.

DIVIDEND

Any declaration and payment of dividends will be subject to our constitutional documents and the Companies Act. We will review our dividend policy from time to time.

No dividend has been paid or declared by the Company and its subsidiaries during the years ended December 31, 2019, 2020 and 2021 and as of the Latest Practicable Date. Our Board has decided to retain all earning as of December 31, 2021 for use in the operations and expansion of our business. The proposal of payment and the amount of our dividends in the future will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Our Board of Directors has the absolute discretion to decide whether to declare or distribute dividends in any year. Any final dividend distribution shall also be subject to the approval of our Shareholders in a Shareholders' meeting.

LISTING EXPENSES

The total listing expenses payable by our Company are estimated to be approximately HK$49.1 million (or approximately RMB40.8 million) assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$20.0 (being the mid-point of our Offer Price range of HK$18.0 to HK$22.0 per Offer Share). These listing expenses are mainly comprised of underwriting commissions of approximately HK$9.6 million (RMB7.9 million), and non-underwriting related expenses of approximately HK$39.5 million (RMB32.9 million), which are comprised of (i) of accountant and legal adviser fees and expenses of approximately HK$28.3 million (RMB23.6 million) and (ii) printing and other fees and expenses of approximately HK$11.2 million (RMB9.3 million). The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

For the year ended December 31, 2021, the listing expenses (excluding underwriting commissions) incurred by our Company in relation to the Listing and the Global Offering were RMB21.2 million, nil of which were recognised or charged to our consolidated statements of profit or loss for the years ended December 31, 2019 and 2020. For the year ended December 31, 2021, the listing expenses charged to profit or loss were RMB20.2 million (approximately HK$24.3 million) and deferred listing expenses were RMB1.0 million (approximately HK$1.2 million).

We estimate that additional listing expenses of approximately RMB19.6 million (including underwriting commissions and other expenses, assuming the Over-allotment Option is not exercised and based on the mid-point of our Offer Price range of HK$18.0 to HK$22.0 per Offer Share) will be incurred by our Company, approximately RMB11.2 million of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB8.4 million is expected to be charged against equity upon the Listing. Our consolidated net profit for the year ended December 31, 2021 is lower than the consolidated net profit for the year ended December 31, 2020, mainly due to the recording of listing expenses.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the end of the period reported on the Accountants' Report included in Appendix I to this Prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2021 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of December 31, 2021 or at any future dates following the Global Offering. It is prepared based on our consolidated net tangible assets as of December 31, 2021 as set out in the Accountant's Report in Appendix I to this Prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2021:

	Consolidated net tangible assets attributable to owners of the Company as at December 31, 2021 *RMB'000 (Note 1)*	**Estimated net proceeds from the Global Offering** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at December 31, 2021** *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as December 31, 2021** *RMB (Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as December 31, 2021** *(HK$ equivalent) (Note 4)*
Based on an Offer Price of HK$18.00 per Share	693,685	159,078	852,763	3.56	4.29
Based on an Offer Price of HK$22.00 per Share	693,685	197,245	890,930	3.72	4.48

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as at December 31, 2021 is arrived at after deducting intangible assets of RMB811,000 from the consolidated net assets attributable to owners of the Company of RMB694,496,000 as at December 31, 2021, as shown in the Accountants' Report set out in Appendix I to this Document.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$18.0 and HK$22.0 per Share after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share are calculated based on 239,233,800 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB0.8310 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company have not taken into account the onshore entities' capital reduction of RMB229,640,000. Had the onshore entities' capital reduction taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would be HK$3.13 per Share (based on the Offer Price of HK$18.00 per Share) or HK$3.33 per Share (based on the Offer Price of HK$22.00 per Share).

No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to December 31, 2021.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

As of the date of this Prospectus, Dr. Yu holds approximately 10.03% of the issued share capital of our Company by virtue of his ultimate controlling interests in YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP). Ms. Guo, through Infinite Galaxy Health Limited, holds 9.68% of the issued share capital of our Company. Meinian OneHealth, through Mei Nian Investment Limited, holds approximately 16.39% of the issued share capital of our Company. Dr. Yu, Ms. Guo and Meinian OneHealth are collectively in control of approximately 36.10% of the voting rights of the issued share capital of our Company, and are expected to be in control of approximately 34.30% of our voting rights upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, Dr. Yu, Ms. Guo, Meinian OneHealth together with their respective holding companies, namely, YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership (LP), Infinite Galaxy Health Limited and Mei Nian Investment Limited will be regarded as a group of our Controlling Shareholders for the purpose of the Listing Rules in view of the following circumstances:

(i) Dr. Yu, through controlling YURONG TECHNOLOGY LIMITED, has the right to nominate or elect no more than 5 of our 8 Directors under our existing articles (which will be replaced by our Articles effective upon listing as set out in Appendix III);

(ii) Dr. Yu has significant influence over Meinian OneHealth and is disclosed as the de facto controller of Meinian OneHealth under PRC laws and regulations due to various factors. For instance, Dr. Yu, through entities controlled by him and entities acting in concert with him, holds approximately 19.81% of the issued shares in Meinian OneHealth, and has been its largest shareholder since Meinian OneHealth's being listed on the Shenzhen Stock Exchange in August 2015. Dr. Yu has also been the chairman and president of Meinian OneHealth since August 2015 and January 2021, respectively. Currently, 6 out of 11 directors of Meinian OneHealth were recommended by Dr. Yu to be nominated by its board and subsequently elected at its general meetings and engaged by Meinian OneHealth;

(iii) Dr. Yu, as the chairman and president of Meinian OneHealth, has full authority to make all management decisions as regards Meinian OneHealth's investment in our Company; and

(iv) Dr. Yu is able to control and exercise the voting rights held by Ms. Guo by virtue of the Voting Rights Entrustment Deed. Under the Voting Rights Entrustment Deed, Ms. Guo, through Infinite Galaxy Health Limited, irrevocably entrusts Dr. Yu to exercise all voting rights associated with the Shares it held, except certain economic rights retained by Ms. Guo. Please refer to the "History, Reorganization and Group Structure – Voting Rights Entrustment Deed" sub-section of this Prospectus for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

We are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after Listing for the following reasons.

Independent management

Three of our Directors hold the following positions in Meinian OneHealth and its close associates:

Name	Position in our Company	Positions held in Meinian OneHealth and its close associates
Yu Rong (俞熔)	Executive Director and honorary co-chairperson	Chairperson, president and secretary of the board of Meinian OneHealth[(1)]
Guo Meiling (郭美玲)	Non-executive Director and honorary co-chairperson	Vice chairperson of Meinian OneHealth[(2)]
Lin Lin (林琳)	Executive Director and chairperson	Chief operation officer and senior vice president of Meinian OneHealth[(2)]

Our Directors (other than the three Directors mentioned above) and members of senior management do not hold any position as directors or members of senior management in our Controlling Shareholders or their respective close associates.

Note:

(1) As of the Latest Practicable Date, in addition to the positions held in Meinian OneHealth, Dr. Yu also serves as the director and/or senior management in approximately 62 entities of Meinian OneHealth's close associates.

(2) As of the Latest Practicable Date, in addition to their respective position(s) held in Meinian OneHealth, Ms. Guo serves as the director in three entities of Meinian OneHealth's close associates, while Ms. Lin Lin serves as the director and/or senior management in seven entities of Meinian OneHealth's close associates.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

i. While Ms. Guo is one of our Controlling Shareholders and our honorary co-chairperson, she only serves as our non-executive Director and is not involved in the day-to-day management of our Group. She is primarily responsible for formulating the overall business strategies and participating in making major decisions of our Company as a member of our Board;

ii. The overlapping directors between Meinian OneHealth and our Company represent a minority on the Board;

iii. None of our Directors and members of senior management hold any role as a director or member of senior management in any close associate of Dr. Yu or Ms. Guo. Our executive Directors (save for Dr. Yu and Ms. Lin Lin) and our independent non-executive Directors and members of our senior management do not hold any role as a director or member of senior management in Meinian OneHealth and its close associates. The majority of our Board does not have any role in our Controlling Shareholders or their respective close associates. Decisions of the Board require the approval of a majority vote from the Board. Therefore, the Board can manage the operation of our Company independently from our Controlling Shareholders and their respective close associates;

iv. According to the Articles of Association, for any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall be excluded from the quorum. In addition, our independent non-executive Directors shall participate in the voting on the matters involving conflicts of interest to ensure the interests of our Company and the Shareholders as a whole. In particular, the extension of credit periods to related parties shall be approved by the meeting of the Board. The three interested Directors who also hold positions in Meinian OneHealth and its close associates shall abstain from voting on the extension of credit periods to related parties, while the independent non-executive Directors shall participate in the voting on such matters;

v. We have appointed three independent non-executive Directors, comprising over one-third of the total members of our Board, to provide a balance of the number of potentially interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

vi. Each of our Directors is aware of his/her fiduciary duties and responsibilities under applicable laws and the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole;

vii. During the Track Record Period and before the Listing, Dr. Yu has nominated (i) all or a majority of the directors of Mega Genomics Beijing and (ii) a majority of our Directors pursuant to our articles of association as in force before (but not after) the Listing. Nevertheless, after the Listing, Dr. Yu will not have any special nomination right under the Articles, and all our Directors will be strictly subject to the same fiduciary duties under applicable laws and the Listing Rules to act independently in the interest of our Company and our Shareholders as a whole;

viii. Where a Shareholders' meeting is held to consider a proposed transaction in which any of our Controlling Shareholders or their respective close associates has a material interest, our Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

ix. Our Company has appointed China Securities (International) Corporate Finance Company Limited as our Compliance Advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Independent operations

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licenses and permits necessary for production in our own names, and are not dependent upon our Controlling Shareholders or their respective close associates for any such licenses and permits. We have independent access to raw materials suppliers and logistics service providers, and have sufficient capital, operation facilities, financial system and employees to operate our business independently from our Controlling Shareholders and their respective close associates. For other aspects of our operational independence from our Controlling Shareholders and their respective close associates, see "– No Material Competition with our Controlling Shareholders" below.

In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board of Directors and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders and their respective close associates.

Independent finance

Our Group has an independent financial system. We make financial decisions according to our own business needs and none of our Controlling Shareholders or their respective close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with any of our Controlling Shareholders or their respective close associates. We have made tax filings and paid tax independently of our Controlling Shareholders and their respective close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have our own financing channel, adequate internal resources and credit profile to support our daily operations.

As of the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or their respective close associates to us and vice versa, and no guarantees were provided for our benefit by our Controlling Shareholders or their respective close associates and vice versa; we have settled all amounts due to or from our Controlling Shareholders and their respective close associates of a non-trade nature.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders or their respective close associates.

NO MATERIAL COMPETITION WITH OUR CONTROLLING SHAREHOLDERS

Business of Our Group

Our Group is principally engaged in the provision of broad spectrum of genetic testing services to health checkup centers, hospitals and other consumers at reasonable prices.

Business of Ms. Guo

Ms. Guo has confirmed that, as of the Latest Practicable Date, she did not have any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Delineation of Business Between Meinian OneHealth and its subsidiaries ("Meinian Group"), Dr. Yu's associates and Us

Meinian Group primarily engages in the provision of physical examination and medical services. It mainly provides physical examination, health consultation, health assessment and medical services.

As of the Latest Practicable Date, Dr. Yu had 32 associates that cooperated with our Group and most of those associates are local health checkup centers that engage in providing checkup and/or other healthcare services to customers.

Our Directors are of the view that there is clear delineation between the business of Meinian Group, Dr. Yu's associates and our Group, and that Meinian Group and Dr. Yu's associates do not compete and are unlikely to compete, either directly or indirectly, with our businesses on the following basis:

a. **Different services**. Both Meinian Group and Dr. Yu's associates offer a wide range of health checkup and medical services, while we mainly focus on the genetic testing service and cancer screening service. The genetic testing service is included as part of Meinian Group's and Dr. Yu's associates' health checkup programs and our services are added to their procurement catalogues, permitting our services to enter their branch checkup centers.

b. **Customer base**. As a provider of physical examination services, both Meinian Group and Dr. Yu's associates mainly sell their service to the general public. In contrast, our income is mainly generated from providing genetic testing to health checkup centers, hospitals and other institutional customers.

Based on the above, our Directors are of the view that there is no material business competition between Meinian Group, Dr. Yu's associates and our Group.

Mutual and Complementary Relationship

During the Track Record Period, we entered into a number of agreements with (i) Meinian Group and (ii) Dr. Yu's associates that, together, constitute our continued long-term, stable and mutually beneficial business relationship. These service agreements, made on arms' length basis, covered the provision of genetic testing services by us to Meinian Group and Dr. Yu's associates. The Meinian OneHealth Genetic Testing Service Framework Agreement entered into between Mega Genomics Beijing and Meinian OneHealth has a term of three years commencing from January 1, 2021, while the Dr. Yu Genetic Testing Service Framework Agreement will be effective for a period of three years from the Listing. For details, please see the section headed "Connected Transactions" in this Prospectus. We believe that we maintain mutually beneficial relationships with Meinian Group and with Dr. Yu's associates based on synergies with health checkup services offered by Meinian Group and Dr. Yu's associates. Our strategic partnership with Meinian Group provides direct access to a vast customer pool in China, and enables us to operate and invest at a scale that allows us to realize further gains in efficiency. Through our strategic partnership with Meinian Group, we have promoted testing services to consumers as a part of health checkup programs provided by Meinian Group. At the same time, our cooperation with Dr. Yu's associates also experienced steady growth in demand for our services and products, which we expect to continue to benefit us in the future. As consumers' awareness for preventative healthcare and genetic testing continues to improve, we expect demands for our genetic testing services from health checkup centers associated with Meinian Group and Dr. Yu to increase in a sustainable manner. Meanwhile, we believe our diversified service portfolio, comprehensive testing capacity and efficient operational model also add value to the service menu of Meinian Group and Dr. Yu's associates.

As a result of these agreements, Meinian Group and Dr. Yu's associates continue to be our significant customers, and we continue to be their significant supplier of genetic testing. In addition, Meinian Group has been the country's largest private medical-examination service provider for the past years. This strong alignment of interests enables us to grow along with Meinian Group's expansion in the area of health checkup. Furthermore, there is no termination ground under the Meinian OneHealth Genetic Testing Service Framework Agreement and the Dr. Yu Genetic Testing Service Framework Agreement pursuant to which Meinian OneHealth or Dr. Yu may unilaterally terminate such agreements. Besides, from our past experience in working with customers associated with Meinian Group and Dr. Yu, we understand their business model and consumers' preference, which also creates advantages for us over other genetic testing companies that do not have comparable experience in working with these customers or similar insight into the genetic testing market. Based on the above, we believe it is unlikely that the relationship with Meinian Group and Dr. Yu's associates will materially adversely change or terminate due to our long-term relationship.

Diversified Customer Base

Our revenue generated from transactions with our related parties under HKFRS accounted for 51.1%, 57.9% and 43.1% of our total revenue for the three years ended December 31, 2019, 2020 and 2021, respectively. As the public becomes more aware of the importance of preventive healthcare, disease screening and health management, the market demand has been expanding from tier-one and -two cities to satellite cities and rural areas. Chinese customers are placing increasing importance on physical wellness, and thus the number and frequency of end customers of health examination in China have increased. We maintain and extend our diversified customer base through new and broadened distribution channels and geographical expansions, and successfully established and developed our third-party customer base. As of December 31, 2019, 75.0% of our customers were Independent Third Parties. The number of our customers who were Independent Third Parties increased by 39.1% from 866 as of December 31, 2019 to 1,205 as of December 31, 2021. As of December 31, 2021, 80.5% of our customers were Independent Third Parties. We are able to accommodate an increase in demand from Independent Third Parties with our existing testing facilities and our specialist team at reasonable costs.

We endeavor to continue to broaden our customer base and optimize our genetic testing technology due to our fast growth in sales of our services and products to third-party customers as a result of our active marketing efforts, our continuous business expansion and development of new genetic testing services for commercialization.

NON-COMPETE UNDERTAKINGS

To ensure that competition does not develop between us and other business activities and/or interests of Dr. Yu, Dr. Yu has entered into the Deed of Non-competition with and in favor of our Company on May 30, 2022, pursuant to which Dr. Yu undertakes with our Company (for ourselves and as trustee for our subsidiaries and consolidated affiliated entities from time to time) that, at any time during the Relevant Period (as defined below), Dr. Yu shall not, and shall procure that his close associates shall not, (i) directly or indirectly engage in any business that competes or may compete with the Group's current genetic testing business (including the cancer screening services) and its future business (the "**Restricted Business**") or (ii) hold any interests in shares or securities of any company or business which is directly or indirectly involved in any business that competes or may compete with the Restricted Business.

During the period when Dr. Yu is a de facto controller of Meinian OneHealth under PRC law or has the right to control 30% of the composition of the board of directors of Meinian OneHealth (the "**Meinian Condition**"), he shall (i) procure Meinian OneHealth not to, directly or indirectly (including through its subsidiaries or controlled entities), engage in the Restricted Business, and (ii) not and procure his close associates and Meinian OneHealth not to hold 10% interests in aggregate in shares or securities of any company or business which is directly or indirectly involved in any business that competes or may compete with the Restricted Business, or have the right to control 30% of the composition of the board of directors or managers of such company or other entity.

The above restrictions do not prohibit Dr. Yu and his close associates (excluding members of our Group) from:

(a) holding any interests in shares or securities of any companies or entities which conduct or engaged in any Restricted Business through our Group; and

(b) acquiring or holding any interest in shares or securities of any company or other entity in whatever form which engages in or proposes to engage in any Restricted Business where such investment or interest is less than 10% of the issued shares of such company or entity provided that such investment or interest does not grant Dr. Yu any right to control a majority of the composition of the board of directors or managers of such company or entity.

Dr. Yu has also undertaken to, and undertaken to procure his close associates and Meinian OneHealth to (only when the Meinian Condition applies), refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each a "**New Business Opportunity**") to us in the following manner:

- As soon as he/it becomes aware of any New Business Opportunity and within 10 business days thereafter, he/it shall give written notice (the "**Offer Notice**") to us identifying the nature of the New Business Opportunity, detailing all information available to him/it for us to consider whether to pursue such New Business Opportunity.

- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the notifying party in writing of our intention to pursue (whether individually or jointly with the notifying party) or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party proposing or presenting the New Business Opportunity.

- Our Company may be required to appoint an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity. The notifying party may, at his/its absolute discretion, consider extending the Offer Notice Period as appropriate.

- The notifying party shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person or to act in concert with any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

  i. he/it has received a written notice from us declining the New Business Opportunity; or

  ii. he/it has not received any written notice from us of our intention to pursue (whether individually or jointly with the notifying party) or decline the New Business Opportunity within the Offer Notice Period, he/it if has extended the Offer Notice Period, within such other period as agreed by he/it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the notifying party, he/it shall, within his/its knowledge, refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue (whether individually or jointly with the notifying person) the New Business Opportunity as revised.

Under the Deed of Non-competition, during the Relevant Period (as defined below), Dr. Yu has further individually undertaken the following:

(a) Dr. Yu has acknowledged that our Directors (including the independent non-executive Directors) shall, where necessary and at least on an annual basis, review his compliance with the Deed of Non-competition;

(b) Dr. Yu has authorized us to disclose decisions with basis on matters reviewed by the Directors (including the independent non-executive Directors) relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of public announcement, provided that the relevant disclosures are reviewed and commented by Dr. Yu;

(c) in the event that there is disagreement on whether certain business engaged or proposed to be engaged by Dr. Yu constitutes a Restricted Business, such matter shall be decided by our independent non-executive Directors and the decision thereof shall be final and binding; and

(d) in the event of any actual or potential conflict of interests, Dr. Yu will abstain from voting and will not be counted towards the quorum of any board meeting or shareholders' meeting.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement(s) to the public.

For the purposes of the above, the "**Relevant Period**" means the period commencing from the Listing Date and expiring on the earlier of (i) the date on which Dr. Yu ceases to be one of our Controlling Shareholders; (ii) the date when Dr. Yu ceases to hold 10% or more equity interests of our Company; or (iii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group, and to safeguard the interests of the Shareholders taken as a whole for the following reasons:

- where a board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Directors, our Controlling Shareholders or any of their respective close associates has a material interest, the relevant Director or Shareholder will not vote on the relevant resolutions;

- we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with our Controlling Shareholders or any of their associates, we will comply with the applicable Listing Rules;

- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and any of our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of other Shareholders;

- each of our Controlling Shareholders has undertaken to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

- where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

- we have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect other Shareholders' interests after the Listing.

UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement, he/she/it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(1) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); or

(2) in the period of six months commencing on the date on which the period referred to (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares referred to in (1) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will and will procure that the relevant registered holder(s) will:

(1) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

BOARD OF DIRECTORS

As of the date of this Prospectus, our Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors.

The table below sets forth certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Roles and responsibilities	Interests in our Company as of the date of this Prospectus	Interests in Meinian OneHealth as of the Latest Practicable Date
Dr. Yu Rong (俞熔)	49	January 5, 2016	August 6, 2021	Executive Director and honorary co-chairperson	Responsible for overall strategic and business planning of our Group	44,795,135 Shares, representing approximately 19.71% of the total Shares[2]	775,547,190 shares, representing approximately 19.81% of the total shares of Meinian OneHealth[3]
Ms. Guo Meiling (郭美玲)	52	March 18, 2021	August 6, 2021	Non-executive Director and honorary co-chairperson	Responsible for overall strategic and business planning of our Group	22,000,000 Shares, representing approximately 9.68% of the total Shares[2]	234,386,840 shares, representing approximately 5.69% of the total shares of Meinian OneHealth
Ms. Lin Lin (林琳)	46	December 11, 2020[1]	April 22, 2021	Executive Director and chairperson	Responsible for our Group's overall strategic planning and investor relations and lead our Group's overall operation and management	9,975,311 Shares, representing approximately 4.39% of the total Shares[2]	8,541,799 shares, representing approximately 0.22% of the total shares of Meinian OneHealth
Mr. Huang Yufeng (黄宇峰)	40	January 5, 2017	August 6, 2021	Executive Director and chief executive officer	Responsible for our Group's overall marketing strategic planning and sustainable business development	3,463,131 Shares, representing approximately 1.52% of the total Shares[2]	N/A

1 Ms. Lin Lin started to oversee the business of Mega Genomics Beijing since January 1, 2018.

2 Due to the arrangement of the Voting Rights Entrustment Deed, Dr. Yu is deemed to be interested in which Ms. Guo is ultimately interested (through holding 100% interests of Infinite Galaxy Health Limited) under the SFO. Details are set out in the section headed "Statutory and General Information – Further Information about our Directors and Substantial Shareholders – 1. Directors – (1) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations – Interests in the Shares or Underlying Shares of our Company".

3 541,160,350 shares of Meinian OneHealth are directly and indirectly held by Dr. Yu and 234,386,840 shares of Meinian OneHealth are controlled by Dr. Yu through the Voting Rights Entrustment Deed entered into by Dr. Yu, Ms. Guo and Ms. Guo's son, among others, pursuant to which Ms. Guo and her son irrevocably entrusted Dr. Yu to exercise all voting rights owned by them in Meinian OneHealth.

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Roles and responsibilities	Interests in our Company as of the date of this Prospectus	Interests in Meinian OneHealth as of the Latest Practicable Date
Ms. Jiang Jing (姜晶)	41	November 24, 2020	August 6, 2021	Executive Director and chief financial officer	Responsible for our Group's overall financial strategic planning and investor relations activities	N/A[4]	N/A
Dr. Zhang Ying (張影)	42	August 6, 2021	August 6, 2021	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	N/A	N/A
Mr. Jia Qingfeng (賈慶豐)	43	August 6, 2021	August 6, 2021	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	N/A	N/A
Dr. Xie Dan (謝丹)	40	August 6, 2021	August 6, 2021	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	N/A	N/A

EXECUTIVE DIRECTORS

Dr. Yu Rong (俞熔), aged 49, is an executive Director of our Company, one of our founders and one of our Controlling Shareholders. Dr. Yu joined our Group in January 5, 2016 as a director of Mega Genomics Beijing and was appointed as an executive Director and honorary co-chairperson on August 6, 2021. He is responsible for the overall strategic and business planning of our Group.

Dr. Yu has approximately 20 years' experience in business administration and management in the healthcare industry. Dr. Yu founded Meinian OneHealth in 2004 and has served as its director since then. Since March 1998, Dr. Yu served as the chairperson of Shanghai Tianyi Investment (Group) Co., Ltd. (上海天億實業控股集團有限公司). Since August 2006, Dr. Yu has served as an executive director of Shanghai Tianyi Asset Management Co., Ltd. (上海天億資產管理有限公司). Since March 2010, Dr. Yu has served as a director of Shenzhen Rapoo Technology Co., Limited (深圳雷柏科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002577). Since February 2015, Dr. Yu has served as an executive director of Beijing Tianyi Hongfang Investment Management Co., Ltd. (北京天億弘方投資管理有限公司). Since March 2015, Dr. Yu has served as an executive

4 Ms. Jiang holds approximately 19.13% of equity interests in Main Sunshine Technology Limited which is a Shareholder of the Company.

director and the general manager of Shanghai Tianyi Hongfang Property Management Co., Ltd. (上海天億弘方物業管理有限公司). Since January 2016, Dr. Yu has served as a director of Beijing Huamei Kangxun Information Technology Co., Ltd. (北京華媒康訊信息技術股份有限公司), the shares of which are listed on the National Equities Exchange and Quotations ("**NEEQ**") (stock code: 872612) and is principally engaged in media sales and online and offline services in relation to media sales, namely advertising, public relations planning, conference forum, consultation, training, research, software, integrated marketing and book publishing. From November 2016 to July 2021, Dr. Yu served as a director of Beijing Trust & Far Technology Co., Ltd. (北京銀信長遠科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300231) and is principally engaged in providing one-stop IT overall solution for data center IT infrastructure.

Notwithstanding Dr. Yu's existing roles as director in several companies, Dr. Yu confirmed that he has devoted and will continue to devote sufficient time to act as our executive Director based on the following:

(i) save for the subsidiaries of Meinian OneHealth, most of the companies where Dr. Yu serves as a director are managed by the managers with extensive management experience appointed by Dr. Yu's investment team, and therefore do not take much of Dr. Yu's time to serve as a director;

(ii) except for Meinian OneHealth, Shenzhen Rapoo Technology Co., Limited and Beijing Huamei Kangxun Information Technology Co., Ltd., most of the companies where Dr. Yu serves as a director are private companies. From the time contribution perspective, although private companies are also required to comply with relevant laws and regulations, the time Dr. Yu is required to spend as a director of private companies is relatively less than that of listed companies, considering listed companies are required to comply with more complicated listing rules or securities laws, such as the requirements on the disclosure of inside information, publication of annual/interim reports, disclosure or approval procedures of connected transactions and restrictions on the issuance and dealing of listed securities;

(iii) Dr. Yu's role in other listed companies (i.e., Shenzhen Rapoo Technology Co., Limited and Beijing Huamei Kangxun Information Technology Co., Ltd.) is non-executive in nature. While he will attend board meetings of those companies from time to time, such non-executive director role will not require his full-time participation and he does not need to attend to the day-to-day operations or management of those two listed companies;

(iv) since becoming an executive Director, Dr. Yu has not experienced any difficulty in devoting his time to our Company; and

(v) with Dr. Yu's background and experience, Dr. Yu is fully aware of the responsibilities and management attention required of him as an executive Director. Dr. Yu has advised us that he will make sufficient time available to discharge his role

as an executive Director of our Company and is confident that he will be able to discharge his fiduciary duties to our Company, for instance, he will actively participate in the Board meetings and revisit his time commitment in other companies from time to time to avoid conflicting meetings and reschedule his meetings for those other companies, as and when necessary, to ensure that he will have sufficient time to discharge his fiduciary duties as an executive Director of our Company.

Based on the foregoing, our Directors do not have reasons to believe that the various positions currently held by Dr. Yu will result in Dr. Yu not having sufficient time to act as our executive Director or not properly discharging his fiduciary duties as a Director of our Company.

Dr. Yu has been a member of Health Promotion and Education Expert Steering Committee of National Health and Family Planning Commission (國家衛生計生委健康促進與教育專家指導委員會) from May 2017 to December 2019, the deputy commissioner of The First Management Committee of health Management Research and Training Special Fund of China Health Promotion Foundation (中國健康促進基金會健康管理研究與培訓專項基金第一屆管理委員會) since January 2019 and the president of Health Examination Branch of China Association of Non-public Medical Institutions (中國非公立醫療機構協會健康體檢分會) since October 2019.

Dr. Yu obtained his bachelor's degree in electronic engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1993 and his master's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in August 1999. Dr. Yu further earned his Ph.D in basic theory of traditional Chinese Medicine from China Academy of Chinese Medical Sciences (中國中醫科學院) in the PRC in July 2013 and his executive master's degree in business administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in September 2009.

Dr. Yu served as a director and the legal representative of Tianrong (Nantong) Building Materials Co., Ltd (天熔(南通)建築材料有限公司) ("**Tianrong Nantong**") from October 2005 to February 2007. Tianrong Nantong was established in 2005 at the invitation of the local government in line with its policy of attracting investment to the area. Due to later local policy adjustments, Tianrong Nantong has not commenced any substantive business. In February 2007, the business license of Tianrong Nantong was revoked as it had no actual operations and business for a long period of time. Tianrong Nantong had no business or operation since its establishment. Dr. Yu confirmed that (i) he had been a director and the legal representative of Tianrong Nantong at the relevant time when the business license of Tianrong Nantong was revoked; (ii) there was no wrongful act on his part leading to the revocation of business license of Tianrong Nantong; (iii) Tianrong Nantong was solvent prior to its revocation; (iv) he did not incur any debt and/or liabilities because of such revocation of business license and he is not aware of any actual or potential claim which has been or will be made against him as a result of such revocation of business license; and (v) the revocation of business license of Tianrong Nantong did not have any negative effect on the Company.

Ms. Lin Lin (林琳), aged 46, is an executive Director and the Chairperson of our Company. Ms. Lin started to oversee Mega Genomics Beijing since January 2018 and officially joined our Group in December 11, 2020 when she was officially appointed as a director of Mega Genomics Beijing from December 2020. Ms. Lin manages the day-to-day business and makes management decisions according to the instructions of Dr. Yu during her service at Mega Genomics Beijing. In March 2021, she was elected as the joint chairperson of Mega Genomics Beijing. Ms. Lin was appointed as a Director on April 22, 2021 and was re-designated as an executive Director and appointed as the Chairperson on August 6, 2021. She is responsible for our Group's overall strategic planning and investor relations and lead our Group's overall operation and management.

Ms. Lin has approximately 20 years of comprehensive experience in the field of life and health and corporate operation. From June 2007 to December 2012, Ms. Lin served as the general manager of Harbin Meinianda Health Examination Station Co., Ltd., where she was mainly responsible for the daily affairs management and overall operation. Since January 2013, Ms. Lin has served as a senior vice president and the chief operating officer of Meinian OneHealth. She is mainly responsible for the overall development strategy and daily management and operation of Meinian OneHealth and significantly contributed to the operational and market performance of Meinian OneHealth. Ms. Lin has a unique forward-looking international vision and excellent operation and management experience.

Ms. Lin obtained her master's degree in business management from Peking University (北京大學) in the PRC in January 2017.

Mr. Huang Yufeng (黃宇峰), aged 40, is an executive Director of our Company and one of our founders. Mr. Huang joined our Group in January 5, 2017 as the chief marketing officer of Mega Genomics Beijing and was appointed as a director and the chief executive officer of Mega Genomics Beijing on December 11, 2020 and March 18, 2021, respectively. He was appointed as an executive Director on August 6, 2021. He is responsible for the our Group's overall marketing strategic planning and sustainable business development.

Mr. Huang has approximately 15 years' experience in business administration and management in the healthcare industry. From July 2008 to December 2013, Mr. Huang served in various positions at Bayer Pharmaceutical Co., Ltd. (拜耳醫藥有限公司). From January 2014 to December 2016, Mr. Huang served as the vice general manager of Beijing Joy Orient Translational Medicine Research Center Co., Ltd. (北京德易東方轉化醫學研究中心) where he was responsible for sales and marketing operations. Since January 5, 2017, Mr. Huang has served as the chief marketing officer of Mega Genomics Beijing. Since December 2020, Mr. Huang served as a director of Mega Genomics Beijing. Since March 18, 2021, Mr. Huang served as the chief executive officer of Mega Genomics Beijing. Since March 29, 2021, Mr. Huang has served as a legal representative, manager, and executive director of Tianjin Mega Health Technology Co., Ltd. (天津美因健康科技有限公司). Since April 6, 2021, Mr. Huang has served as a supervisor of Beijing Mega Medical Devices Co., Ltd. (北京美因醫療器械有限公司). Since June 24, 2021, Mr. Huang has served as the legal representative and executive director of Shanghai Yingce Biotechnology Co., Ltd. (上海熒測生物科技有限公司).

Mr. Huang obtained his master's degree in microbiology from Sichuan University (四川大學) in the PRC in June 2006.

Ms. Jiang Jing (姜晶), aged 41, is an executive Director of our Company. Ms. Jiang joined our Group in November 2020 as the chief financial officer of Mega Genomics Beijing. She was appointed as an executive Director on August 6, 2021. She is responsible for our Group's overall financial strategic planning and investor relations activities.

Ms. Jiang has approximately 18 years' experience in financial management. From November 2003 to June 2012, Ms. Jiang served as the senior manager in the accounting department of Zhongrui Yuehua Accounting Firm (中瑞岳華會計師事務所). From July 2012 to May 2013, Ms. Jiang served as the senior manager of financial reporting department of Li Ning (China) Sporting Goods Co., Ltd. (李寧(中國)體育用品有限公司). From May 2013 to January 2018, Ms. Jiang served the financial director of Beijing Xinwu Liebo E-Commerce Co., Ltd. (北京心物裂帛電子商務股份有限公司). From January 2018 to November 2020, Ms. Jiang served as the financial director of Beijing New Match Point Sports Investment Co., Ltd. (北京新賽點體育投資股份有限公司), the shares of which are listed on the NEEQ (stock code: 834425).

Ms. Jiang obtained her master's degree in business management from Changjiang University (長江大學) in the PRC in June 2019.

NON-EXECUTIVE DIRECTOR

Ms. Guo Meiling (郭美玲), aged 52, is a non-executive Director of our Company and one of our Controlling Shareholders. Ms. Guo joined our Group in March 18, 2021 as a director of Mega Genomics Beijing and was appointed as a non-executive Director and honorary co-chairperson of our Company on August 6, 2021. She is responsible for overall strategic and business planning of our Group.

Ms. Guo has approximately 20 years of business administration experience. Ms. Guo is the founder of Beijing Shiji Changhe Technology Co., Ltd. (世紀長河科技集團有限公司), and she has served as the director and general manager of the company since October 2002. Since October 2015, she has served as the vice chairperson of Meinian OneHealth. She served as the chairperson of Shenyang Dajiankang Management Co., Ltd. (瀋陽美年健康科技健康管理有限公司) since January 2008. She served as a director of Beijing Joy Indra Hospital Management Ltd. (北京歡樂英卓醫院管理有限公司) since February 12, 2015. She has served as a chairperson of Shanghai Kanglin Renhe Home Health Care Products Co., Ltd. (上海康林仁和家庭醫療保健用品有限公司) since August 15, 2014. Since December 6, 2017, Ms. Guo has served as a vice chairperson of Beijing YS Health Technology Co., Ltd. (北京宜生健康科技有限公司). Since March 6, 2020, Ms. Guo has served as a director of Shanghai Haier Medical Technology Co., Ltd. (上海海爾醫療科技有限公司).

Ms. Guo served as the legal representative and the controller of Weifang Yuansheng Economic and Trade Co., Ltd (濰坊元盛經貿有限公司 ("**Weifang Yuansheng**")) from 2004 to 2006. In December 26, 2006, the business license of Weifang Yuansheng was revoked due to its non-operation of business since its establishment. Ms. Guo confirmed that (i) she had been a director and legal representative of Weifang Yuansheng at the relevant time when the business license of Weifang Yuansheng was revoked; (ii) there was no wrongful act on her part leading to the revocation of business license of Weifang Yuansheng; (iii) Weifang Yuansheng was solvent prior to its revocation; (iv) she did not incur any debt and/or liabilities because of such revocation of business license and she is not aware of any actual or potential claim which has been or will be made against her as a result of such revocation of business license; and (v) the revocation of business license of Weifang Yuansheng did not have any negative effect on the Company.

Ms. Guo received her master's degree in business administration from Nanyang Technological University in Singapore in July 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zhang Ying (張影), aged 42, joined our Group on August 6, 2021 as an independent non-executive Director. Dr. Zhang is responsible for supervising and providing independent judgment to our Board.

Dr. Zhang has approximately 14 years' research experience in business management. Dr. Zhang has been a director of Dashang Co., Ltd. (大商股份有限公司) since May 2019, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600694), a department store retail service provider, integrating department store chains, supermarket chains, and electrical appliances chains. He is currently a professor of market strategy and behavioral sciences at Peking University Guanghua School of Management, the associate dean, the director of Peking University Management Case Research Center, the director of Peking University Chicago Center.

Dr. Zhang obtained his master's degree in management from University of Cambridge in the United Kingdom in July 2002. Dr. Zhang further earned his Ph.D. degree from the Graduate School of Business of University of Chicago in the United States in July 2007.

Mr. Jia Qingfeng (賈慶豐), aged 43, joined our Group on August 6, 2021 as an independent non-executive Director. He is responsible for supervising and providing independent judgment to our Board.

Mr. Jia has approximately 13 years' experience in financial administration and risk control. From September 2008 to April 2017, Mr. Jia served as the chief financial officer and vice general manager of Beijing Kylin Culture Co. Ltd. (北京麒麟網文化股份有限公司), where he was responsible for the construction, development, and operation of the company's financial system, investment and financing, and overseeing all financial matters of the company. In discharging his duties as the chief financial officer, he reviewed and monitored all financial

reporting matters including but not limited to its quarterly, interim and annual information, statements and reports during that period until April 2017, to ensure the full, complete and accurate financial disclosure pursuant to the accounting standards and other legal requirements relating thereto. Shares of Beijing Kylin Culture Co. Ltd. (北京麒麟網文化股份有限公司) was listed on NEEQ from December 15, 2015 to October 25, 2017. From November 2017 to June 2018, Mr. Jia served as the vice president of COL Digital Publishing Group Co., Ltd. (中文在線數字出版集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300364), where he was responsible for the construction, development, and operation of the Group's financial and strategic systems. Later from June 2018 to December 2019, Mr. Jia was promoted as the chief financial officer and vice general manager of COL Digital Publishing Group Co., Ltd., during which period he was responsible for formulating major financial decisions and overseeing all financial matters of the company. Specifically, he was responsible for, among other things, reviewing and monitoring the financial reporting matters including its quarterly, interim and annual information, statements and reports to make sure the financial disclosure is full, complete and accurate pursuant to the accounting standards and other legal requirements relating thereto. From June 2018 to December 2019, Mr. Jia also served as a director in Shanghai Chenzhike Information Technology Co., Ltd. (上海晨之科信息技術有限公司) and Crazy Maple Studio, Inc.. Since January 1, 2020, Mr. Jia has served as the general manager of Beijing Fenghua Management Consulting Co., Ltd. (北京灃華管理諮詢有限公司), a company principally providing financial consultancy services to technology companies, where he is responsible for reviewing financial statements and budgets, formulating financial plans and overseeing all financial matters of the company.

Mr. Jia obtained his bachelor's degree in accounting from Beijing Jiao Tong University (北京交通大學) in the PRC in July 2004, and his executive master's degree in business administration (EMBA) from Peking University in the PRC on June 28, 2019. He holds the qualification to practice securities and funds in China granted by the Securities Association of China, the qualification of board secretary granted by both Shenzhen Stock Exchange and Shanghai Stock Exchange and the qualification of M&A dealer granted by China M&A Association in 2016. Based on his extensive practical experience in accounting and finance, Mr. Jia has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules.

Dr. Xie Dan (謝丹), aged 40, joined our Group on August 6, 2021 as an independent non-executive Director. He is responsible for supervising and providing independent judgment to our Board.

Dr. Xie has approximately 10 years' research experience in the healthcare industry. From September 2011 to March 2015, he was engaged in post-doctoral research at Stanford University, School of Medicine. He has been a researcher and doctoral supervisor of State Key Laboratory of Biotherapy in Sichuan University (四川大學) since July 2015. From September 2020, he has served as the director of Laboratory of Omics Technology and Bioinformatics, Frontier Science Center of Molecular Networks of Diseases in Sichuan University.

Dr. Xie's research areas are as follows: (1) bioinformatics, high-throughput histology technology, multi-omics data analysis; (2) development of high-throughput, high-resolution single-cell multi-omics composite sequencing technology; (3) single-cell sequencing technology to study molecular mechanisms of tumorigenesis, development and drug resistance; (4) non-invasive liquid biopsy diagnostic technology development and translation; (5) tri-generation sequencing technology development and application.

Dr. Xie obtained his bachelor's degree in science from University of Science and Technology of China (中國科學技術大學) and his master's degree in engineering from University of Science and Technology of China in July 2006. Dr. Xie further earned his Ph.D. in bioengineering from University of Illinois at Urbana-Champaign in the United States in August 2011.

Saved as disclosed above, each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as a senior management of our Group	Position	Roles and responsibilities
Mr. Huang Yufeng (黃宇峰)	40	January 5, 2017	March 18, 2021	Chief executive officer	Responsible for our Group's overall business strategic planning and overall marketing operation management
Ms. Jiang Jing (姜晶)	41	November 24, 2020	November 24, 2020	Chief financial officer	Responsible for our Group's financial management and overall business strategic planning
Ms. Li Yan (李艷)	36	March 15, 2017	March 15, 2017	Head of human resources	Responsible for developing and executing human resources strategy

Name	Age	Date of joining our Group	Date of appointment as a senior management of our Group	Position	Roles and responsibilities
Dr. Yi Xiang (易翔)	41	July 22, 2019	July 22, 2019	Head of research and development	Responsible for our Group's product strategy, technology research and development and regulatory review and approval
Dr. An Xia (安霞)	38	December 19, 2017	December 19, 2017	Head of operation	Responsible for the operation and overall planning and management of our Group's operation platform
Dr. Gong Xiani (宮夏霓)	35	May 10, 2017	May 10, 2017	Head of branding	Responsible for managing the strategy of our Group's branding and marketing department
Mr. Li Cong (李琮)	37	August 1, 2017	August 1, 2017	Head of information technology	Responsible for the strategical development and management of technology platform and IT operations

Mr. Huang Yufeng (黃宇峰), please refer to the paragraphs headed "Executive Directors" in this section for details.

Ms. Jiang Jing (姜晶), please refer to the paragraphs headed "Executive Directors" in this section for details.

Ms. Li Yan (李豔), aged 36, joined our Group on March 15, 2017 as the head of human resources of Mega Genomics Beijing and is responsible for developing and executing human resources strategy. She was appointed as a joint company secretary on August 10, 2021.

Ms. Li has over 13 years of experience in human resources management. Prior to joining our Group, Ms. Li worked as a human resources manager of Office Depot Network Technology Ltd. (歐迪辦公網絡技術有限公司) from July 2008 to June 2015. From June 2016 to March 2017, Ms. Li served as the head of human resources of Beijing Changkehui Network Information Technology Co., Ltd. (北京常客匯網絡信息技術有限公司).

Ms. Li obtained her bachelor's degree in English from Yangzhou University (揚州大學) in the PRC in June 2005.

Dr. Yi Xiang (易翔), aged 41, joined our Group on July 22, 2019 as the head of research and development of Mega Genomics Beijing and is responsible for our Group's product strategy, technology research and development and regulatory review and approval.

Dr. Yi has approximately 13 years of experience in healthcare industry especially gene testing services and products in relation to molecular diagnosis. Prior to joining our Group, from September 2008 to July 2017, Dr. Yi worked as a department manager of molecular diagnosis research and development department of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 8247). From August 2017 to May 2019, Dr. Yi worked as a head of research and development of kits in instrument and reagent department of Beijing Sacred Valley Tongchuang Technology Development Co., Ltd. (北京聖谷同創科技發展有限公司), a company engaged in developing individualized gene detection for disease prediction and treatment.

Dr. Yi obtained his doctor's degree in biochemistry and molecular biology from Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所) in July 2008. He was admitted as a member of the first session of Genetic Testing Branch of China Medical Equipment Association (中國醫學裝備協會基因檢測分會) in September 2020.

Dr. An Xia (安霞), aged 38, joined our Group on December 19, 2017 as the head of operation of Mega Genomics Beijing and is responsible for the operation and overall planning and management of our Group's operation platform.

Dr. An has over 8 years of experience in production department of various corporations. Prior to joining our Group, Dr. An worked as the head of transgenosis department of Beijing Jinguanfeng Biotechnology Co., Ltd. (北京金冠豐生物技術有限公司) from June 2013 to March 2016. From March 2016 to December 2017, Dr. An worked as the manager of molecular marker department of China Golden Marker (Beijing) Biotech Co., Ltd. (中玉金標記(北京)生物技術股份有限公司), where Dr. An was responsible for the operation and management of the high throughput laboratory.

Dr. An obtained her doctor's degree in plant nutrition from China Agricultural University (中國農業大學) in the PRC in July 2013.

Dr. Gong Xiani (宮夏霓), aged 35, joined our Group on May 10, 2017 as the head of branding of Mega Genomics Beijing and is responsible for management of our Group's branding and marketing department, organize and coordinate work including market research, product promotion, activity planning and sales training.

Dr. Gong has solid professional skills and rich experience in marketing and product development of gene testing, and in-depth understanding of consumer gene testing and cancer screening. Dr. Gong has participated in the development of a number of gene testing products and led the market promotion plan of a number of products.

Dr. Gong finished her doctoral programs in neurobiology at Capital Medical University (首都醫科大學) in the PRC in July 2016.

Mr. Li Cong (李琮), aged 37, joined our Group on August 1, 2017 as the head of information technology and is responsible for strategical development and management of technology platform and IT operations.

Mr. Li has approximately 15 years of experience in software engineering. Prior to joining our Group, from December 2006 to January 2011 Mr. Li worked as a software engineer of VanceInfo Technologies Inc. (文思創新軟件技術有限公司), a senior software engineer of Beyondsoft (Beijing) Co., Ltd. (博彥信息科技(北京)有限公司) (formerly known as Dazhan Information Technology (Beijing) Co., Ltd (大展信息科技(北京)有限公司)) a senior software engineer of GEONG Business Networks Limited (北京新智互連雲技術有限公司) (formerly known as Beijing Xinrui Interactive Business Network Co., Ltd (北京新銳互動商業網絡有限公司)). From February 2011 to July 2017, Mr. Li served as the department manager of Office Depot Network Technology Ltd. (歐迪辦公網絡技術有限公司).

Mr. Li obtained his master's degree in software engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in the PRC in June 2019.

FURTHER INFORMATION ABOUT DR. YU

In September and October 2020, Dr. Yu, Meinian OneHealth and two of its senior management, among others, received a non-compliance notice and a warning letter from Shenzhen Stock Exchange and the Jiangsu Regulatory Bureau of the China Securities Regulatory Commission ("**Jiangsu CSRC**"), respectively, regarding the failure of Meinian OneHealth to (i) timely publish an annual results estimate announcement to disclose its expected significant losses for the year of 2019 by 31 January 2020 (the "**First Incident**"), and (ii) perform appropriate internal review procedures with respect to the provision of funds for non-operational purposes from Meinian OneHealth to its related parties during the year of 2019 (the "**Second Incident**", together the "**Incidents**").

The First Incident

In late October 2019, Meinian OneHealth was in a profit position when it published the third quarterly report for the year of 2019. The subsequent turnaround to loss position as published by Meinian OneHealth in its annual report for the financial year 2019 dated 30 April 2020 was principally due to the significant goodwill impairment for Meinian OneHealth as a result of the outbreak of COVID-19. Specifically, (i) the outbreak of COVID-19 has caused significant change to the overall business environment of the health check-up industry. According to Frost & Sullivan, under the impact of COVID-19 and governmental policy for combating the outbreak, most of the health check-up centers were closed during most of the time in the first quarter and reopened from the second quarter in 2020, and consequently the operational and financial performance of the whole health check-up industry is negatively impacted; and (ii) Meinian OneHealth, as one of the largest health check-up centers in China, is representative for reflecting the industry of health check-up centers and has been adversely affected considering that its large amount of health check-up centers are located across the country, with a substantial number of health check-up centers temporarily closed and a significant decrease in the volume of consumer traffic during the pandemic. According to Meinian OneHealth's annual report, the consumer traffic of taking health check-up was 16.6 million in 2020 while the number of that was 18.7 million in 2019. Health check-up centers of Meinian OneHealth were closed during February 2020, and started to reopen from the end of March 2020. As Meinian OneHealth's future cash flow generation capability needs to be taken into consideration when assessing the goodwill impairment, such change of external environment has caused a significant goodwill impairment, and subsequently resulted in the significant decrease of the overall financial results of Meinian OneHealth.

It is noted that the annual result of Meinian OneHealth is usually reviewed and assessed every January of the following financial year. However, the severe interruptions in local commute in the PRC in January 2020 as a result of the pandemic significantly delayed Meinian OneHealth's preparation of annual financial reporting and its assessment of goodwill impairment. The health check-up centers of Meinian OneHealth are located across the entire country, and their financial reporting procedures were significantly impacted, as cities were shut down and blocked, local traffic was severely interrupted across the country and many of its financial reporting personnel were unable to travel to those health check-up centers. Considering the aforementioned factors including but not limited to: (i) unexpected force majeure of COVID-19 pandemic, (ii) nation-wide and local governmental regulations and policies, and (iii) unpredictability of the influence from the pandemic at the very beginning of the outbreak, the financial result including goodwill impairment testing related to the future cash generation capacity projections could not reasonably be contemplated by the directors of Meinian OneHealth by January 2020 and Meinian OneHealth could not reasonably provide the most thorough and accurate information by January 2020, the deadline to publish the 2019 annual results estimate announcement. It is also noted that the companies listed on the Shenzhen Stock Exchange are required to publish annual results estimate announcement(s) with an estimated range of the profits or losses in a quantitative way no later than one month after the end of the financial year. Although it can be anticipated that the outbreak of the COVID-19 pandemic would cause adverse effect to the overall health check-up industry

including Meinian OneHealth in January 2020, due to the lock-down policy throughout the whole country as mentioned above, the information available to Meinian OneHealth in January 2020 was insufficient for Meinian OneHealth to thoroughly and accurately quantify a decent estimated range of its losses for the year of 2019. In addition, A-share listed companies are required to prepare and publish their annual results estimate announcements, usually with the assistance and involvement of their external auditor. However, considering that Meinian OneHealth's health check-up centers are located across the entire country and the unexpected impact of the COVID-19 pandemic and the subsequent nation-wide and local governmental regulations and policies implemented by the government as mentioned above, the information available to Meinian OneHealth was inadequate for them to timely and accurately quantify the losses of Meinian OneHealth for the year of 2019 and prepare an annual results estimate announcement within the required timeframe, nor was Meinian OneHealth able to timely provide sufficient and accurate financial information, material and data to the external auditor in their satisfactory manner for their related work. Therefore, Meinian OneHealth failed to timely publish an annual results estimate announcement to disclose its expected significant losses for the year of 2019 by 31 January 2020. Meinian OneHealth had not communicated with the Shenzhen Stock Exchange prior to the deadline of 31 January 2020 that it would not be able to publish the annual results estimate announcement, considering that (i) under the influence of the COVID-19 pandemic, Meinian OneHealth was unable to timely quantify the range of its losses for the year of 2019 in accordance with the relevant disclosure requirement of the Shenzhen Stock Exchange due to the limited information available to them by the end of January 2020; and (ii) the failure to timely publish an annual results estimate announcement before the deadline would be treated as a non-compliance issue by the Shenzhen Stock Exchange, no matter whether Meinian OneHealth makes a prior communication with the Shenzhen Stock Exchange or not.

In addition, it is considered that it is not uncommon that the companies listed on the Shenzhen Stock Exchange receive non-compliance notice given the pervasive nature of COVID-19. To the best knowledge of our Company, based on public information, there are around ten companies listed on the Shenzhen Stock Exchange that also received the non-compliance notice or other regulatory measures from the Shenzhen Stock Exchange and/or Shenzhen Regulatory Bureau of the China Securities Regulatory Commission, due to their failure to timely or accurately publish an annual results estimate announcement/correction announcement or accurately assess the goodwill impairment as a result of the delayed resumption of work and telecommuting caused by COVID-19. Based on the above, our Company considers that there were other instances that the business operation of PRC-listed companies was adversely affected and such adverse effect could not be timely foreseen and contemplated by those listed companies and as a result the government authorities or the Shenzhen Stock Exchange adopted regulatory measures or disciplinary actions such as non-compliance notice and/or warning letter towards those listed companies that failed to timely meet the disclosure requirements. As advised by our PRC Legal Advisors, such regulatory measure and disciplinary action are minor in nature and generally and frequently taken by government authorities or the Shenzhen Stock Exchange against listed companies for their failure to fulfill the disclosure requirements timely and appropriately.

The Second Incident

During 2019, 17 health checkup centers operating under the Meinian OneHealth brand or its associated brands (the "**Relevant Centers**"), in which Dr. Yu has indirect interests through holding certain investment funds[1], experienced financial difficulties. The regional general managers of Meinian OneHealth in the relevant regions decided to provide support to the Relevant Centers with a view to protecting the brand, by extending the payment date for certain amounts receivable by Meinian OneHealth and making early payment for certain amounts payable to the Relevant Centers (collectively the "**Support**"). Meinian OneHealth regularly outsourced health check services to some qualified health checkup centers including the Relevant Centers. All such receivables and payables were originated from such outsourcing services business between Meinian OneHealth and the Relevant Centers during their ordinary and usual course of business dealings. As the regional general managers' purpose was to protect Meinian OneHealth's brand and assist the Relevant Centers to get over the financial difficulties and they did not intend to use any additional fund to offer assistance, such Support was provided through extending the payment date for certain amounts receivable by Meinian OneHealth and making early payment for certain amounts payable to the Relevant Centers during the ordinary and usual course of business dealings. The total accumulated amount of the Support was around RMB185 million. As advised by our PRC Legal Advisor, pursuant to the relevant PRC laws, the Relevant Centers were regarded as the related parties of Meinian OneHealth due to their relationship with the de factor controller of Meinian OneHealth, namely Dr. Yu, and therefore the Support provided by Meinian OneHealth to the Relevant Centers were treated as related party transactions under the PRC laws and the Support should have been reviewed and approved through appropriate process of related party transactions. As advised by our PRC Legal Advisor, such Support, by extending the payment date for certain amounts receivable by Meinian OneHealth and making early payment for certain amounts payable to the Relevant Centers during the ordinary and usual course of business dealings which had not been reviewed and approved through appropriate process of related party transactions (which should have been duly reviewed and approved by the board of Meinian OneHealth), constitutes non-operational capital occupation under the relevant PRC regulations. However, the Support was treated as normal dealings in the ordinary and usual course of business by the said regional general managers and not as related party transactions, and as such only required the approval by the regional general managers, but without appropriate approval process of related party transactions.

Note:

1. As of December 31, 2019 during which period such Support was provided, Dr. Yu indirectly held the interests of the Relevant Centers through certain investment funds, namely Nantong Meizhao Meinian Health Industry M&A Investment Fund (L.P.) (南通美兆美年健康產業併購投資基金(有限合夥)), Shanghai Jianyi Investment Centre (L.P.) (上海健億投資中心(有限合夥)), Jiaxing Xinwen Ganfu Equity Investment Partnership (L.P.) (嘉興信文淦富股權投資合夥企業(有限合夥)) and Shanghai Meizhao Health Management Co., Ltd. (上海美兆健康管理有限公司), and the interests indirectly held by Dr. Yu in such Relevant Centers ranged from approximately 1.95% to 21.11%.

The Support was initially discovered by the financial reporting officers of Meinian OneHealth in January 2020 during the process of their preparing Meinian OneHealth's 2019 annual report. Customarily, in January 2020, the financial reporting officers started to review the financial results for Meinian OneHealth in order to prepare Meinian OneHealth's 2019 annual report. Due to the outbreak of the COVID-19 pandemic in January 2020, the reviewing process was severely delayed due to the lock-down policy throughout the whole country and the financial information of Meinian OneHealth cannot be effectively communicated among the financial reporting officers in different cities. As a result, the financial reporting officers did not complete the review process on such Support until mid-March 2020. Out of caution, the financial reporting officers immediately notified the external auditors of Meinian OneHealth for a second review, the results of which were finally confirmed by both of the financial reporting officers and the external auditors in early April 2020. As such, such Support was eventually reported to the board of Meinian OneHealth in mid-April 2020 and then disclosed in Meinian OneHealth's 2019 annual report. By the end of April 2020, all the Support had been cleared up, very shortly after the directors of Meinian OneHealth were aware of such Support. Although the financial performance of the health checkup centers were adversely affected by the outbreak of COVID-19 in early 2020, the Relevant Centers were able to clear up the Support in early 2020 due to: (i) the Relevant Centers experienced financial difficulties during their early establishment period in 2019. In 2020, most of the Support had been cleared up and the rest of the Relevant Centers' financial performance gradually improved as they kept working on improving their financial situation; and (ii) more importantly, as the amount of RMB185 million is calculated on an accumulated basis and the Relevant Centers kept clearing up the amount continually as they worked on improving their financial situation, by the end of 2019, the outstanding amount was around RMB8 million. Thus, the Relevant Centers were able to clear up the outstanding amount in April 2020 considering their gradually improving financial situation and the relatively small outstanding amount of the Support by the end of 2019, despite the outbreak of COVID-19.

Based on Meinian OneHealth's internal check and review documents, which is confirmed by Meinian OneHealth that the check and review results are consistent with those findings by the relevant regulators, Dr. Yu was not aware of, and was not involved in the decision making process of the Support until the matter was reported to the board of Meinian OneHealth by its financial reporting personnel, and both Dr. Yu and other interviewed senior management of Meinian OneHealth confirmed the same. As both the Shenzhen Stock Exchange and the Jiangsu CSRC are the regulatory authorities that issued the non-compliance notice and the warning letter to Meinian OneHealth, Meinian OneHealth fully cooperated in their check and review process, communicated with and reported to the Shenzhen Stock Exchange and the Jiangsu CSRC on their internal findings on the Second Incident. Throughout the whole process of their communication, there is no inconsistency between the findings from the Shenzhen Stock Exchange and the Jiangsu CSRC and the internal check and review results from Meinian OneHealth that was noted. Our Directors believe that Dr. Yu was not aware of and not involved in the Support until the matter was reported to the board of Meinian OneHealth, considering the factual circumstances below:

(i) Dr. Yu was only indirectly interested in all the Relevant Centers through his investment vehicles. He was not a director or management team or held any other role in all the Relevant Centers. All the Relevant Centers were managed and operated by their own management team, and Dr. Yu was not involved in their daily operations.

(ii) The Support was provided by way of early payment by Meinian OneHealth of smaller amounts and payment extension by Meinian OneHealth of smaller amounts, ranging from RMB1 million to RMB49 million, with 85% of such Support involving amounts between RMB1 million and RMB10.7 million, all based on the ordinary and usual course of business dealings between Meinian OneHealth and the Relevant Centers for a certain period of time. There are 20 payments between Meinian OneHealth and the Relevant Centers which contributed the Support of RMB185 million. Among the 20 payments, 12 of which in the amount of approximately RMB126 million were provided through extending the payment date for certain amounts receivable by Meinian OneHealth and the remaining 8 payments in the amount of approximately RMB59 million were through making early payment for certain amounts payable to the Relevant Centers. When such Support was reported to the board of Meinian OneHealth (including Dr. Yu) in mid-April 2020, the outstanding amount that was not cleared up was around RMB8 million. It is also confirmed that Meinian OneHealth did not use any additional funds outside of its ordinary and usual course of business dealings to support the Relevant Centers. As such, it did not occur to the management teams of the Relevant Centers that the Support was any extraordinary matter which required special reporting to the investors of the Relevant Centers, given the routine business nature of the payments and the smaller amounts of each payment involved.

(iii) In addition, from the perspective of the Relevant Centers, the payments to and from Meinian OneHealth were part of the ordinary and usual course of business dealings. As the Relevant Centers were private corporate entities, their management teams were not mindful of the related party transaction nature of the Support (from the perspective of Meinian OneHealth as a listed issuer) and therefore did not consider the Support as any extraordinary matter which required special reporting to the investors of the Relevant Centers. The management teams of the Relevant Centers treated the Support as payment flexibility that was ordinarily granted by a normal trade creditor or trade debtor.

(iv) At Meinian OneHealth level, the regional general managers who decided to provide the Support treated it as normal dealings in the ordinary and usual course of business, and as such did not report to the directors of Meinian OneHealth (including Dr. Yu). Dr. Yu, same as other directors of Meinian OneHealth, first became aware of the Support in mid-April 2020. Dr. Yu did not participate in the Support decision which was solely made by the said regional general managers for the purpose of protecting the brand of Meinian OneHealth (despite their mistakenly not strictly complying with the pre-existing internal related party transaction policy of Meinian OneHealth). It is noted that the detection of related party transactions is subject to the judgement of relevant personnel based on Meinian OneHealth's existing internal related party transaction policy, instead of relying on Meinian OneHealth's automated systems to automatically identify or detect related party transactions. As such, the failure to detect the Support as related party transactions was due to certain relevant regional general managers' lack of awareness about the nature of such Support and mistakenly treated such Support as non-related party transactions without going through the appropriate approval process for related party transactions. Meinian OneHealth's internal related party transaction policy is pre-existing, and the systems of Meinian OneHealth did not deviate from its internal related party transaction policy. In addition, similar failures did not recur after the Incidents.

(v) our Directors (other than Dr. Yu) noted the advice of our PRC Legal Advisor, in particular, according to public inquiries, based on the subjective factors and involvement degree of the parties together with other factors in relevant cases, the regulatory authorities imposed punishment to varying degrees according to the relevant laws and regulations. The non-compliance notice and warning letter issued to Dr. Yu are minor in its nature. Compared with other cases inquired through public information where subjective involvement were explicitly illustrated in the regulatory decisions, there is no findings of any involvement, dishonest, misconduct or wrongful act on the part of Dr. Yu in the First Incident, and there is no judgment or findings of fraud, dishonesty or any misconduct or wrongful act on the part of Dr. Yu as being involved in any decision making process of such Support in the Second Incident.

Before the occurrence of the Second Incident, Meinian OneHealth has already developed and maintained related mechanisms and internal connected transaction policy that explicitly requires the provision of funds from Meinian OneHealth to its related parties shall be subject to (i) the approval of the board or the general meeting of shareholders and (ii) appropriate disclosure requirements under the relevant PRC rules and regulations. Such internal policy is completely consistent with the requirements under the relevant PRC rules and regulations, such as Administration Measures for the Disclosure of Information of Listed Companies (《上市公司信息披露管理辦法》) and Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Listed Companies (《深圳證券交易所上市公司規範運作指引》). However, the regional general managers mistakenly treated such Support as normal dealings in the ordinary and usual course of business on their own for the purpose of protecting the brand of Meinian OneHealth and thus such internal connected transaction policy was not strictly and appropriately complied with by the said regional general managers. The directors of Meinian OneHealth (including Dr. Yu) were not aware of the Support until mid-April 2020. After such incident, the 13 relevant regional general managers who were involved in such Support were censured internally for such Support and Meinian OneHealth has provided employees trainings internally to prevent any recurrence of similar incidents. While such Support was not provided pursuant to the appropriate internal review procedures, there was no findings of any misconduct or wrongful act, fraud or dishonesty on the part of Dr. Yu that was involved in any decision-making process of such Support.

The Support was duly disclosed by Meinian OneHealth in its annual report for the financial year 2019 published on 30 April 2020. Meinian OneHealth has since taken proactive efforts to strengthen internal control to avoid the recurrence of similar incidents, such as reinforcing that providing any similar temporary financial support shall be treated as related party borrowings and be subject to the approval of the board of Meinian OneHealth.

Regulatory sanction

In respect of the Incidents, Shenzhen Stock Exchange issued a non-compliance notice to Meinian OneHealth and Dr. Yu (amongst others). Jiangsu CSRC issued a public warning to Dr. Yu (amongst others). As a routine procedure, the regulatory measure and disciplinary action were filed in the Integrity files of Listed Companies (上市公司誠信檔案) and the PRC Integrity File Database for Securities and Futures Markets (證券期貨市場誠信檔案) (collectively the "**Integrity Files**"). The Shenzhen Stock Exchange and Jiangsu CSRC considered that the Support did not comply with the regulatory approval procedures for related party transactions.

PRC Legal Advisor's opinion

As advised by our PRC Legal Advisor, pursuant to the relevant PRC laws and regulations, the issuance of the warning letter and the non-compliance notice to Dr. Yu is a relatively minor regulatory measure and disciplinary action, which did not constitute administrative penalty against Dr. Yu. The recording of the warning letter and the non-compliance notice under the Integrity Files is also a standard disclosure procedure and did not constitute any additional punishment against Dr. Yu. The issuance of the non-compliance notice and the warning letter

towards Dr. Yu was solely due to the positions he held in Meinian OneHealth. In accordance with the PRC Administrative Penalty Law (《中華人民共和國行政處罰法》), Measures for the Supervision and Administration of Credibility in the Securities and Futures Market (《證券期貨市場誠信監督管理辦法》), Measures for the Administration of Information Disclosure by Listed Companies (《上市公司信息披露管理辦法》), Implementing Measures of the Shenzhen Stock Exchange for Self-regulatory Measures and Disciplinary Sanctions (《深圳證券交易所自律監管措施和紀律處分實施辦法》), when regulatory agencies make corresponding regulatory decisions, they will comprehensively consider the subjective (such as personal or actual involvement) and objective factors of the parties based on the above laws and regulations. Compared with other cases inquired through public information where subjective involvement were explicitly illustrated in the regulatory decisions, there is no findings of any dishonest, misconduct or wrongful act on the part of Dr. Yu in the First Incident, and there was no judgment or findings of fraud, dishonesty or any misconduct or wrongful act on the part of Dr. Yu as being involved in any decision making process of such Support in the Second Incident. Based on the above, the regulatory measure and disciplinary action do not affect Dr. Yu's qualification for acting as a director, supervisor or senior management of any PRC companies (including listed companies) pursuant to the PRC Company Law and other related laws and regulations on the following basis:

(i) Pursuant to the PRC Administrative Penalty Law (《中華人民共和國行政處罰法》), Measures for the Administration of Information Disclosure by Listed Companies (《上市公司信息披露管理辦法》) and other relevant laws and regulations, the issuance of the warning letter to Dr. Yu was regulatory measure taken by Jiangsu CSRC and did not constitute administrative penalty against Dr. Yu by administrative authorities. According to the public information on the CSRC's official website, regulatory measure is frequently used by the CSRC and its agencies to supervise and manage market entities.

(ii) Pursuant to the Stock Listing Rules of Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》), Standards of the Shenzhen Stock Exchange for Imposition of Disciplinary Action on Listed Companies (for Trial Implementation) (《深圳證券交易所上市公司紀律處分實施標準(試行)》) and other relevant laws and regulations, the disciplinary action on a director, supervisor and senior management of a listed company includes non-compliance notice, being publicly censured or public determination of his being inappropriate to act as the director, supervisor or senior management of a listed company depending on the seriousness of the circumstances, and the non-compliance notice to Dr. Yu is the lightest level. According to the public information on the official website of Shenzhen Stock Exchange, disciplinary action is frequently used by the Shenzhen Stock Exchange to supervise and manage market entities.

(iii) Pursuant to the Measures for the Administration of Initial Public Offering and Listing of Stocks (《首次公開發行股票並上市管理辦法》), the directors, supervisors and senior management of an issuer shall meet the qualification requirements for holding their positions and shall not be under any of the following

circumstances: (a) having been banned from entering into the market by the CSRC and the ban is still valid; (b) having been given an administrative punishment by the CSRC within the latest 36 months or having been given a public reprimand by a stock exchange within the latest 12 months; and (c) being subject to a case investigation of the judicial organ for its involvement in a suspected crime or suspected violation of any law or regulation, and yet there being no clear conclusion. The issuance of the non-compliance notice and the warning letter to Dr. Yu does not fall under any of the aforesaid circumstances due to its minor nature and therefore will not affect his qualification for acting as a director, supervisor or senior management of any listed companies.

(iv) Pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》), the issuance of the non-compliance notice and the warning letter to Dr. Yu did not affect Dr. Yu's qualification for acting as a director or senior management member of any PRC companies (including listed companies).

(v) Pursuant to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Measures for the Supervision and Administration of Credibility of Securities and Futures Markets (《證券期貨市場誠信監督管理辦法》) and other laws and regulations, the PRC Integrity File Database for Securities and Futures Markets (證券期貨市場誠信檔案) is established for regulating and administering the securities and futures markets, maintaining the order of the securities and futures markets, and recording the integrity information of the securities and futures markets. In this case, the recording of the regulatory measure and disciplinary action under the PRC Integrity Files Database for Securities and Futures Markets (證券期貨市場誠信檔案) is a standard disclosure procedure, and does not constitute any additional punishment against Dr. Yu. Besides, the information of the warning letter that was recorded in the PRC Integrity Files Database for Securities and Futures Markets (證券期貨市場誠信檔案) is not available to the public permanently and only has an effective period of three years given the warning letter is minor in its nature. Those expired integrity information will no longer be publicly announced or inquired through application automatically post the effective period of three years.

(vi) Pursuant to the Implementing Measures of the Shenzhen Stock Exchanges for Self-regulatory Measures and Disciplinary Sanctions (《深圳證券交易所自律監管措施和紀律處分實施辦法》), the Guidelines of the Shenzhen Stock Exchanges for the Standardized Operation of Listed Companies (《深圳證券交易所上市公司規範運作指引》), and other laws and regulations, the Integrity Files of Listed Companies (上市公司誠信檔案) is established to promote the standardized operation of listed companies, and is used to record the integrity information of listed companies and relevant personnel. In this case, the recording of the non-compliance notice under the Integrity Files of Listed Companies (上市公司誠信檔案) is a standard disclosure procedure, and does not constitute any additional punishment against Dr. Yu, and thus does not affect his qualification for acting as a director, supervisor or senior manager of any listed companies.

(vii) Pursuant to the Measures for the Supervision and Administration of Credibility of Securities and Futures Markets (《證券期貨市場誠信監督管理辦法》), the information on serious illegal or dishonest conduct of market participants will be specially disclosed through the platform for the public inquiry of information on illegal and dishonest acts in the securities and futures markets, or where more serious conduct is involved, such information will be collectively disclosed on the national credibility information sharing platform. Dr. Yu does not fall under any of the aforesaid serious circumstances.

(viii) Except for the non-compliance notice and the warning letter, Dr. Yu has not been punished by the CSRC or other relevant authorities or disciplined by Shenzhen Stock Exchanges, nor has he been included in the list of dishonest persons subject to enforcement.

The Directors' view

Having considered the PRC Legal Advisor's above opinion, our Company considers and its Hong Kong legal advisers concur that the Incidents do not affect Dr. Yu's suitability to act as our Director under Rules 3.08 and 3.09 of the Listing Rules on the following basis:

the First Incident

Considering the factors including but not limited to: (i) the unpredictability and pervasive nature of the COVID-19 pandemic, (ii) the significant goodwill impairment of Meinian OneHealth was caused by the change of external business environment due to the outbreak of the COVID-19 pandemic, and (iii) the severe interruptions in local commute in the PRC in January 2020 as a result of the pandemic significantly delayed Meinian OneHealth's preparation of annual financial reporting and its assessment of goodwill, and as a result the financial result estimate including goodwill impairment could not reasonably be contemplated by the directors of Meinian OneHealth by the deadline to publish the 2019 annual results estimate announcement, that is by the end of January 2020, there is no findings of any dishonest, misconduct or wrongful act on the part of Dr. Yu, and therefore our Company considers and its Hong Kong legal advisers concur that the First Incident did not affect Dr. Yu's suitability to act as our Director under Rules 3.08 and 3.09 of the Listing Rules.

the Second Incident

(i) while the total accumulated amount of the Support was around RMB185 million, it was calculated and disclosed on an accumulated basis and contained all the Support amount from Meinian OneHealth to the Relevant Centers during 2019. Considering the Support was continuously provided in small amounts through extending the payment date for certain amounts receivable by Meinian OneHealth and making early payment for certain amounts payable to the Relevant Centers all based on normal and routine course of business dealings between Meinian OneHealth and the Relevant Centers and each

transaction amount accounts for less than 0.1% of Meinian OneHealth's revenue in 2019, such dealings were not brought to the attention of the board of Meinian OneHealth and thus was not timely discovered until the financial reporting process;

(ii) the Support was provided for protecting the brand of Meinian OneHealth and assisting the Relevant Centers to get over the financial difficulties, and the Relevant Centers kept clearing up the amount of such Support continually as they worked on improving their financial situation;

(iii) at the time such Support was made known to the board of Meinian OneHealth (including Dr. Yu) in mid-April 2020, the outstanding amount of such Support that was not cleared up was around RMB8 million. When Dr. Yu became aware of such Support, he fully cooperated with the clearing up process and as a result such outstanding amount were completely cleared up by the end of April 2020. Such Support was discovered and voluntarily reported to the regulators by Meinian OneHealth and not found by any PRC regulatory authority, and the Support had been cleared up by the proactive effort of Meinian OneHealth and not as a result of any PRC regulatory request;

(iv) as advised by our PRC Legal Advisor, the regulatory measure and the disciplinary action on Dr. Yu are minor in nature and the recording of such regulatory measure and disciplinary action in the relevant integrity files is a standard disclosure procedure that does not constitute any additional punishment against Dr. Yu. Specifically, the information of the warning letter in the PRC Integrity Files Database for Securities and Futures Markets (證券期貨市場誠信檔案) will automatically expire after three years given its minor in nature. Therefore, the regulatory measure and disciplinary action do not affect Dr. Yu's qualification from acting as a director, supervisor or senior management of any PRC companies (including listed companies);

(v) as advised by our PRC Legal Advisor, the regulatory authorities will impose different regulatory measures and/or disciplinary actions to varying degrees based on the seriousness of circumstances involved together with other factors pursuant to different laws and regulations. Based on public information, the regulatory decisions may explicitly state the findings of any dishonest, misconduct or wrongful act on the part of that relevant personnel. Besides, more severe punishment would be imposed where serious situation is involved, including but not limited to, imposing a fine, being publicly censured or public determination of being inappropriate to act as the director, supervisor or senior management of a listed company. However, in this case, there is no such statement in relation to any findings of the dishonest, misconduct or wrongful act on the part of Dr. Yu in the non-compliance notice and warning letter, nor is the situation as severe as that in other cases with more severe punishment imposed, given the non-compliance notice and warning letter issued to Dr. Yu are minor in its nature; and

(vi) the issuance of the non-compliance notice and the warning letter towards Dr. Yu was solely due to the positions he held in Meinian OneHealth. There was no judgment or findings of fraud, dishonesty or any misconduct or wrongful act on the part of Dr. Yu as being involved in any decision making process of such Support.

In view of the above, and further considering the fact that (i) the Incidents did not involve any intentional conduct or integrity issue on the part of Dr. Yu, (ii) the First Incident was primarily the result of the unpredictable and unprecedented impact of the COVID-19 pandemic, (iii) the Second Incident was the decision of Meinian OneHealth's regional general managers to protect the Meinian OneHealth brand, (iv) Dr. Yu was not involved in the decision of providing the Support in the Second Incident, (v) the Second Incident was discovered by Meinian OneHealth and not by any PRC regulatory authority, and the Support had been cleared up by the proactive effort of Meinian OneHealth and not as a result of any PRC regulatory request, (vi) further training on legal and regulatory compliance for Dr. Yu had been conducted, (vii) the clean record of Dr. Yu other than the Incidents (as he has never been subject to any other sanction by any PRC regulatory authority), and (viii) the non-compliance notice and public warning issued by the PRC regulatory authorities did not query Dr. Yu's continuing to act as a director of Meinian OneHealth, the Directors are of the view that the Incidents do not affect the suitability of Dr. Yu to act as a Director under Rules 3.08 and 3.09 of the Listing Rules. On the basis of the foregoing, our Directors believe that Dr. Yu and any other Directors or senior management of our Company were not aware of nor involved in the two abovementioned incidents. Our Directors have further undertaken to the Stock Exchange that they would (and would procure the Company to) comply with all the applicable laws and regulations including the Listing Rules to ensure there will not be any non-compliance by our Group similar to the two abovementioned incidents after listing.

The Sole Sponsor's View

The Sole Sponsor has conducted the following due diligence:

(i) with the assistance of its legal advisors interviewed (a) Dr. Yu to understand the background of the Incidents including the circumstances which led to the Incidents, the related internal procedures of Meinian OneHealth as well as other details concerning the Incidents; (b) the board secretary of Meinian OneHealth at the time of the Incidents and other senior management of Meinian OneHealth named in the Non-compliance Notice and the Warning Letter to understand the background of the Incidents including the circumstances which led to the Incidents, the related internal procedures of Meinian OneHealth as well as other details concerning the Incidents; (c) the management of the Company to understand the impact of the Incidents on the Group including its operations; (d) the head of the internal audit department of Meinian OneHealth to understand the relevant approval policy and confirmed that Dr. Yu was not involved in the direction or decision-making process of the Support or the payment approval from subsidiaries of Meinian OneHealth; and (e) an involved regional general manager of Meinian OneHealth to understand that Dr. Yu was not involved in the Second Incident, Dr. Yu had not exerted any influence on the

regional general managers of Meinian OneHealth and the Second Incident was due to the lack of awareness from regional general manager's level that such Support constituted connected party transactions and should have gone through the appropriate approval process of connected party transactions;

(ii) reviewed the relevant announcements and documents regarding the Incidents and noted no contradictions with the statement of the Directors' view above;

(iii) reviewed the resolutions of the directors of Meinian OneHealth approving the 2020 annual report of Meinian OneHealth;

(iv) obtained and reviewed the internal policy of Meinian OneHealth regarding the payment approval process based on which the regional general managers approved the Support;

(v) obtained and reviewed the check and review documents of Meinian OneHealth confirming that (a) the approval of the Support had been approved pursuant to such approval process as the relevant regional general managers had mistakenly interpreted the Support as falling within normal dealings in the ordinary and usual course of business which could be approved pursuant to the said internal policy; and (b) Dr. Yu, any other Directors or any senior management of the Company was not aware of and not involved in the Support, which is consistent with the check and review results from the relevant regulators as confirmed by Meinian OneHealth;

(vi) obtained and reviewed the internal notice issued by Meinian OneHealth internally emphasizing the proper payment approval process and the internal approval policy for connected transaction after the Incidents;

(vii) obtained and reviewed the related approval documents of the Support and no involvement of Dr. Yu, any other Directors or any senior management of the Company was identified;

(viii) considered reports issued by a PRC regulated financial institution and the auditors of Meinian OneHealth respectively regarding each of the Incidents which were published on the Shenzhen Stock Exchange;

(ix) conducted a background search against Dr. Yu the results of which did not show any subsequent legal or regulatory proceedings involving Dr. Yu, any other Directors or any senior management of the Company;

(x) considered the views of the PRC Legal Advisor and the Hong Kong legal advisers set out above including the basis of such view;

(xi) discussed with the legal advisors to each of the Company and the Sole Sponsor; and

(xii) considered the view of the Directors set out above including the basis of such view.

Nothing has come to the attention of the Sole Sponsor which (a) suggests facts contradictory to those disclosed above, (b) raises concern over the view of the Directors on the Incidents, and (c) suggests any intentional conduct or integrity issue on the part of Dr. Yu. As a result, the Sole Sponsor is of the view that the Incidents do not adversely affect the suitability of Dr. Yu to act as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules.

JOINT COMPANY SECRETARY

Ms. Li Yan (李艷), aged 36, is the head of human resources and joint company secretary of our Company. For further details, please see the paragraphs headed "Senior Management" in this section.

Ms. Ng Wai Kam (伍偉琴) was appointed as our joint company secretary on 26 July 2021. Ms. Ng is currently a manager of Corporate Services of Tricor Services Limited, where she is responsible for providing corporate secretarial and compliance services to listed issuers at the Stock Exchange and other multinational, private and offshore companies. Ms. Ng has more than 9 years of experience in the company secretary profession. Ms. Ng is currently the company secretary/joint company secretaries of two listed companies on the Stock Exchange, namely, Hebei Yichen Industrial Group Corporation Limited (stock code: 1596) and Genertec Universal Medical Group Company Limited (stock code: 2666).

Ms. Ng obtained her bachelor's degree in business administration in Hong Kong Shue Yan University in 2011. She has been qualified as a Chartered Secretary, a Chartered Governance Professional, an associate of The Hong Kong Chartered Governance Institute (HKCGI) (formerly "The Hong Kong Institute of Chartered Secretaries" (HKICS)) and an Associate of The Chartered Governance Institute (CGI) (formerly "The Institute of Chartered Secretaries and Administrators" (ICSA)).

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the shares of the Company held by Dr. Yu, Ms. Guo, Ms. Lin Lin and Mr. Huang Yufeng, which are disclosed in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders" in Appendix IV in this Prospectus, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or senior management are related to other Directors or senior management of our Company.

REMUNERATION POLICY

For the three years ended December 31, 2019, 2020 and 2021, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB0.8 million, RMB0.3 million and RMB1.2 million, respectively.

For the three years ended December 31, 2019, 2020 and 2021, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was approximately RMB2.4 million, RMB2.2 million and RMB2.2 million, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ended December 31, 2022 will be approximately RMB2.8 million.

Save as disclosed in this Prospectus, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

CORPORATE GOVERNANCE

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consists of Mr. Jia Qingfeng, Ms. Guo and Dr. Zhang Ying. Mr. Jia Qingfeng being the chairperson 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 our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and overseeing the audit process.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code. The Remuneration Committee consists of Dr. Zhang Ying, Ms. Guo and Mr. Jia Qingfeng. Dr. Zhang Ying is the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; and (iii) reviewing performance-related elements of the total remuneration package for executive Directors to align their interests with those of Shareholders.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Code. The Nomination Committee consists of Ms. Lin Lin, Dr. Zhang Ying and Mr. Jia Qingfeng. Ms. Lin Lin is the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

DIVERSITY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises eight members, including four executive Directors, one non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to medical healthcare industry knowledge. Our board diversity policy is also well implemented as evidenced by the fact that there are both female and male Directors ranging from 40 years old to 52 years old with experience from different industries and sectors.

Our Nomination Committee will: (i) report annually, in the corporate governance report contained in our annual report, on the Board's composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (ii) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the Listing.

COMPLIANCE ADVISOR

We have appointed China Securities (International) Corporate Finance Company Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including: (a) before the publication of any regulatory announcement, circular, or financial report; (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Prospectus; and (d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

OVERVIEW

Upon the Listing, the following transactions between our connected persons and our Group will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of such continuing connected transactions of the Group following the Listing are set out below.

RELEVANT CONNECTED PERSONS

The following entities with whom we have entered into transactions are our connected persons under the Listing Rules:

Connected Person	Connected Relationship
Meinian OneHealth (together with its associates)	one of our Controlling Shareholders
Dr. Yu (together with his associates[1])	An executive Director and one of our Controlling Shareholders

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our non-exempt continuing connected transactions:

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual caps (RMB'000,000) for the year ended December 31,		
			2022	2023	2024
Meinian OneHealth Genetic Testing Service Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59, 14A.71 and 14A.81	Waiver from announcement, circular and independent shareholders' approval requirements	130.82	176.60	–[2]

Note:

(1) As of the Latest Practicable Date, Dr. Yu had 32 associates that cooperated with our Group. Most of Dr. Yu's associates are local health checkup centers and engaged in providing checkup and/or other healthcare services in different regions to customers. Almost all of Dr. Yu's associates are 30%-controlled by Dr. Yu through Shanghai Tianyi or Shanghai Zhongfu, which is wholly owned by Shanghai Tianyi, a company held as to approximately 93.68% by Dr. Yu. As of the Latest Practicable Date, None of Dr. Yu's associates were associates of Meinian OneHealth.

(2) The Meinian OneHealth Genetic Testing Service Framework Agreement is effective for a period of three years from January 1, 2021.

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual caps (RMB'000,000) for the year ended December 31, 2022	2023	2024
Dr. Yu Genetic Testing Service Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59, 14A.71 and 14A.81	Waiver from announcement, circular and independent shareholders' approval requirements	33.57	37.32	44.76
Contractual Arrangements	14A.34 to 14A.36, 14A.49, 14A.52, 14A.53 to 14A.59, 14A.71 and 14A.105	Waiver from announcement, circular and independent shareholders' approval requirements	N/A	N/A	N/A

Meinian OneHealth Genetic Testing Service Framework Agreement

Principal Terms

On January 1, 2021, Mega Genomics Beijing, for itself and on behalf of its subsidiaries, entered into the genetic testing service framework agreement with Meinian OneHealth, for itself and on behalf of, among others, the associates of Meinian OneHealth (the "**Meinian OneHealth Genetic Testing Service Framework Agreement**"), pursuant to which Mega Genomics Beijing and its subsidiaries agree to provide genetic testing service to the Meinian OneHealth and its associates, and Meinian OneHealth and its associates agrees to sell genetic test service provided by our Group to its customers. Meinian OneHealth and its associates shall settle the consideration payable to Mega Genomics Beijing each month based on the actual sales of each service. The Meinian OneHealth Genetic Testing Service Framework Agreement is effective for a period of three years from January 1, 2021 and may be renewed subject to compliance with relevant requirements under the relevant laws, regulations and the Listing Rules.

Pricing Policy

The service fee to be charged by our Group will be on normal commercial terms as determined based on arm's length negotiations between the parties with reference to (i) the production cost and gross profit requirements of our Group; (ii) the government prescribed price and the prevailing service fee of a similar service provider in the market; and (iii) the sales to the buyer's end customers. We will ensure the profit margin is comparable to the profit margin of similar services offered by our Group to other Independent Third Parties.

Reasons for and Benefits of above Transactions

The provision of the genetic testing services under the Meinian OneHealth Genetic Testing Service Framework Agreement reflects our strategy of leveraging Meinian OneHealth's market share to gain direct access to the large consumer pool in China, and to enable our Company to operate and invest at a scale that would allow us to realize further gains in efficiency. Compared with other similar providers, we can provide Meinian OneHealth with a more comprehensive portfolio of genetic testing services at competitive market price. Our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole.

Historical amount

For the three years ended December 31, 2019, 2020 and 2021, the aggregate amount of service fees incurred by Meinian OneHealth together with its associates to our Group were approximately RMB60.14 million, RMB106.97 million and RMB94.69 million, respectively.

Proposed annual cap and basis

The proposed annual caps in respect of the transactions between our Group and Meinian OneHealth together with its associates under the Meinian OneHealth Genetic Testing Service Framework Agreement for each of the two years ending December 31, 2022 and 2023 are expected to be no more than RMB130.82 million and RMB176.60 million, respectively.

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount between our Group and Meinian OneHealth together with its associates during the Track Record Period; (ii) the expected need of Meinian OneHealth together with its associates for the genetic testing services; and (iii) the expected growth of the industry and the expected business growth of our Group and Meinian OneHealth together with its associates in the future.

The proposed annual caps take into consideration (i) the industry average growth rates and (ii) the estimated average revenue growth rates of the consumer genetic testing (including COVID-19 testing) and cancer screening services industries. Specifically, (i) according to Frost & Sullivan, the CAGR for consumer genetic testing industry is approximately 40% from 2020 to 2030; (ii) due to the fact that the COVID-19 pandemic became substantially controlled in China in 2021, our revenue generated from COVID-19 testing has been gradually decreasing and the revenue generated from COVID-19 testing in 2021 has decreased by a significant amount compared to that of 2020; and (iii) compared to 2020, the revenue generated from cancer screening services has demonstrated a substantial increase in the year of 2021 and has increased to approximately more than double that of 2020. Based on the above factors, the total revenue of 2021 of our Group has increased by approximately 17% as compared to that of 2020.

At the same time, as the Company continues to explore and develop third party channels, the percentage taken by connected transactions may not exceed the historical level. Therefore, the proposed annual caps is calculated based on an estimated comprehensive average growth rate ranging from 20% to 30%.

Dr. Yu Genetic Testing Service Framework Agreement

Principal Terms

On May 30, 2022, our Company, for itself and on behalf of its subsidiaries and/or PRC Consolidated Entities, entered into the genetic testing service framework agreement with Dr. Yu, for himself and on behalf of his associates (the "**Dr. Yu Genetic Testing Service Framework Agreement**"), pursuant to which our Company and its subsidiaries agree to provide genetic testing and related service to Dr. Yu's associates. The commercial terms under the Dr. Yu Genetic Testing Service Framework Agreement are largely in line with those under the Meinian OneHealth Genetic Testing Service Framework Agreement. The Dr. Yu Genetic Testing Service Framework Agreement is effective for a period of three years from the Listing and may be renewed conditional on the fulfilment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Pricing Policy

The service fee to be charged by our Group will be on normal commercial terms as determined based on arm's length negotiations between the parties with reference to (i) the production cost and gross profit requirements of our Group; (ii) the government prescribed price and the prevailing service fee of a similar service provider in the market or prevailing market rates; and (iii) the sales to the end customers of Dr. Yu's associates. We will ensure the profit margin is comparable to the profit margin of similar services offered by our Group to other Independent Third Parties.

Reasons for and Benefits of above Transactions

Our Company has been providing genetic testing and related service to Dr. Yu's associates for many years given the good working relationship between the parties. It is crucial to maintain a stable and quality provision of our service to the customers with long-term cooperation for our Group's existing and future operation. Compared with other similar providers, we can provide Dr. Yu's associates with more comprehensive types of genetic testing services at competitive market price. Our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole.

Historical amount

For the three years ended December 31, 2019, 2020 and 2021, the aggregate amount of service fees incurred by Dr. Yu's associates to our Group were approximately RMB14.87 million, RMB7.14 million and RMB26.66 million, respectively.

Proposed annual cap and basis

The proposed annual caps in respect of the transactions under the Dr. Yu Genetic Testing Service Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024 are expected to be no more than RMB33.57 million, RMB37.32 million and RMB44.76 million, respectively.

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount between our Group and Dr. Yu together with his associates during the Track Record Period; (ii) the expected need of Dr. Yu together with his associates for the genetic testing and related services; and (iii) the expected growth of the industry and the expected business growth of our Group and Dr. Yu together with his associates in the future.

The proposed annual caps take into consideration (i) the industry average growth rates and (ii) the estimated income proportion of the consumer genetic testing (including COVID-19 testing) and cancer screening services industries. Specifically, (i) according to Frost & Sullivan, the CAGR for consumer genetic testing industry is approximately 40% from 2020 to 2030; (ii) due to the fact that the COVID-19 pandemic became substantially controlled in China in 2021, our revenue generated from COVID-19 testing has been gradually decreasing and the revenue generated from COVID-19 testing in 2021 has decreased by a significant amount compared to that of 2020; and (iii) compared to the year of 2020, the revenue generated from cancer screening services has demonstrated a substantial increase in the year of 2021 and has increased to approximately more than double that of 2020. Based on the above factors, the total revenue of 2021 of our Group has increased by approximately 17% as compared to that of 2020.

At the same time, as the Company continues to explore and develop third party channels, the percentage taken by connected transactions may not exceed the historical level. Therefore, the proposed annual caps is calculated based on an estimated comprehensive income growth rate ranging from 20% to 30%.

Listing Rules Implications for the Framework Agreements

As one or more of the applicable percentage ratios for the transactions contemplated under the framework agreements on aggregated basis is more than 5% on an annual basis, the transactions shall be subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements", due to regulatory restrictions on foreign ownership in the PRC, we conduct certain business through our PRC Consolidated Entities in the PRC.

We do not hold any controlling equity interests in our PRC Consolidated Entities. The Contractual Arrangements among Mega Genomics WFOE, Mega Genomics Beijing and the Registered Shareholders enable us to (i) receive all of the economic benefits from our PRC Consolidated Entities in consideration for the services provided by Mega Genomics WFOE to Mega Genomics Beijing; (ii) exercise effective control over our PRC Consolidated Entities through Mega Genomics Beijing; and (iii) hold an exclusive option to purchase all or part of the equity interests in Mega Genomics Beijing held by the Registered Shareholders when and to the extent permitted by PRC laws. For details, please see the section headed "Contractual Arrangements".

Listing Rules implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Consolidated Entities will be treated as our Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company's "connected persons."

Certain transactions contemplated under the Contractual Arrangements are continuing connected transactions of the Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our PRC Consolidated Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our PRC Consolidated Entities and any member of our Group from time to time (including the PRC Consolidated Entities) will constitute continuing connected transactions under Chapter 14A of the Listing Rules if involving our connected persons, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders' approval requirements.

WAIVERS GRANTED BY THE STOCK EXCHANGE

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under the Meinian OneHealth Genetic Testing Service Framework Agreement and the Dr. Yu Genetic Testing Service Framework Agreement will constitute continuing connected transactions subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement, circular and independent shareholders' approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from compliance with the announcement, circular and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules (other than those waived by the Stock Exchange).

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Mega Genomics Beijing through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all of Mega Genomics Beijing's interest, (ii) the business structure under which the net profit generated by Mega Genomics Beijing is substantially retained by our Group, and no annual cap shall be set on the amount of service fees payable to Mega Genomics WFOE by Mega Genomics Beijing under the Exclusive Consultancy and Services Agreement and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Mega Genomics Beijing.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Mega Genomics Beijing, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Mega Genomics Beijing to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and Mega Genomics Beijing during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Mega Genomics Beijing to the holders of the equity interests which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Mega Genomics Beijing will be treated as our Company's wholly-owned subsidiary, and at the same time, the directors, chief executives or substantial shareholders of Mega Genomics Beijing and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Mega Genomics Beijing will, for so long as our Shares are listed on the Stock Exchange, provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

INTERNAL CONTROL MEASURES

We have adopted the following internal control measures to ensure that proper approvals will be obtained for connected transactions and related party transactions pursuant to the Listing Rules and HKFRS:

(i) Our Group strictly follows the "separation of power, checks and balances" principle to ensure that proper internal approvals for connected transactions and related party transactions will be duly obtained pursuant to the Listing Rules and HKFRS. Specifically, connected transactions and related party transactions of our Group shall be reviewed and approved according to the below procedures:

(a) the relevant business department of our Group is responsible for raising requests in relation to connected transactions or related party transactions based on their business needs. After collecting all the specific transaction information, the relevant business department shall check against the connected person list and/or the related party list of our Group, review whether the relevant transaction constitutes a connected transaction or related party transaction under the Listing Rules or HKFRS, and timely report such transaction and their preliminary assessment thereof to our finance department;

(b) our finance department will then review such transaction and the relevant business department's preliminary assessment, such as the transaction amount, pricing policy, credit terms, payment terms, annual caps, etc., and check whether the preliminary assessment by the relevant business department corresponds with the requirements under the Listing Rules or HKFRS. Our finance department will analyze and determine whether such transaction shall be subject to further reporting, disclosure or approval procedures under the Listing Rules and HKFRS, such as approval by the Board or the general meeting of our Company, to ensure our strict compliance with the approval procedures under the Listing Rules and HKFRS; and

(c) our internal control department will conduct a final check and review on all the approval procedures towards such transaction, such as the preliminary assessment by our relevant business department, the review process conducted by our finance department, etc., and make sure the approval process for such transaction complies with our internal policy, our internal control procedures and the requirements under the Listing Rules and HKFRS.

(ii) Our finance department will also timely check and update the connected person list and the related party list, report to our Board on any updates to such lists, and share the latest lists to all relevant departments in our Group, based on which our relevant business department will be able to timely identify connected transactions and related party transactions, monitor the transaction status and report to our finance department. When our Group enters into a transaction with a new party, our Group will conduct standard background check against the new party, including obtaining

the new party's shareholder(s) profile and the information about its ultimate beneficial owner(s) to identify whether the transaction with the new party constitutes a connected transaction or related party transaction under the Listing Rules or HKFRS, and the connected person list and the related party list will be timely updated and posted to various related departments of our Group.

(iii) With professional support and assistance continuously provided by our Group's Hong Kong legal advisers and external independent auditors, our related personnel, relevant departments, management team and Directors are able to be fully aware of any updates on the requirements under the Listing Rules and HKFRS on a timely basis, and our Group is able to duly comply with the requirements under the Listing Rules and HKFRS.

(iv) Our Directors and external independent auditors will conduct an annual review of the continuing connected transactions and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, based on customary commercial terms and in accordance with the pricing and other relevant policies. Our Directors will also review the related party transactions to ensure that such transactions are conducted in accordance with the requirements under HKFRS.

The Sole Sponsor obtained and reviewed the internal control report issued pursuant to AATB 1 by the Company's internal control consultant, and discussed material findings and rectification measures in the internal control report with the internal control consultant and the management of the Company. According to the internal control report, (i) no internal control weaknesses relating to financial reporting were discovered; and (ii) all of the internal control weaknesses discovered had been fully rectified or will be rectified upon listing when the relevant internal control measures automatically take effect.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company, (iii) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of our Company; and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of the PRC Consolidated Entities can be effectively controlled by our Group, that our Group can obtain the economic benefits derived from the PRC Consolidated Entities, and any possible leakages of assets and the value of the PRC Consolidated Entities can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that, as of the date of this Prospectus, (i) the non-exempt continuing connected transactions described above, and for which waivers have been sought, will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better that are fair and reasonable, and in the interests of our Company, (ii) the proposed annual caps in respect of such transactions are fair and reasonable and in the interests of our Company, (iii) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our Group's ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole, and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of the PRC Consolidated Entities can be effectively controlled by our Group, that our Group can obtain the economic benefits derived from the PRC Consolidated Entities, and any possible leakages of assets and the value of the PRC Consolidated Entities can be prevented, on an uninterrupted basis.

AUTHORIZED AND ISSUED SHARE CAPITAL

As of the date of this Prospectus, the authorized and issued share capital of our Company is as follows:

	Aggregate nominal value *(US$)*
Authorized Share Capital	
500,000,000	50,000.0
Issued Share Capital	
227,272,000	22,727.2

Assuming the Over-allotment Option is not exercised, the share capital of our Company upon completion of the Global Offering will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares** *(US$)*	**Approximate percentage of issued share capital** *(%)*
Shares in issue	227,272,000	22,727.2	95.00
Shares to be issued under the Global Offering	11,961,800	1,196.2	5.00
Total	239,233,800	23,923.4	100.00

Assuming the Over-allotment Option is exercised in full, the share capital of our Company upon completion of the Global Offering will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares** *(US$)*	**Approximate percentage of issued share capital** *(%)*
Shares in issue	227,272,000	22,727.2	94.29
Shares to be issued under the Global Offering	13,756,000	1,375.6	5.71
Total	241,028,000	24,102.8	100.00

Assumptions

The above table assumes that the Global Offering has become unconditional. It takes no account of any Shares which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on a record date which falls after the date of this Prospectus.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which General Meetings and Class Meetings are Required

Our Company has only one class of issued Shares, namely ordinary Shares, each of which ranks *pari passu*.

Pursuant to the Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by Shareholders' ordinary resolution (a) increase our share capital by the creation of new shares of such amount as we think expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of our share capital. In addition, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 3. Cayman Islands Company Law" in Appendix III to this Prospectus.

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one -third nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association" in Appendix III to this Prospectus.

General Mandate to Issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the aggregated nominal amount of Shares repurchased by our Company (if any) pursuant to the repurchase mandate referred to in the sub-section headed "–General Mandate to Repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum of Association and Articles of Association; or

(iii) it is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information – 4. Resolutions of Our Shareholders" in Appendix IV to this Prospectus.

General Mandate to Repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This repurchase mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – 7. Repurchase of Shares by Our Company" in Appendix IV to this Prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum of Association and Articles of Association; or

(iii) it is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please see the section headed "Statutory and General Information – 4. Resolutions of Our Shareholders" in Appendix IV to this Prospectus.

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have or be deemed or taken to have 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 or will be, directly or indirectly, interested in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	**Nature of interest**	**Shares held as of the date of this Prospectus**		**Shares held immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)**	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Mei Nian Investment Limited	Beneficial owner[(1)]	37,258,932	16.39%	37,258,932	15.57%
Meinian OneHealth	Interest in controlled corporation[(1)]	37,258,932	16.39%	37,258,932	15.57%
Dr. Yu	Interest in controlled corporations[(2)]	22,795,135	10.03%	22,795,135	9.53%
	Interest of a party to an agreement[(3)]	22,000,000	9.68%	22,000,000	9.20%
RSU Nominee	Nominee of another person[(4)]	27,272,000	12.00%	27,272,000	11.40%
KASTLE LIMITED	Trustee[(4)]	27,272,000	12.00%	27,272,000	11.40%
YURONG TECHNOLOGY LIMITED	Beneficial owner[(2)]	14,555,731	6.40%	14,555,731	6.08%
Ms. Guo	Interest in controlled corporation[(3)]	22,000,000	9.68%	22,000,000	9.20%
Infinite Galaxy Health Limited	Beneficial owner	22,000,000	9.68%	22,000,000	9.20%
Tianjin Shiji Yuneng Enterprise Management Partnership (LP)	Beneficial owner[(5)]	12,096,203	5.32%	12,096,203	5.06%
Beijing Hehe Hengye Technology Co., Ltd.	Interest in controlled corporation[(5)]	12,096,203	5.32%	12,096,203	5.06%

Name	Nature of interest	Shares held as of the date of this Prospectus		Shares held immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Beijing Shiji	Interest in controlled corporation[5]	12,096,203	5.32%	12,096,203	5.06%
Mr. Niu Zhencai	Interest in controlled corporation[5]	12,096,203	5.32%	12,096,203	5.06%

Notes:

(1) As of the Latest Practicable Date, Mei Nian Investment Limited was held as to 100% by Meinian OneHealth, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044). As such, Meinian OneHealth is deemed to be interested in which Mei Nian Investment Limited is interested under the SFO.

(2) As of the Latest Practicable Date, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei, its limited partner, the general partner of which was Shanghai Zhongfu, which was ultimately controlled by Dr. Yu. and (ii) 1% by Shanghai Zhongfu as its general partner. As such, Dr. Yu 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.

(3) As of the Latest Practicable Date, Infinite Galaxy Health Limited was wholly owned by Ms. Guo. As such, Ms. Guo is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On August 11, 2021, Dr. Yu, Ms. Guo, Ms. Guo'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, irrevocably entrusts Dr. Yu to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu is deemed to be interested in which Ms. Guo is interested under the SFO.

(4) As of the Latest Practicable Date, the RSU Nominee was held as to 100% by KASTLE LIMITED, an independent trustee appointed under the terms of the RSU Scheme which, through the RSU Nominee, holds the Shares underlying the RSUs for the benefit of eligible participants of the RSU Scheme.

(5) As of the Latest Practicable Date, 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, its general partner. Beijing Hehe Hengye Technology Co., Ltd. was a limited liability company held as to approximately 99.87% by Beijing Shiji, 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 and Niu Zhencai is deemed to be interested in the total number of Shares held by Tianjin Shiji Yuneng Enterprise Management Partnership (LP).

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements ("**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below ("**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities (including qualified domestic institutional investor as approved by the relevant PRC authorities ("**QDII**")) to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

Based on the Offer Price of HK$18 per Offer Share, being the low end of the range of the Offer Price set out in this Prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 9,927,400, representing approximately (i) 4.15% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 4.12% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$20 per Offer Share, being the mid-point of the range of the Offer Price set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 8,934,800, representing approximately (i) 3.73% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 3.71% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$22 per Offer Share, being the high end of the range of the Offer Price set out in this Prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 8,122,400, representing approximately (i) 3.40% of the Offer Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 3.37% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Among the Cornerstone Investors, Maccura Biotechnology is regarded as a close associate of our existing Shareholder, Maccura Biotechnology (USA) LLC, which is a wholly-owned subsidiary of Maccura Biotechnology. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the allocation of Offer Shares to Maccura Biotechnology. For details, see the section headed "Waivers from Strict Compliance with the Listing Rules" in this Prospectus.

Our Company is of the view that the investments of the Cornerstone Investors will help raise the profile of our Company and demonstrate to the potential investors that they are confident in our business (in respect of, for instance, our brand image and reputation, the experience of our senior management team, the future development of genetic testing industry

and the prospects of our Group's business). Other than the Cornerstone Investor which is a close associate of our existing Shareholder as described above, our Company became acquainted with each of the Cornerstone Investors mainly through the introduction by the relevant Underwriter.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and for the purpose of Rule 8.08 of the Listing Rules, will be counted towards the public float of our Company.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, other than Maccura Biotechnology who is a close associate of our existing Shareholder, each of Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) (i) is an Independent Third Party and is not our connected persons and their respective associates (as defined under the Listing Rules), is not existing Shareholders of our Company or their respective close associates; (ii) is not financed by our Company, our subsidiaries, our Directors, chief executive, substantial Shareholders, existing Shareholders or their respective close associates, and (iii) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation". In such case, the amount allocated to each Cornerstone Investor will be scaled back on a *pro rata* basis. Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around June 21, 2022. There will be no deferred settlement of Offer Shares to the Cornerstone Investors for the settlement of over-allocation in the International Offering. There will be no delayed delivery or delayed settlement of the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. For details of the Over-allotment Option, see "Structure of the Global Offering – The International Offering – Over-allotment Option".

The table below sets forth details of the Cornerstone Placing:

		Assuming a final Offer Price of HK$18 per Share (being the low-end of the indicative Offer Price range)				
Cornerstone Investor	**Subscription amount[1]**	**Number of Offer Shares to be acquired[5]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
	(RMB in million)		**Approximately % of the Offer Shares**	**Approximately % of the issued share capital**	**Approximately % of the Offer Shares**	**Approximately % of the issued share capital**
Nanchang Financial *(as defined below)*[2]	29.70	1,985,400	16.60%	0.83%	14.43%	0.82%
Nanchang Industrial Park *(as defined below)*[3]	69.30	4,632,800	38.73%	1.94%	33.68%	1.92%
Maccura Biotechnology [4]	49.50	3,309,200	27.66%	1.38%	24.06%	1.37%
Total	**148.50**	**9,927,400**	**82.99%**	**4.15%**	**72.17%**	**4.12%**

		Assuming a final Offer Price of HK$20 per Share (being the mid-point of the indicative Offer Price range)				
Cornerstone Investor	**Subscription amount [1]**	**Number of Offer Shares to be acquired[5]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
	(RMB in million)		**Approximately % of the Offer Shares**	**Approximately % of the issued share capital**	**Approximately % of the Offer Shares**	**Approximately % of the issued share capital**
Nanchang Financial *(as defined below)*[2]	29.70	1,787,000	14.94%	0.75%	12.99%	0.74%
Nanchang Industrial Park *(as defined below)*[3]	69.30	4,169,600	34.86%	1.74%	30.31%	1.73%
Maccura Biotechnology[4]	49.50	2,978,200	24.90%	1.24%	21.65%	1.24%
Total	**148.50**	**8,934,800**	**74.69%**	**3.73%**	**64.95%**	**3.71%**

Cornerstone Investor	Subscription amount [1]	Assuming a final Offer Price of HK$22 per Share (being the high-end of the indicative Offer Price range)				
		Number of Offer Shares to be acquired[5]	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(RMB in million)		Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
Nanchang Financial *(as defined below)*[2]	29.70	1,624,400	13.58%	0.68%	11.81%	0.67%
Nanchang Industrial Park *(as defined below)*[3]	69.30	3,790,600	31.69%	1.58%	27.56%	1.57%
Maccura Biotechnology[4] .	49.50	2,707,400	22.63%	1.13%	19.68%	1.12%
Total	**148.50**	**8,122,400**	**67.90%**	**3.40%**	**59.05%**	**3.37%**

Notes:

(1) Excluding the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy.

(2) Calculated for illustrative purpose based on the investment amount of RMB29.70 million and the exchange rate as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion." The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(3) Calculated for illustrative purpose based on the investment amount of RMB69.30 million and the exchange rate as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion." The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(4) Calculated for illustrative purpose based on the investment amount of RMB49.50 million and the exchange rate as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion." The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(5) Rounded down to the nearest whole board lot of 200 Offer Shares.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Nanchang Financial

Nanchang Financial Holdings Co., Ltd. (南昌金融控股有限公司) ("**Nanchang Financial**") was established in the PRC on July 3, 2018 and is mainly engaged in equity investment, investment management, venture capital investment, industrial investment, assets investment, financial research and investment consultancy services, and industrial parks' construction, operation, maintenance and management services. Nanchang Financial is a wholly-owned subsidiary of Nanchang Industrial Holdings Group Co., Ltd. (南昌工業控股集團有限公司), a company owned as to 90% by the People's Government of Nanchang Municipality (南昌市人民政府) while the rest 10% is owned by Jiangxi Administrative Assets Group Co., Ltd. (江西省行政事業資產集團有限公司), which is wholly owned by Department of Finance of Jiangxi Province (江西省財政廳).

For the purpose of the cornerstone investment, Nanchang Financial has engaged an asset manager which is a QDII to subscribe for or purchase and hold such Offer Shares on its behalf on a discretionary basis.

Nanchang Industrial Park

Nanchang Industrial Park Equity Investment Partnership (Limited Partnership) (南昌工控園區股權投資合夥企業(有限合夥)) ("**Nanchang Industrial Park**") is a limited partnership established in the PRC on March 30, 2022, which is principally engaged in equity investment, investment management, and asset management through private equity funds. Nanchang Industrial Park is owned as to approximately (i) 69.9% by Nanchang Guojin Industrial Investment Co., Ltd. (南昌市國金工業投資有限公司), (ii) 29.9% by Nanchang Industrial Control Investment Fund Management Co., Ltd. (南昌工控投資基金管理有限公司), both of whom are its limited partners, and (iii) 0.2% by Jiangxi Xinke Investment Co., Ltd. (江西心客投資有限公司), its general partner. Both Nanchang Guojin Industrial Investment Co., Ltd. (南昌市國金工業投資有限公司) and Nanchang Industrial Control Investment Fund Management Co., Ltd. (南昌工控投資基金管理有限公司) are wholly owned by Nanchang Industrial Holdings Group Co., Ltd. (南昌工業控股集團有限公司), a company owned as to 90% by the People's Government of Nanchang Municipality (南昌市人民政府), while the rest 10% is owned by Jiangxi Administrative Assets Group Co., Ltd. (江西省行政事業資產集團有限公司), which is wholly owned by Department of Finance of Jiangxi Province (江西省財政廳). Jiangxi Xinke Investment Co., Ltd. (江西心客投資有限公司), as Nanchang Industrial Park's general partner, is a company ultimately controlled by Mr. Miu Jinsheng (繆金生), an Independent Third Party.

For the purpose of the cornerstone investment, Nanchang Industrial Park has engaged an asset manager which is a QDII to subscribe for or purchase and hold such Offer Shares on its behalf on a discretionary basis.

Maccura Biotechnology

Maccura Biotechnology is a limited liability company established in the PRC on October 20, 1994. It is an integrated supplier focusing on research, development and production of in vitro diagnostic product and provision of overall laboratory solutions, with systematic abilities to develop and manufacture in vitro diagnostic equipment, reagents, sample products and quality control products. Maccura Biotechnology is listed on the Shenzhen Stock Exchange (Stock code: 300463.SZ), and it is ultimately controlled by Mr. Tang Yong (唐勇), Mr. Wang Dengming (王登明) and Mr. Liu Qilin (劉啟林), all of whom are Independent Third Parties. Maccura Biotechnology is a close associate of our existing Shareholder, Maccura Biotechnology (USA) LLC, which is a wholly-owned subsidiary of Maccura Biotechnology. Maccura Biotechnology invested in Mega Genomics Beijing in October 2016 as a pre-IPO investor. For details, see the section headed "History, Reorganization and Group Structure – Information about the Pre-IPO Investors" in this Prospectus. As confirmed by Maccura Biotechnology, no approval is required to be obtained from the Shenzhen Stock Exchange and the shareholders of Maccura Biotechnology for the subscription by Maccura Biotechnology of the Offer Shares pursuant to the relevant Cornerstone Investment Agreement.

For the purpose of the cornerstone investment, Maccura Biotechnology has engaged an asset manager which is a QDII to subscribe for or purchase and hold such Offer Shares on its behalf on a discretionary basis.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Sole Representative (on behalf of itself and the other underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no applicable laws shall have been promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date (the "**Lock-up Period**"), (i) dispose of, in any way, any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities; (ii) agree or contract to or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares; (iii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or (iv) enter into or publicly announce the intention to enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

FUTURE PLANS

For details of our future plans, see "Business – Our Development Strategies".

USE OF PROCEED

We estimate that we will receive aggregate net proceeds of approximately HK$190.1 million from the Global Offering after deducting the underwriting fees and estimated expenses in connection with the Global Offering payable by us, assuming no Over-allotment is exercised and assuming an Offer Price of HK$20.0 per Share, being the mid-point of the indicative Offer Price range of HK$18.0 to HK$22.0 per Share in this Prospectus.

We currently intend to use the net proceeds from the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

(i) *Sales and Marketing*. Approximately 30% of the net proceeds from the Global Offering, or HK$57.0 million will be allocated to the sales, marketing and commercialization of our consumer genetic testing and cancer screening services and products. Specific sales and marketing activities include (a) marketing and promotional activities, such as online and offline marketing events and campaigns for our services and products in China; and (b) the expansion of our sales and marketing team in China. The allocation is expected to be the following:

- Approximately 15% of the net proceeds from the Global Offering, or HK$28.5 million, will be allocated to sales and marketing of our services and products to public hospitals and health checkup centers to further expand our coverage of preventive healthcare. We expect to expand our sales force and conduct various marketing activities to cover more public hospitals and health checkup centers in China within 12 months after the Listing.

- Approximately 15% of the net proceeds from the Global Offering, or HK$28.5 million, will be allocated to sales and marketing of our services and products to (a) aesthetic medical centers to develop new business related to women's preventive health; (b) insurance companies to establish offline sales channels to their customers; (c) pet care businesses to focus on genetic testing of diseases that are common to both humans and animals as well as genetic testing for animal health and pedigree verification; and (d) online channels to convert consumers who have used our services in the past into repeat customers. Our diversified portfolio of testing solutions can generate synergies with services provided by aesthetic medical centers, as many customers of aesthetic medical centers are expected to be health-conscious individuals with relatively high willingness to pay for services and products such as genetic testing solutions. For insurance companies, our testing services can help develop insurance plans that are tailored to the needs of consumers with different risk levels to develop certain diseases. To enter the pet care market, we have developed a pet genetic testing solution and expect to develop additional testing solutions with our existing technology platform. With our experience in test development and commercialization as well as our high-throughput testing platform to ensure stable delivery, we expect to further expand our businesses through these channels. During the Track Record Period, our revenue generated from services provided to aesthetic medical centers and insurance companies was RMB590,000 and RMB230,000, respectively. During the Track Record Period, we did not generate revenue from services to pet care businesses. As the aesthetic medicine, insurance and pet care industries continue to grow in China, we expect to increase our focus on these businesses to further grow and develop the business and operations of our Group as a whole. We expect to expand the coverage of these channels in China's major cities within a period of 12 to 36 months after the Listing.

We expect such investments in sales and marketing to help us diversify and expand our customer base as well as reduce our potential reliance on related parties. In particular, as our IVD product candidates receive the relevant registration certificates, we expect to further expand our customer coverage to genetic testing companies, research institutions and other healthcare service providers. The expected increase in our customer coverage and commercialized testing solutions can also lead to a growth in the number of tests we perform, which is expected to further improve our cost-effectiveness and profitability. In addition, as we expect to focus on the promotion of cancer screening services and products, which tend to carry relatively higher gross profit margins, we expect our gross profit and gross profit margin to increase in the long term.

(ii) *Research and Development.* Approximately 25% of the net proceeds from the Global Offering, or HK$47.5 million, will be invested in research and development of our services and products. In particular:

- Approximately 15% of the net proceeds from the Global Offering, or HK$28.5 million, will be allocated to the research and development of pipeline products, as follows:

Category	Product Name	Net Proceeds to Be Allocated	Total Expected Costs of Commercialization[1] *(HK$'000)*
Consumer genetic testing products	• Folate metabolic capacity assessment testing kits	Approximately 0.1%, or HK$0.2 million	7,110
	• ApoE gene testing kits	Approximately 0.1%, or HK$0.2 million	7,110
	• BRCA1/BRCA2 gene mutation testing kits	Approximately 1.0%, or HK$1.9 million	25,200
Disease screening products	• Alzheimer's disease screening kits	Approximately 1.6%, or HK$3.0 million	37,770
	• Colorectal cancer screening kits	Approximately 1.3%, or HK$2.5 million	34,530
	• Gastric cancer screening kits	Approximately 1.3%, or HK$2.5 million	34,530
	• Lung nodule auxiliary diagnostic kits	Approximately 3.4%, or HK$6.4 million	72,550
	• Cervical cancer screening kits	Approximately 1.5%, or HK$2.9 million	34,770
Multi-cancer screening solution (under planning)	–	Approximately 1.7%, or HK$3.2 million	–
Establishment of a 4,000 sq.m. production facility and procurement of equipment for production and quality control to accelerate the product registration process	–	Approximately 3.0%, or HK$5.7 million	–

Note:

(1) For details about our latest development stage and expected timetable, please refer to "Business – Overview" in this Prospectus.

We plan to conduct multi-center clinical trials in different regions of China to select biomarkers that are more applicable to the Chinese population for the development of screening services and products with higher sensitivity and specificity for various types of cancers and chronic diseases. We expect such screening services and products to strengthen our leading position in the cancer screening market. We also plan to obtain IVD registration for our genetic testing product candidates for a number of diseases, including Alzheimer's disease, colorectal cancer, gastric cancer and cervical cancer. During the product registration process, we expect to conduct large-scale prospective clinical trials with a multi-center approach to enhance the reliability of our product candidates, which could enable us to further expand the market and channels of medical institutions after we obtain the registration certificate. We expect to use this amount in a prudent and sustainable manner within a 12 to 36 month period after the Listing.

- Approximately 7% of the net proceeds from the Global Offering, or HK$13.3 million, will be allocated to the establishment of a supercomputing center that will be used for big data storage, large scale parallel computing operational management system, development of bioinformatics, artificial intelligence cloud platform and the development of an integrated management system for an automated laboratory. The establishment of a supercomputing center could significantly improve the efficiency of our product development and increase the competitiveness of our products. We plan to build a biorepository to store a large number of samples. We plan to procure high-performance clusters and build GPU computing platforms to create a full workflow covering raw data analysis, data set generation, model construction and training to online prediction. In addition, we plan to develop an integrated management system for our to-be-built automated laboratories in order to achieve stability and efficiency of operations. We expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

- Approximately 3% of the net proceeds from the Global Offering, or HK$5.7 million, will be allocated to upgrading consumer genetic testing services and products for preventive healthcare, and to the expansion into the aesthetics medicine, insurance and pet care industries. We plan to upgrade our existing consumer genetic testing service and use artificial intelligence algorithms to combine phenotypes and genotypes to build more accurate models, continue to improve consumer experience and stickiness and further consolidate our leading position in the consumer genetic testing market. We plan to develop new consumer genetic testing services and products that fit the special characteristics and needs of aesthetic medical institutions, insurance companies and pet care centers, which are expected to further increase our market and channel coverage. As of December 31, 2021, we successfully developed a pet pathogen genetic test, and we expect to develop other animal genetic testing products and services with our existing endpoint fluorescent PCR platform and NGS platform. We expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

(iii) *Testing Capability and Capacity.* Approximately 20% of the net proceeds from the Global Offering, or HK$38.0 million will be allocated to increasing or expanding our testing capability and capacity. According to Frost & Sullivan, the consumer genetic testing market in China is expected to grow at a CAGR of 45.4% from 2020 to 2025 and 42.4% from 2025 to 2030. In addition, our revenue from colorectal cancer screening services has grown at a CAGR of 129.8% from 2019 to 2021 and is expected to continue to increase over time. On the other hand, our current utilization rate of testing facilities is higher than the industry average, according to Frost & Sullivan. We plan to further enhance our testing capacity to ensure stable delivery of testing services and to avoid overload of our equipment and facility. We believe such expansion and upgrade of our testing facilities are necessary to our business, because (i) we expect to expand our geographical coverage through the establishment of local laboratories and provide timely services to more consumers; (ii) we need larger testing capacity and production lines to accommodate our newly developed testing solutions; and (iii) it can enable us to integrate more advanced technology into our existing platform and to achieve further automation of testing process, which can help reduce production cost as well as improve consumer experience by shortening the report issuance period. The specific allocation is expected to made as follows:

- Approximately 12% of the net proceeds from the Global Offering, or HK$22.8 million, will be allocated to the upgrading of our existing laboratory and the establishment of new laboratories, including plans to open up to five new testing laboratories in various cities across China over the next few years to increase our geographic coverage. As genetic materials are perishable and may degrade during long-distance transportation, local laboratories can help decrease the time required to issue reports. In addition, we expect these new facilities to strengthen cooperation with local channels and business partners to provide services to more consumers. Specifically, we plan to invest in the establishment of two large-scale automated unmanned laboratories of more than 5,000 sq.m. in several cities in China. We expect each of these new laboratories to generate a daily testing capacity of 50,000 to 100,000 tests through high-throughput and unmanned testing platform, which could further reduce production costs and increase the availability of genetic testing to the general public. In addition, unmanned laboratories could improve the accuracy of our tests by eliminating human operational errors. We also plan to invest in the construction of three smaller laboratories between 2,000 sq.m. and 5,000 sq.m. to enhance the further diversification of our testing portfolio, and we expect to implement various testing production lines at these smaller laboratories, such as molecular diagnostics, biochemistry, immunology and microbiology. Meanwhile, we plan to upgrade our existing laboratory in Beijing based on operational needs. To implement our initiatives to enhance testing capacity, we expect to keep abreast of the latest technology trends, market conditions and take into account our budgets and growth strategies while making investments. We expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

- Approximately 5% of the net proceeds from the Global Offering, or HK$9.5 million, will be allocated to the procurement of testing equipment required for the full automation of our laboratory. In order to establish unmanned laboratories, we plan to purchase different types of high-throughput automated pipette workstations, high-throughput genotyping systems and other related testing equipment, which could help us achieve automation at various stages of testing, such as sample pre-treatment, quality control, library preparation, sequencing and report issuance. In addition, the transition between different laboratory procedures is also expected to be automated to increase efficiency. We expect to purchase equipment that could meet our requirements to create efficient and stable testing or production lines. We expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

- Approximately 3% of the net proceeds from the Global Offering, or HK$5.7 million, will be allocated to the recruitment of additional technicians in testing and diagnosis. We plan to recruit (i) professionals with suitable academic and industry background, (ii) experienced personnel who are able to enhance our business operations and process optimization and (iii) management with industry expertise and strategic thinking. We expect to also use the proceeds to invest in employee training and development programs to provide tailored professional and technical training to our employees. As we continue to cultivate our talent pool, diversify our service offerings and grow our business organically across different markets, we expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

To enhance our testing capability and capacity and establish the supercomputer center as provided above, we plan to allocate (i) HK$35.0 million to the costs of land and building with an estimated useful life of 30 years, (ii) HK$9.5 million to the procurement of automated equipment with an estimated useful life of 10 years, (iii) HK$0.8 million to the procurement of servers and electronic equipment with an estimated useful life of five years and (iv) HK$0.3 million to the implementation of software with an estimated useful life of five to ten years. The annual depreciation and amortization in relation to the abovementioned expenditure is expected to be HK$2.2 million upon the intended expenditure is fully expended. See "Risk Factors – Risks Relating to Our Business, Industry and Intellectual Property Rights – As we increase or expand our testing capability and capacity through upgrades to our existing laboratory and establishment of new laboratories, depreciation and amortization expenses could negatively impact our results of operations."

Our to-be-established laboratories are required to obtain a Practice License of Medical Institution. Based on regulatory requirements and the types of testing services to be performed, such laboratories are also required to obtain a Permit to Use Clinical Gene Amplification Testing Technology, External Quality Assessment Certificate, environmental protection approval, construction permit and Filing for

Pathogenic Microbe Laboratory. Since such laboratories intend to provide genetic testing services, which are prohibited by the Negative List from foreign investment, we expect to operate such laboratories through contractual arrangements and to comply with all applicable laws and regulations. As advised by our PRC Legal Advisor, subject to compliance with the aforementioned laws and regulations, there are no substantial legal obstacles to the new establishment of testing laboratories.

(iv) *Investment and Acquisitions.* Approximately 15% of the net proceeds from the Global Offering, or HK$28.5 million, will be allocated to fund our expansion across the industry value chain by investing into or acquiring attractive technology or testing related companies. An attractive target should possess industry-leading technology or testing products in the area of disease screening or diagnosis, which are highly compatible with our main business and can help expand our current testing portfolio. We may form various types of investment relationships with potential investment targets, such as subsidiaries, associates, joint ventures or other forms that could maximize our interests under different circumstances. We expect to consider a variety of factors when selecting the investment targets, including (i) whether their services or products are complementary to ours, (ii) whether they can achieve synergies with our business operations, (iii) whether they can help expand our channel coverage, (iv) their operational and financial performance and (v) their size and growth potential. In particular, we intend to acquire one to two product-based companies with various licenses and approvals issued by relevant government authorities, such as IVD registration certificates, medical device manufacturing licenses and medical device operation licenses with an expected investment return period of approximately three to five years. We prefer targets that have technological expertise in disease diagnostics with PCR and NGS technology. We are open to consider targets that have VIE structures. We also prefer targets that already record positive profits. As of the Latest Practicable Date, we have not identified any specific acquisition target. According to Frost & Sullivan, there are approximately 40 domestic companies available in the market that satisfy our selection criteria. We expect to use this amount in a prudent and sustainable manner over a period of 12 to 36 months after the Listing.

(v) *Working Capital and Other Purposes.* Approximately 10% the net proceeds from the Global Offering, or HK$19.0 million, is expected to be used for working capital and other general corporate purposes.

If the Offer Price is set at HK$22.0 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering to our Company will be increased by approximately HK$23.0 million. If the Offer Price is set at HK$18.0 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering to our Company will be decreased by approximately HK$23.0 million. The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$224.6 million, assuming an Offer Price of HK$20.0 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and other financing alternatives, if necessary.

To the extent that the net proceeds are not immediately required for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit such funds as short-term deposits in licensed banks or financial institutions only.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited

China Merchants Securities (HK) Co., Limited

Zhongtai International Securities Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Livermore Holdings Limited

Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Representative and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 1,196,200 Hong Kong Offer Shares and the International Offering of initially 10,765,600 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this Prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this Prospectus and the **GREEN** Application Forms relating thereto.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Sole Representative (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the **GREEN** Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Sole Representative, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (excluding contagious coronavirus (COVID-19) as at the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change or development in (whether or not permanent), or any event or circumstance or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit or market conditions (including, but not limited to, a change in the conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at the U.S. Federal or New York State level or other competent authority), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of those places or jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any Relevant Jurisdiction; or

(vi) any imposition of economic sanctions or the withdrawal of trading privileges, in respect of any jurisdiction relevant to the business operations of the Group, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdictions; or

(vii) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdictions; or

(viii) any litigation, legal action (except for any investigation or other action as stipulated in the Hong Kong Underwriting Agreement) or claim being threatened or instigated against any member of our Group or any Director; or

(ix) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director; or

(x) any Director or senior management member of our Company as named in this Prospectus being charged with or found guilty of an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company; or

(xi) any Director vacating his or her office; or

(xii) save as disclosed in this Prospectus, any contravention by any member of our Group or any Director of the Listing Rules or the Companies (WUMP) Ordinance; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling the Offer Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(xv) non-compliance of this Prospectus (or any Offer Related Documents (as defined below)) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvi) any breach or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties; or

(xvii) the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus (or to any Offer Related Documents (as defined below)) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC unless such supplemental or amendment has been issued with the prior consent of the Sole Sponsor; or

(xviii) an order or petition is presented for the winding up or liquidation of any member of our Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in aggregate, in the sole and absolute opinion of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters):

(A) has or will or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, earnings profits, losses, results of operations, financial or trading positions, or performance of our Group as a whole; or

(B) has or will or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(C) makes or will or is likely to make inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or

(D) has or will or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Representative as at or after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular and/or in any public notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, in accurate or misleading in any material respect or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission or misstatement from any of the Offer Related Documents; or

(iii) that any material breach of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives rise to or is likely to give rise to any material liability of our Company or any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

(v) that there is any material adverse change or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of our Group, taken as a whole; or

(vi) that the approval of the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(vii) that our Company withdraws the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or the Global Offering; or

(viii) any of the experts specified in this Prospectus (other than the Sole Sponsor) has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(ix) the orders or investment commitments by any placee or any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, which has or may have a material adverse effect on the success of the Global Offering; or

(x) that there is a breach of, or any matter circumstance or event rendering any of the warranties given by the warrantors in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company hereby agrees and undertakes with each of the Sole Representative, the Sole Sponsor and the Hong Kong Underwriters that, except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) it will not, without the prior written consent of the Sole Representative (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date including the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer to allot, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract or agree to allot, issue or sell, hypothecate, grant or sell any option, warrant, or contract or right to subscribe for or purchase any option, warrant, or contract or right to allot, issue or sell, or otherwise transfer or dispose

of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrace over, either directly or indirectly, conditionally or unconditionally, any of its Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, any interest in any of the foregoing (including, without limitation, any securities convertible into or exercisable or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap, derivative, or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership (legal or beneficial) of any Shares or securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

in each case whether any of the transactions described in sub-paragraphs (i) to (iv) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or other securities of the Company will be completed within the First Six-Month Period). During the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company shall not enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any of the Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder. In the event that the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each of Dr. Yu, Ms. Guo, Meinian OneHealth, Ms. Lin Lin and Mr. Huang Yufeng (the "**Warranting Shareholders**") undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure the Company to comply with the undertakings in (i) to (iv) above.

If the Company enters into any of the foregoing transactions described in sub-paragraphs (i) to (iv) above during the period of six months commencing on the date on which the First Six-Month Period expires, the Company must take all necessary steps to ensure that it will not create a disorderly or false market in the securities of the Company.

(B) Undertakings by the Warranting Shareholders

Each of our Warranting Shareholders has jointly and severally agreed and undertaken to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Sole Sponsor and the Hong Kong Underwriters that:

(i) at any time during the First Six-Month Period, without the prior written consent of the Sole Sponsor and the Sole Presentative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he/she/it will not (and it shall procure that no company or legal entity controlled by such Warranting Shareholder or any nominee or trustee holding in trust for the Warranting Shareholder shall) whether conditionally or unconditionally:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of the Company, as applicable), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, except for any charge or pledge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Note 2 to Rule 10.07 of the Listing Rules, or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of the Company, as applicable), or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above;

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period)

(ii) during the Second Six-Month Period, he/she/it will not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any of the Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder; and

(iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to enter into any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

We and the Warranting Shareholders have agreed to indemnify, among others, the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we hereby undertake to the Stock Exchange that (except pursuant to the Global Offering and/or any exercise of the Over-allotment Option) at any time during the period commencing on the date of this Prospectus and ending on the expiry of the six-month period after the Listing Date, the Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities and whether or not such allotment or issuance of Shares or securities will be completed within six months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(1) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); or

(2) in the period of six months commencing on the date on which the period referred to (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares referred to in (1) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will and will procure that the relevant registered holder(s) will:

(1) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

Underwriters' Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this Prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that, among others, we and the Warranting Shareholders will enter into the International Underwriting Agreement with the Sole Representative and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Sole Representative at its sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Friday, July 15, 2022), to require our Company to allot and issue up to an aggregate of 1,794,200 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

We agree to pay an underwriting commission of 3% of the aggregate Offer Price per Hong Kong Offer Share offered under the Hong Kong Public Offering in accordance with the terms and conditions of the Hong Kong Underwriting Agreement. We expect to pay an underwriting commission of 3% of the Offer Price per International Offer Share offered under the International Offering. Our Company may also in our sole and absolute discretion pay the Sole Representative and certain Underwriters an additional incentive fee of up to 6% of the aggregate Offer Price.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Sole Representative in its discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Offering.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$49.1 million (assuming an Offer Price of HK$20.00 per Offer Share, being the mid-point of the indicative Offering Price range stated in this Prospectus), are payable and borne by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or

indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 1,196,200 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering – The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 10,765,600 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, as described in "– The International Offering" in this section below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 0.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "– The International Offering – Over-allotment Option" in this section below.

References in this Prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "– The Hong Kong Public Offering – Reallocation" in this section below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 1,196,200 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised, the Hong Kong Offer Shares will represent approximately 0.5% of our Company's enlarged issued share capital immediately after the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "– Conditions of the Global Offering" in this section.

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally (to the nearest board lot) into two pools:

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and FRC transaction levy payable); and

- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and FRC transaction levy payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools.

Multiple applications or suspected multiple applications and any application for more than 598,000 Hong Kong Offer Shares (being approximately 50% of the 1,196,200 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,588,600 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 4,784,800 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 5,981,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Representative. If the Hong Kong Public Offering is not fully subscribed for, the Sole Representative has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Representative deems appropriate. In addition, the Sole Representative may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing

less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Representative has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 1,196,200 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 2,392,400 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering and 20% of the Offer Shares initially available under the Global Offering, and (ii) the final Offer Price shall be fixed at HK$18.00 per Offer Share, the low-end of the Offer Price range stated in this Prospectus.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative in its discretion consider appropriate.

In the event that both the Hong Kong Public Offering and International Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$22.00 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" in this section is less than the maximum price of HK$22.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please see "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 10,765,600 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares to be initially offered for subscription under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 4.50% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The International Placing is subject to the same conditions as stated in "– Conditions of the Global Offering" in this section.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation" in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expect to grant to the International Underwriters, exercisable in whole or in part by the Sole Representative at its sole and absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 1,794,200 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering (the last day for the exercise of the Over-allotment Option being Friday, July 15, 2022), at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 0.7% of our Company's enlarged issued share capital immediately following the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail in the other market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if commenced, (i) will be

conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it), (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering (i.e. Friday, July 15, 2022).

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering (i.e. Friday, July 15, 2022). After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules under the SFO (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued and/or sold pursuant to the exercise in full of the Over-allotment Option, being 1,794,200 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow up to 1,794,200 Shares, representing approximately 15% of the total number of the Offer Shares initially available for the Global Offering, from Infinite Galaxy Health Limited, a company wholly owned by Ms. Guo, pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this Prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;

- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and

- no payment will be made by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, June 15, 2022 and in any event no later than Thursday, June 16, 2022 by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$22.00 per Offer Share and is expected to be not less than HK$18.00 per Offer Share unless otherwise announced, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Representative (for itself and on behalf of the Underwriters) considers it appropriate and together with the Company's consent, the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause to be published on the websites of the Company and the Stock Exchange at **https://www.megagenomics.cn/** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

The Company will also as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this Prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Representative may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$190.1 million, assuming an Offer Price of HK$20.00 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$18.00 to HK$22.00.

Announcement of Final Offer Price

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, June 21, 2022 through a variety of channels in the manner described in section headed "How to Apply for Hong Kong Offer Shares – D. Publication of Results" in this Prospectus.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sole Representative (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in section headed "Underwriting" in this Prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this Prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such Listing and permission not subsequently having been revoked prior to the Listing Date;

(b) the Offer Price having been agreed between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on or before Thursday, June 16, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (**https://www.megagenomics.cn/**) and the website of the Stock Exchange (**www.hkexnews.hk**), respectively, on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for Hong Kong Offer Shares – G. Despatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 22, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, June 22, 2022. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 200 Shares each and the stock code of the Shares will be 6667.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at https://www.megagenomics.cn/. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the document are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application online via the **HK eIPO White Form** Service for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 during:–

Friday, June 10, 2022	–	9:00 a.m. to 6:00 p.m.
Monday, June 13, 2022	–	9:00 a.m. to 6:00 p.m.
Tuesday, June 14, 2022	–	9:00 a.m. to 6:00 p.m.
Wednesday, June 15, 2022	–	9:00 a.m. to 12:00 noon

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How To Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp)** or at **www.hkeipo.hk**; or

(2) electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number or Passport number (for individual applicants) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant); and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- you are a Director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a core connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;

- you are a close associate of any of the above persons; or

- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participated in the International Offering.

3. Applying For Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into **CCASS** to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Minimum Application Amount and Permitted Numbers

You may apply through the **HK eIPO White Form** service or give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application** instructions for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table. You are required to pay the amount next to the number you select. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
200	4,444.35	1,800	39,999.11	9,000	199,995.55	80,000	1,777,738.16
400	8,888.69	2,000	44,443.46	10,000	222,217.27	90,000	1,999,955.43
600	13,333.04	3,000	66,665.18	20,000	444,434.54	100,000	2,222,172.70
800	17,777.39	4,000	88,886.91	30,000	666,651.81	200,000	4,444,345.40
1,000	22,221.72	5,000	111,108.64	40,000	888,869.08	300,000	6,666,518.10
1,200	26,666.07	6,000	133,330.36	50,000	1,111,086.35	400,000	8,888,690.80
1,400	31,110.42	7,000	155,552.09	60,000	1,333,303.62	500,000	11,110,863.50
1,600	35,554.76	8,000	177,773.81	70,000	1,555,520.89	598,000*	13,288,592.74

* Maximum number of Hong Kong Offer Shares you may apply for.

4. Terms And Conditions Of An Application

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have relied only on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, the **HK eIPO White Form** Service Provider, any of them or the Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**") is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instruction and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

5. Applying Through The HK eIPO White Form Service

General

Individuals who meet the criteria in the paragraph headed "*– 2. Who Can Apply*" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at +852 3907 7333 which is available on the following dates:

Friday, June 10, 2022 – 9:00 a.m. to 6:00 p.m.
Monday, June 13, 2022 – 9:00 a.m. to 6:00 p.m.
Tuesday, June 14, 2022 – 9:00 a.m. to 6:00 p.m.
Wednesday, June 15, 2022 – 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, June 10, 2022 until 11:30 a.m. on Wednesday, June 15, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 15, 2022, the last day for applications, or such later time under the paragraph headed "*– C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists*" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Applying by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) is not a complete list of successful applicants, only successful applicants whose identification document numbers are provided by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. Applying By Giving Electronic Application Instructions To HKSCC Via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "*An Operating Guide for Investor Participants*" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instruction** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company or the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures

referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

***Time for Inputting Electronic Application Instructions*[1]**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, June 10, 2022 – 9:00 a.m. to 8:30 p.m.
Monday, June 13, 2022 – 8:00 a.m. to 8:30 p.m.
Tuesday, June 14, 2022 – 8:00 a.m. to 8:30 p.m.
Wednesday, June 15, 2022 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 10, 2022 until 12:00 noon on Wednesday, June 15, 2022 (24 hours daily, except on Wednesday, June 15, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 15, 2022, the last day for applications or such later time as described in the paragraph headed "– *C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists*" in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

[1] These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By giving **electronic application instructions** to HKSCC, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Branch Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of personal data

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Branch Share Registrar, at their registered address disclosed in the section headed "*Corporate information*" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

7. Warning For Electronic Applications

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic applications. The Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange. "**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$22.00 per Offer Share. You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% in full upon application for the Hong Kong Offer Shares under the terms set out in the paragraph "– *Minimum Application Amount and Permitted Numbers*" in this section. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK$4,444.35.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the paragraph "– *Minimum Application Amount and Permitted Numbers*" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of FRC transaction levy, collected by the Stock Exchange on behalf of the Financial Reporting Council).

For further details on the Offer Price, see the section headed "*Structure of the Global Offering – Pricing and Allocation*" in this prospectus.

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 15, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, June 15, 2022 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

D. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, June 21, 2022 on the Company's website at **https://www.megagenomics.cn/** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **https://www.megagenomics.cn/** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, June 21, 2022;
- from the "IPO Results" function in the **IPO App** and the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, June 21, 2022, to 12:00 midnight on Monday, June 27, 2022;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, June 21, 2022, to Friday, June 24, 2022 on a business day.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "*Structure of the Global Offering*" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(i) If your application is revoked:

By applying through giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$22.00 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "*Structure of the Global Offering – Conditions of the Global Offering*" in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Tuesday, June 21, 2022.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, June 21, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, June 22, 2022, **provided that** the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed "*Underwriting*" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service, and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 21, 2022, or such other place or date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, June 21, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, June 21, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering in the manner specified in the paragraph headed "– *D. Publication of Results*" in this section on Tuesday, June 21, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 21, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, June 21, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, June 21, 2022.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEGA GENOMICS LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Mega Genomics Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020, and 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and the statement of financial position of the Company as at 31 December 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 10 June 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and of the financial position of the Company as at 31 December 2021, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
10 June 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information in this report is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*5*	123,700	203,220	237,185
Cost of sales		(45,224)	(56,979)	(70,509)
Gross profit		78,476	146,241	166,676
Other income and gains	*5*	14,524	3,680	14,265
Selling and distribution expenses		(4,944)	(19,475)	(22,977)
Administrative expenses		(15,583)	(18,553)	(22,968)
Impairment losses on trade receivables, net	*17*	(6,451)	726	(6,165)
Other expenses		(8,145)	(1,165)	(5,872)
Listing expenses		–	–	(20,167)
Finance costs	*7*	(3,052)	(1,851)	(785)
Interest on redemption liabilities on ordinary shares	*26*	(16,533)	(14,700)	(6,125)
PROFIT BEFORE TAX	*6*	38,292	94,903	95,882
Income tax expense	*10*	(8,601)	(15,806)	(16,867)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		29,691	79,097	79,015
Attributable to:				
Owners of the parent		29,691	79,097	79,015
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	*12*	N/A	N/A	RMB0.62

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	54,705	46,945	41,245
Advance payments for property, plant and equipment		98	371	1,875
Right-of-use assets	*14(a)*	20,708	15,297	9,885
Intangible assets	*15*	747	654	811
Financial assets at fair value through profit and loss	*19*	–	30,142	30,200
Deferred tax assets	*25*	3,107	2,056	2,805
Total non-current assets		79,365	95,465	86,821
CURRENT ASSETS				
Inventories	*16*	2,440	2,972	3,284
Trade receivables	*17*	108,125	130,234	203,630
Prepayments, other receivables and other assets	*18*	21,169	16,452	239,352
Cash and cash equivalents	*20*	52,646	208,450	239,096
Total current assets		184,380	358,108	685,362
CURRENT LIABILITIES				
Trade payables	*21*	12,002	26,884	29,197
Other payables and accruals	*22*	23,797	19,444	27,243
Lease liabilities	*14(b)*	6,264	8,443	6,223
Tax payable		–	196	6,528
Deferred income	*23*	600	600	600
Other borrowings	*24*	10,406	2,654	–
Redemption liabilities on ordinary shares	*26*	–	204,144	–
Total current liabilities		53,069	262,365	69,791
NET CURRENT ASSETS		131,311	95,743	615,571
TOTAL ASSETS LESS CURRENT LIABILITIES		210,676	191,208	702,392

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Lease liabilities	*14(b)*	17,530	11,663	5,346
Deferred income	*23*	3,750	3,150	2,550
Other borrowings	*24*	2,654	–	–
Redemption liabilities on ordinary shares	*26*	189,444	–	–
Total non-current liabilities		213,378	14,813	7,896
Net assets/(liabilities)		(2,702)	176,395	694,496
EQUITY				
Equity attributable to owners of the parent				
Share capital	*27*	–	–	129
Reserves	*28*	(2,702)	176,395	694,367
Total equity		(2,702)	176,395	694,496

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserve*	Statutory surplus reserve*	Retained profits/ (accumulated losses)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*		
Year ended 31 December 2019						
At 1 January 2019	–	–	10,000	–	(68,560)	(58,560)
Profit and total comprehensive income for the year	–	–	–	–	29,691	29,691
Termination of redemption rights on Series A *(note 26)*	–	–	26,167	–	–	26,167
At 31 December 2019	–	–	36,167	–	(38,869)	(2,702)
Year ended 31 December 2020						
At 1 January 2020	–	–	36,167	–	(38,869)	(2,702)
Profit and total comprehensive income for the year	–	–	–	–	79,097	79,097
Transfer to statutory reserve	–	–	–	4,127	(4,127)	–
Contribution from the then shareholders *(note a)*	–	–	100,000	–	–	100,000
At 31 December 2020	–	–	136,167	4,127	36,101	176,395
Year ended 31 December 2021						
At 1 January 2021	–	–	136,167	4,127	36,101	176,395
Profit and total comprehensive income for the year	–	–	–	–	79,015	79,015
Issue of shares	129	228,688	–	–	–	228,817
Transfer to statutory reserve	–	–	–	2,248	(2,248)	–
Termination of redemption rights on Series A *(note 26)*	–	–	210,269	–	–	210,269
At 31 December 2021	129	228,688	346,436	6,375	112,868	694,496

Note:

(a) On 20 January 2020, a subsidiary of the Group, Mega Genomics (Beijing) Co., Ltd. ("Mega Genomics Beijing") entered into a capital increase agreement with the then shareholders, pursuant to which the then shareholders agreed to invest in Mega Genomics Beijing by subscription of the increased registered capital of Mega Genomics Beijing of RMB466,800 at a subscription price of RMB100,000,000, which was fully settled on 30 July 2020.

* These reserve accounts comprise the consolidated reserves of RMB(2,702,000), RMB176,395,000 and RMB694,367,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		38,292	94,903	95,882
Adjustments for:				
Finance costs	*7*	3,052	1,851	785
Bank interest income	*5*	(35)	(344)	(269)
Interest on redemption liabilities on ordinary shares	*26*	16,533	14,700	6,125
Depreciation of property, plant and equipment	*13*	8,573	8,532	8,355
Depreciation of right-of-use assets	*14(a)*	5,412	5,411	5,412
Covid-19-related rent concessions from lessors	*14(b)*	–	–	(604)
Amortisation of intangible assets	*15*	69	93	106
Impairment losses on trade receivables, net	*17*	6,451	(726)	6,165
Recognition of deferred income	*23*	(600)	(600)	(600)
Foreign exchange differences, net	*6*	–	–	889
Investment income from financial assets at fair value through profit or loss	*5*	–	–	(2,708)
Changes in fair value of financial assets at fair value through profit or loss	*5*	–	(100)	(58)
		77,747	123,720	119,480
Increase in trade receivables		(20,259)	(21,383)	(79,561)
Decrease/(increase) in prepayments, other receivables and other assets		3,997	3,251	(8,739)
Decrease/(increase) in inventories		536	(532)	(312)
Decrease in restricted cash		1,944	–	–
Increase/(decrease) in trade payables		(10,989)	14,882	2,313
Increase/(decrease) in other payables and accruals		(12,622)	(4,353)	7,799
Cash generated from operations		40,354	115,585	40,980
Income tax paid		(3,117)	(13,093)	(10,620)
Interest received		35	344	269
Net cash flows from operating activities		37,272	102,836	30,629

	Notes	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(581)	(1,045)	(4,159)
Proceeds from disposal of items of property, plant and equipment		167	–	–
Refund of advance payments for property, plant and equipment		8,262	–	–
Purchases of intangible assets	*15*	(180)	–	(263)
Purchases of financial assets at fair value through profit or loss		–	(30,042)	(546,000)
Proceeds from disposal of financial assets at fair value through profit or loss		–	–	548,708
Repayment from a shareholder		10,000	–	–
Net cash flows from/(used in) investing activities		17,668	(31,087)	(1,714)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from other borrowings		–	–	–
Repayments of other borrowings		(10,132)	(10,406)	(2,654)
Principal portion of lease payments		(7,095)	(3,688)	(7,933)
Interest paid		(3,052)	(1,851)	(785)
Advance payments for capital reduction		–	–	(214,140)
Contribution from the then shareholders		–	100,000	–
Issue of shares		–	–	228,817
Payment for deferred listing expenses		–	–	(685)
Net cash flows from/(used in) financing activities		(20,279)	84,055	2,620
NET INCREASE IN CASH AND CASH EQUIVALENTS		34,661	155,804	31,535
Cash and cash equivalents at beginning of year		17,985	52,646	208,450
Effect of foreign exchange rate change, net		–	–	(889)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*20*	52,646	208,450	239,096

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary*		213,183
Total non-current assets		213,183
CURRENT ASSETS		
Prepayments, other receivables and other assets	*18*	435
Cash and cash equivalents	*20*	11,179
Total current assets		11,614
CURRENT LIABILITIES		
Other payables and accruals	*22*	4,749
Total current liabilities		4,749
NET CURRENT ASSETS		6,865
TOTAL ASSETS LESS CURRENT LIABILITIES		220,048
Net assets		220,048
EQUITY		
Share capital	*27*	129
Reserves	*28*	219,919
Total equity		220,048

* Particulars of the subsidiary are set out in note 1.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 22 April 2021. The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the provision of a broad spectrum of genetic testing services.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Group Structure" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Mega Genomics Health HongKong Limited *(note (a))*	Hong Kong 30 April 2021	HK$100	100%	–	Investment holding
Mega (Tianjin) Investment Co., Ltd. ("Mega Genomics WFOE") (美因(天津)投資有限公司)* *(note (a))*	People's Republic of China ("PRC")/ Mainland China 24 May 2021	US$100,000,000	–	100%	Investment holding
Mega Genomics Beijing (美因健康科技(北京)有限公司)* *(note (b))*	PRC/Mainland China 5 January 2016	RMB12,136,800	–	100%	Provision of consumer genetic testing and cancer screening services
Beijing Mega Medical Test Laboratory Co., Ltd. (北京美因醫學檢驗實驗室有限公司)* *(note (c))*	PRC/Mainland China 22 February 2016	RMB10,000,000	–	100%	Provision of clinical laboratory medical services

Notes:

(a) No audited financial statements have been prepared for these entities since they were incorporated in 2021.

(b) The entity is a limited liability enterprise established under PRC law. The statutory financial statements of Mega Genomics Beijing for the year ended 31 December 2018 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by RuiHua Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2019 and 2020 prepared under PRC GAAP were audited by Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(c) No audited financial statements have been prepared for this entity since its date of incorporation as this subsidiary is not required by the local government to prepare statutory accounts.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Group Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 10 June 2021.

Due to regulatory prohibitions on foreign ownership of companies engaged in the development and application of genes diagnosis and treatment technologies in the PRC, the principal business carried out by Mega Genomics Beijing and its subsidiaries (the "PRC Consolidated Entities") was prohibited from foreign ownership. The wholly-owned subsidiary of the Company, Mega Genomics WFOE, has entered into a series of contractual arrangements (the "Contractual Arrangements") with Mega Genomics Beijing and its equity holders (hereafter the equity holders of Mega Genomics Beijing referred to as the "Registered Shareholders"), through which Mega Genomics WFOE is enable to exercise effective control over the PRC Consolidated Entities and be entitled to substantially all economic benefits of the PRC Consolidated Entities. Accordingly, the PRC Consolidated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the PRC Consolidated Entities. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

As the Reorganization only involved inserting new holding companies and entering into the Contractual Arrangements that has not resulted in any change of economic substances, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interests method as if the Reorganization had been in place at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries were established, where this is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2021 and Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[5] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries arising from the Reorganization

The Registered Shareholders, Mega Genomics Beijing and Mega Genomics WFOE have entered into the Contractual Arrangements which became effective on 10 June 2021. Each of the shareholders of Mega Genomics Beijing authorised and appointed Mega Genomics WFOE, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as equity holders of Mega Genomics Beijing. In particular, Mega Genomics WFOE undertakes to provide the PRC Consolidated Entities with certain technical services as required to support their operations. In return, Mega Genomics WFOE is entitled to substantially all of the operating profits and residual benefits generated by the PRC Consolidated Entities through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their equity interests in Mega Genomics Beijing to Mega Genomics WFOE or the designee appointed by Mega Genomics WFOE upon a request made by Mega Genomics WFOE when permitted by the PRC laws for a consideration. The equity interests in Mega Genomics Beijing have also been pledged by the Registered Shareholders to Mega Genomics WFOE in respect of the continuing obligations of the PRC Consolidated Entities. Accordingly, the Group has rights to variable returns from its involvement with the PRC Consolidated Entities and has the ability to affect those returns through its power, and thus control over the PRC Consolidated Entities.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Laboratory equipment	9.5% or 19.0%
Other equipment	19.0%
Leasehold improvements	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices and warehouses	3 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and staff dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and (ii) there is no substantive change to other terms and conditions of the lease.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on market historical credit loss experience and the Group's and main customers' historical expected default rates, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, other borrowings, lease liabilities and redemption liabilities on ordinary shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other borrowings)

After initial recognition, other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Redemption liabilities on ordinary shares

For the redeemable ordinary shares as detailed in note 26, financial liabilities are recognised based on the net present value of the redemption amount and debited to equity. Changes of net present value during the Relevant Periods are recognised in profit or loss. When the redemption rights related to the redeemable ordinary shares are terminated, redemption liabilities on ordinary shares are extinguished and credited to equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the monthly-weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services over time and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

The Group derives revenue from rendering of genetic testing services and others. Genetic testing services include consumer genetic testing services and cancer screening testing services. Others include gene research and analysis services, training and consulting services and sale of medical materials.

(a) Genetic testing services

Revenue from genetic testing services is recognised at the point in time when the service is provided and accepted by the customer, generally on the delivery of testing reports.

(b) Gene research and analysis services

Revenue from gene research and analysis services is recognised over time, using an output method to measure progress towards complete satisfaction of the performance obligation, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue based on units of delivery.

(c) Training and consulting services

Revenue from training and consulting services is recognised at the point in time when the service is provided and accepted by the customers under the terms of contracts.

(d) Sale of medical materials

Revenue from sale of medical materials is recognised at the point in time when control of the asset is transferred to the customer, generally on receipt of materials by customers.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Research and development cost

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual Arrangements

The PRC Consolidated Entities are engaged in development and application of genes diagnosis and treatment technologies. Under the scope of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) that will take effect on 1 January 2022, foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, as part of the Reorganization, the Group exercises control over the PRC Consolidated Entities and enjoys substantially all economic benefits of the PRC Consolidated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the PRC Consolidated Entities. However, as a result of the Contractual Arrangements, the Company has power over the PRC Consolidated Entities, has rights to variable returns from its involvement with the PRC Consolidated Entities and has the ability to affect those returns through its power over the PRC Consolidated Entities and is therefore considered to have control over them. Consequently, the Company regards the PRC Consolidated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the PRC Consolidated Entities in the Historical Financial Information during the Relevant Periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in note 25 to the Historical Financial Information.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 33 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 19 to the Historical Financial Information.

4. 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.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	53,593	102,571	88,336
Customer B	15,082	N/A*	N/A*
Customer C	N/A*	N/A*	42,850

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	123,700	203,220	237,185

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Consumer genetic testing	106,571	161,709	135,469
Cancer screening testing	6,872	41,511	100,585
Others	10,257	–	1,131
	123,700	203,220	237,185
Timing of revenue recognition			
Goods or service transferred at a point in time	120,829	203,220	237,185
Service transferred over time	2,871	–	–
	123,700	203,220	237,185

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the Relevant Periods.

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:			
Genetic testing services	18,549	13,205	10,898

(b) Performance obligations

Information about the Group's performance obligations 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.

Gene research and analysis services

The performance obligation of gene research and analysis services is satisfied over time as services are rendered and payment is generally due within three to six months from the date of billing.

Training and consulting services

The performance obligation of training and consulting services is satisfied upon completion under the contracted schedule and payment is generally due within three to six months from the date of billing.

Sale of medical materials

The performance obligation of sale of medical materials program 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:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Rental income	11,015	1,382	10,495
Bank interest income	35	344	269
Government grants*	1,253	1,158	626
Investment income from financial assets at fair value through profit or loss	–	–	2,708
Changes in fair value of financial assets at fair value through profit or loss	–	100	58
Others	2,221	696	109
	14,524	3,680	14,265

* The government grants mainly represent subsidies from the local government to support the Group's operation and to compensate the Group for its purchases of laboratory equipment. During the years ended 31 December 2019, 2020 and 2021, government grants amounted to RMB600,000, RMB600,000 and RMB600,000, respectively, were released from deferred income (note 23).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000
Cost of services provided		39,559	56,979	70,509
Cost of inventories sold		5,665	–	–
Depreciation of property, plant and equipment	*13*	8,573	8,532	8,355
Depreciation of right-of-use assets	*14(a)*	5,412	5,411	5,412
Amortisation of intangible assets*	*15*	69	93	106
Research and development costs**		4,390	4,446	11,407
Lease payments not included in the measurement of lease liabilities	*14(c)*	1,775	985	1,651
Covid-19-related rent concessions from lessors	*14(c)*	–	–	(604)
Listing expenses		–	–	20,167
Auditor's remuneration		47	24	94
Bank interest income	*5*	(35)	(344)	(269)
Government grants	*5*	(1,253)	(1,158)	(626)
Investment income from financial assets at fair value through profit or loss	*5*	–	–	(2,708)
Changes in fair value of financial assets at fair value through profit or loss	*5*	–	(100)	(58)
Impairment losses on trade receivables, net	*17*	6,451	(726)	6,165
Foreign exchange differences, net		–	–	889
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):				
Wages and salaries		16,590	12,262	32,279
Pension scheme contributions***		2,455	520	3,192
Staff welfare expenses		592	277	399
		19,637	13,059	35,870

* The amortisation of intangible assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

** Research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000
Interest on lease liabilities *(note 14(b))*	1,277	1,011	724
Interest on other borrowings	1,775	840	61
	3,052	1,851	785

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Dr. Yu Rong, Ms. Lin Lin, Mr. Huang Yufeng and Ms. Jiang Jing were appointed as executive directors of the Company on 6 August 2021. Ms. Guo Meiling was appointed as a non-executive director of the Company on 6 August 2021. Dr. Xie Dan, Dr. Zhang Ying and Mr. Jia Qingfeng were appointed as independent non-executive directors of the Company on 6 August 2021, and Mr. Huang Yufeng was appointed as the chief executive of the Company on 6 August 2021.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	644	247	906
Pension scheme contributions	110	73	260
	754	320	1,166

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors and the chief executive

	Fees	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Executive directors:				
Dr. Yu Rong	–	–	–	–
Mr. Huang Yufeng	–	644	110	754
	–	644	110	754
Year ended 31 December 2020				
Executive directors:				
Dr. Yu Rong	–	–	–	–
Ms. Lin Lin	–	–	–	–
Mr. Huang Yufeng	–	217	67	284
Ms. Jiang Jing	–	30	6	36
	–	247	73	320

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Executive directors:				
Dr. Yu Rong	–	–	–	–
Ms. Lin Lin	–	–	–	–
Mr. Huang Yufeng	–	544	130	674
Ms. Jiang Jing	–	362	130	492
	–	906	260	1,166
Non-executive director:				
Ms. Guo Meiling	–	–	–	–
	–	906	260	1,166

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 1 director, no director and 1 director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the remaining 4, 5 and 4 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	2,013	1,909	1,683
Pension scheme contributions	407	305	475
	2,420	2,214	2,158

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following band are as follows:

	Number of employees Year ended 31 December		
	2019	2020	2021
Nil to HK$1,000,000	4	5	4

10. INCOME TAX

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 Relevant 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 ("HNTE") and was subject to tax at a preferential income tax rate of 15% during the Relevant Periods.

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current – Mainland China charge for the year	946	14,755	17,616
Deferred tax *(note 25)*	7,655	1,051	(749)
Total tax charge for the year	8,601	15,806	16,867

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	38,292	94,903	95,882
Tax at the statutory tax rate of 25% in Mainland China	9,573	23,726	23,971
Preferential tax rates enacted by local authority	(5,853)	(10,173)	(11,267)
Additional deductible allowance for research and development expenses	(473)	(528)	(935)
Expenses not deductible for tax	4,424	3,734	4,637
Tax losses utilised from previous periods	–	(953)	–
Tax losses not recognised	930	–	461
Tax charge at the Group's effective tax rate	8,601	15,806	16,867
Effective tax rate	22%	17%	18%

11. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the Relevant Periods.

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

Earnings per share information was not presented for the years ended 31 December 2019 and 2020 as the Company was not yet incorporated in those years.

In 2021, the calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 127,268,240 in issue during the year.

There were no potentially dilutive ordinary shares in issue in 2021 and therefore no adjustment has been made to the basic earnings per share amount presented in respect of a dilution.

13. PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment *RMB'000*	Other equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2019				
At 1 January 2019:				
Cost	60,199	4,062	8,207	72,468
Accumulated depreciation	(7,287)	(1,078)	(2,287)	(10,652)
Net carrying amount	52,912	2,984	5,920	61,816
At 1 January 2019, net of accumulated depreciation	52,912	2,984	5,920	61,816
Additions	1,620	9	–	1,629
Disposal	(50)	(87)	(30)	(167)
Depreciation provided during the year *(note 6)*	(6,105)	(789)	(1,679)	(8,573)
At 31 December 2019, net of accumulated depreciation	48,377	2,117	4,211	54,705
At 31 December 2019:				
Cost	61,730	3,896	8,177	73,803
Accumulated depreciation	(13,353)	(1,779)	(3,966)	(19,098)
Net carrying amount	48,377	2,117	4,211	54,705

	Laboratory equipment *RMB'000*	Other equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2020				
At 1 January 2020:				
Cost	61,730	3,896	8,177	73,803
Accumulated depreciation	(13,353)	(1,779)	(3,966)	(19,098)
Net carrying amount	48,377	2,117	4,211	54,705
At 1 January 2020, net of accumulated depreciation	48,377	2,117	4,211	54,705
Additions	566	–	206	772
Depreciation provided during the year *(note 6)*	(6,207)	(761)	(1,564)	(8,532)
At 31 December 2020, net of accumulated depreciation	42,736	1,356	2,853	46,945
At 31 December 2020:				
Cost	62,296	3,896	8,383	74,575
Accumulated depreciation	(19,560)	(2,540)	(5,530)	(27,630)
Net carrying amount	42,736	1,356	2,853	46,945
31 December 2021				
At 1 January 2021:				
Cost	62,296	3,896	8,383	74,575
Accumulated depreciation	(19,560)	(2,540)	(5,530)	(27,630)
Net carrying amount	42,736	1,356	2,853	46,945
At 1 January 2021, net of accumulated depreciation	42,736	1,356	2,853	46,945
Additions	2,367	41	247	2,655
Depreciation provided during the year *(note 6)*	(6,438)	(720)	(1,197)	(8,355)
At 31 December 2021, net of accumulated depreciation	38,665	677	1,903	41,245
At 31 December 2021:				
Cost	64,664	3,937	8,629	77,230
Accumulated depreciation	(25,999)	(3,260)	(6,726)	(35,985)
Net carrying amount	38,665	677	1,903	41,245

As at 31 December 2019 and 2020, certain of the Group's laboratory equipment with aggregate net carrying amounts of RMB34,641,000 and RMB30,477,000, respectively, was pledged to secure other borrowings of the Group (note 24).

14. LEASES

The Group as a lessee

The Group has lease contracts for offices and warehouses used in its operations. Leases of offices and warehouses generally have lease terms between 3 and 8 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Offices and warehouses *RMB'000*
As at 1 January 2019	26,120
Depreciation charge *(note 6)*	(5,412)
As at 31 December 2019 and at 1 January 2020	20,708
Depreciation charge *(note 6)*	(5,411)
As at 31 December 2020 and at 1 January 2021	15,297
Depreciation charge *(note 6)*	(5,412)
As at 31 December 2021	9,885

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2019 *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*
Carrying amount at beginning of year	30,889	23,794	20,106
Accretion of interest recognised during the year *(note 7)*	1,277	1,011	724
Covid-19-related rent concessions from lessors	–	–	(604)
Payments	(8,372)	(4,699)	(8,657)
Carrying amount at end of year	23,794	20,106	11,569
Analysed into:			
Current portion	6,264	8,443	6,223
Non-current portion	17,530	11,663	5,346

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	1,277	1,011	724
Depreciation charge of right-of-use assets	5,412	5,411	5,412
Covid-19-related rent concessions from lessors	–	–	(604)
Expenses relating to short-term leases (included in cost of sales, administrative expenses, selling and distribution expenses and other expenses)	1,775	985	1,651
Total amount recognised in profit or loss	8,464	7,407	7,183

(d) The total cash outflow for leases is disclosed in note 29 to the Historical Financial Information.

The Group as a lessor

The Group leases its laboratory equipment and office premises under operating lease arrangements. The terms of the lease contracts were generally within two years. Rental incomes recognised by the Group during the year ended 31 December 2019, 2020 and 2021 were RMB11,015,000, RMB1,382,000 and RMB10,495,000, respectively, details of which are included in note 5 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,881	5,988	1,440
After one year but within two years	371	–	–
	2,252	5,988	1,440

15. INTANGIBLE ASSETS

	Software *RMB'000*
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	636
Additions	180
Amortisation provided during the year *(note 6)*	(69)
At 31 December 2019	747
At 31 December 2019:	
Cost	929
Accumulated amortisation	(182)
Net carrying amount	747
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	747
Amortisation provided during the year *(note 6)*	(93)
At 31 December 2020	654
At 31 December 2020:	
Cost	929
Accumulated amortisation	(275)
Net carrying amount	654
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	654
Additions	263
Amortisation provided during the year *(note 6)*	(106)
At 31 December 2021	811
At 31 December 2021:	
Cost	1,192
Accumulated amortisation	(381)
Net carrying amount	811

16. INVENTORIES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	2,440	2,972	3,284

17. TRADE RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	115,293	136,676	216,237
Impairment	(7,168)	(6,442)	(12,607)
	108,125	130,234	203,630

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 RMB57,737,000, RMB70,171,000 and RMB98,972,000 at the end of each of the Relevant Periods (note 31(b)), 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 each of the Relevant Periods, based on the invoice dates and net of loss allowance, is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	36,534	69,065	85,618
3 to 6 months	20,806	27,340	42,637
6 to 12 months	28,229	25,030	48,472
1 to 2 years	22,472	8,288	25,502
Over 2 years	84	511	1,401
	108,125	130,234	203,630

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,629	7,168	6,442
Impairment losses, net *(note 6)*	6,451	(726)	6,165
Write-off	(1,912)	–	–
At end of year	7,168	6,442	12,607

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on ageing and past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the Relevant Periods.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Trade receivables ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	1.54%	20.39%	47.50%	6.22%
Gross carrying amount (RMB'000)	86,904	28,229	160	115,293
Expected credit losses (RMB'000)	1,335	5,757	76	7,168

As at 31 December 2020

	Trade receivables ageing				
	Default receivables	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	100.00%	1.00%	20.93%	48.12%	4.71%
Gross carrying amount (RMB'000)	2,543	122,666	10,482	985	136,676
Expected credit losses (RMB'000)	2,543	1,231	2,194	474	6,442

As at 31 December 2021

	Trade receivables ageing				
	Default receivables	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	100%	1.17%	21.71%	47.33%	5.83%
Gross carrying amount (RMB'000)	2,173	178,829	32,575	2,660	216,237
Expected credit losses (RMB'000)	2,173	2,102	7,073	1,259	12,607

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,249	1,496	6,125
Deposits and other receivables	12,752	5,798	223,533
Deductible input value-added tax	4,997	480	528
Income tax recoverable	2,171	705	41
Deferred listing expenses	–	–	996
Other assets	–	7,973	8,129
	21,169	16,452	239,352

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Deferred listing expenses	–	–	435

Included in the Group's prepayments, other receivables and other assets were other receivables to related parties of RMB8,880,000, RMB1,368,000 and RMB222,255,000 at the end of each of the Relevant Periods (note 31(b)).

The financial assets included in the above balances were categorised in stage 1 for measurement of ECLs. The financial assets included in the above balances relate to receivables for which there was no recent history of default and which were neither past due nor impaired. As at the end of each of the Relevant Periods, the loss allowance was assessed to be insignificant.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investment, at fair value	–	30,142	30,200

The above equity investment was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The fair value of the unlisted equity investment which is not quoted in an active market is valued using significant unobservable inputs. Further details are set out in note 33 to the Historical Financial Information.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	52,646	208,450	239,096
Denominated in RMB	52,646	208,450	227,890
Denominated in US$	–	–	11,134
Denominated in HK$	–	–	72
Cash and cash equivalents	52,646	208,450	239,096

Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	–	–	11,179
Denominated in US$	–	–	11,131
Denominated in HK$	–	–	48
Cash and cash equivalents	–	–	11,179

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	9,531	16,054	18,822
3 to 6 months	936	6,885	5,871
6 to 12 months	1,116	2,996	3,352
1 to 2 years	406	852	506
Over 2 years	13	97	646
	12,002	26,884	29,197

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 RMB266,000, RMB790,000 and RMB122,000 at the end of each of the Relevant Periods (note 31(b)) with credit terms similar to those offered by the related parties to their customers.

22. OTHER PAYABLES AND ACCRUALS

Group

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables		8,450	3,449	4,661
Contract liabilities	*(a)*	13,205	10,898	10,102
Other payables	*(b)*	2,059	1,373	1,465
Tax payables other than income tax		83	3,724	3,635
Accrued listing expenses		–	–	7,380
		23,797	19,444	27,243

Company

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Accrued listing expenses	–	–	4,749

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Genetic testing services	13,205	10,898	10,102

Contract liabilities include short-term advances received from rendering services of genetic testing services to customers which the Group has received consideration. The decrease in contract liabilities was mainly due to the decrease in short-term advances received from customers in relation to the provision of genetic testing services at the end of the year.

Included in contract liabilities were advances received from the Group's related parties of RMB9,425,000, RMB7,680,000 and RMB5,396,000 as at the end of each of the Relevant Periods (note 31(b)).

(b) Other payables are non-interest-bearing and repayable on demand.

23. DEFERRED INCOME

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
Current	600	600	600
Non-current	3,750	3,150	2,550
	4,350	3,750	3,150

The movements in government grants during the Relevant Periods are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	4,950	4,350	3,750
Amount released to other income *(note 5)*	(600)	(600)	(600)
At end of year	4,350	3,750	3,150
Current	600	600	600
Non-current	3,750	3,150	2,550
	4,350	3,750	3,150

The grants are related to the subsidies received from the local government for the purpose of compensation for purchases of laboratory equipment. Upon having passed the final assessment of the relevant government authorities, the grants related to assets would be released to profit or loss over the expected useful life of the relevant assets.

24. OTHER BORROWINGS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings repayable:			
Within one year	10,406	2,654	–
In the second year	2,654	–	–
In the third to fifth years, inclusive	–	–	–
	13,060	2,654	–
Portion classified as current liabilities	10,406	2,654	–
Non-current portion	2,654	–	–

The other borrowings were from an independent third party financing institution, bore interest at 9.7% per annum and were secured by certain of the Group's laboratory equipment with aggregate net carrying amounts of RMB34,641,000 and RMB30,477,000 as at 31 December 2019 and 2020, respectively (note 13). The borrowings were fully repaid in March 2021.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Loss available for offsetting against future taxable profits *RMB'000*	**Lease liabilities** *RMB'000*	**Impairment of trade receivables** *RMB'000*	**Deferred income** *RMB'000*	**Accrued expenses** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	8,063	4,276	394	743	1,204	14,680
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(8,063)	(789)	681	(90)	(206)	(8,467)
At 31 December 2019 and 1 January 2020	–	3,487	1,075	653	998	6,213
Deferred tax charged to profit or loss during the year *(note 10)*	–	(857)	(109)	(90)	(791)	(1,847)
At 31 December 2020 and 1 January 2021	–	2,630	966	563	207	4,366
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	–	(894)	925	(90)	5	(54)
At 31 December 2021	–	1,736	1,891	473	212	4,312

Deferred tax liabilities

	Fair value adjustments of equity investment at fair value through profit or loss *RMB'000*	Right-of- use assets *RMB'000*	Total *RMB'000*
At 1 January 2019	–	3,918	3,918
Deferred tax credited to profit or loss during the year *(note 10)*	–	(812)	(812)
At 31 December 2019 and 1 January 2020	–	3,106	3,106
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	15	(811)	(796)
At 31 December 2020 and 1 January 2021	15	2,295	2,310
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	9	(812)	(803)
At 31 December 2021	24	1,483	1,507

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	3,107	2,056	2,805

The Group also has tax losses arising in Mainland China of RMB4,846,000, RMB1,034,000 and RMB2,878,000 as at 31 December 2019, 2020 and 2021, respectively, that will expire in one to five years for offsetting against future taxable profits, which have not been recognised deferred tax assets, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately nil, RMB36,101,000 and RMB121,641,000 at 31 December 2019, 2020 and 2021, respectively.

26. REDEMPTION LIABILITIES ON ORDINARY SHARES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Series A	147,000	147,000	–
Interest payable related to redemption liabilities	42,444	57,144	–
	189,444	204,144	–
Portion classified as current liabilities	–	204,144	–
Non-current portion	189,444	–	–

On 27 October 2016, the then shareholders of Mega Genomics Beijing entered into a capital increase agreement with the investors (the "Series A Investors" and the "Series A Financing Agreement"), pursuant to which the Series A Investors agreed to invest in Mega Genomics Beijing by subscription of the increased registered capital of Mega Genomics Beijing of an aggregate of RMB1,670,000 at a subscription price of RMB167,000,000.

The Series A Investors were granted redemption rights which are outlined below:

Redemption rights (effective from October 2016)

Pursuant to the Series A Financing Agreement, series A capital contribution and related shares shall be redeemable by Mega Genomics Beijing or its controlling shareholder upon the occurrence of certain contingent events, including (i) the Series A Investors not being able to exit through a qualified public offering of the investee or transferring shares to a listed company which acquires the investee in five years, or (ii) when acquired by a listed company, the investee's fair value being not greater than RMB1,167,000,000 and the fair value of shares the investors held being less than a ten percent return rate for its investment in the investee plus all accrued but unpaid dividends, or (iii) the investee or its controlling shareholder violating the agreement. The price at which shares of series A contribution is redeemed shall be an amount that would give holders of series A a ten percent return rate for their investment in Mega Genomics Beijing plus all accrued but unpaid dividends.

Presentation and classification

The redemption obligations give rise to financial liabilities, which are measured at net present value of redemption amount. The movements of redemption liabilities during the Relevant Periods are set out below.

	Series A	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	167,000	32,078	199,078
Interest charge	–	16,533	16,533
Termination of redemption rights *(note a)*	(20,000)	(6,167)	(26,167)
At 31 December 2019 and 1 January 2020	147,000	42,444	189,444
Interest charge	–	14,700	14,700
At 31 December 2020 and 1 January 2021	147,000	57,144	204,144
Interest charge	–	6,125	6,125
Termination of redemption rights *(note b)*	(147,000)	(63,269)	(210,269)
At 31 December 2021	–	–	–

Notes:

(a) In November 2019, certain shares of series A were transferred by a series A Investor and the redemption right of the holder was terminated and the corresponding carrying amount of redemption liabilities on Series A was derecognised.

(b) In June 2021, an exclusive option agreement was signed by and among Mega Genomics WFOE, each of the direct shareholders of Mega Genomics Beijing and Mega Genomics Beijing, pursuant to which the Series A Investors had ceased to be entitled to any special rights. Accordingly, the carrying amount of redemption liabilities on Series A was derecognised upon the termination of the term.

27. SHARE CAPITAL

Group and Company

	As at 31 December 2021 *US$*	As at 31 December 2021 *RMB'000*
Authorised:		
400,000,000 ordinary shares of US$0.0001 each	40,000	N/A
100,000,000 investor class shares of US$0.0001 each	10,000	N/A
Issued and fully paid:		
200,000,000 ordinary shares of US$0.0001 each	20,000	129

A summary of movements in the Company's share capital and share premium is as follows:

	Number of shares in issue	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issue of shares on 22 April 2021	105,497,990	68	–	68
Issue of shares on 7 June 2021	94,502,010	61	228,688	228,749
	200,000,000	129	228,688	228,817

The Company was incorporated on 22 April 2021 with an authorised share capital of US$50,000 divided into 100,000,000 investor class shares with a par value of US$0.0001 each and 400,000,000 ordinary shares with a par value of US$0.0001 each. On the same day, 105,497,990 ordinary shares were allotted and issued and on 7 June 2021, 94,502,010 ordinary shares were further allotted and issued as part of the Reorganization.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Share premium

The share premium represents the difference between the par value of shares issued and the consideration received.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the subsidiaries comprising the Group prior to the incorporation of the Company, and the recognition of equity upon termination of redemption rights on Series A as stipulated in note 26.

Statutory surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Company

	Share premium	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	–	–	–
Total comprehensive loss for the year	–	(8,769)	(8,769)
Issue of shares	228,688	–	228,688
At 31 December 2021	228,688	(8,769)	219,919

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities	Other borrowings
	RMB'000	*RMB'000*
At 1 January 2019	30,889	23,192
Changes from financing cash flows	(8,372)	(11,907)
Interest expense	1,277	1,775
At 31 December 2019 and 1 January 2020	23,794	13,060
Changes from financing cash flows	(4,699)	(11,246)
Interest expense	1,011	840
At 31 December 2020 and 1 January 2021	20,106	2,654
Changes from financing cash flows	(8,657)	(2,715)
Covid-19-related rent concession from lessors	(604)	–
Interest expense	724	61
At 31 December 2021	11,569	–

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	1,775	985	1,651
Within financing activities	8,372	4,699	8,657
	10,147	5,684	10,308

30. COMMITMENTS

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are disclosed in note 14. Other than that, the Group did not have other significant commitments.

31. 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. and its subsidiaries ("Meinian Onehealth")	Shareholder
Xiamen Fanding Jiayin Equity Investment Partnership (LP)	Shareholder
Ganzhou Zhangxin Investment Center (LP)	Shareholder
Qingdao Huichuang Qihang Equity Investment Partnership (LP)	Shareholder
Suzhou Ruihua Investment Partnership (LP)	Shareholder
Shanghai Yifangda New Hope Equity Investment Fund (LP)	Shareholder
Tibet Tengyun Investment Management Co., Ltd.	Shareholder
Beijing Tianyi Hongfang Investment Management Co., Ltd.	Controlled by Yu Rong
Changchun Meijian Health Technology Co., Ltd.	Controlled by Yu Rong
Chengdu Health 100 One Center Physical Examination Clinic Co., Ltd.	Controlled by Yu Rong
Chengdu Jinniu Meinian Health Management Consulting Co., Ltd.	Controlled by Yu Rong
Chengdu MJ Health Management Co., Ltd.	Controlled by Yu Rong
Chongqing MeiZhao Hospital Management Co., Ltd.	Controlled by Yu Rong
Jinan Meinianda Health Technology Co., Ltd.	Controlled by Yu Rong
Jinjian Technology Services (Beijing) Co., Ltd.	Controlled by Yu Rong
Jinjiang Meinianda Health Management Co., Ltd.	Controlled by Yu Rong
Ma'anshan Meinian Health Consulting Co., Ltd.	Controlled by Yu Rong
Meizhi Health Management (Beijing) Co., Ltd.	Controlled by Yu Rong
Putian Meinian Da Health Management Co., Ltd.	Controlled by Yu Rong
Shandong Meiming Aoya Health Consulting Co., Ltd.	Controlled by Yu Rong
Shanghai Meikai Clinic Co., Ltd.	Controlled by Yu Rong
Shanghai Meiyun Clinic Co., Ltd.	Controlled by Yu Rong
Shanghai Meizhao Zheyuan Clinic Co., Ltd.	Controlled by Yu Rong
Shanghai Tianyi Hongfang Property Management Co., Ltd.	Controlled by Yu Rong
Shaoxing Meizhao Outpatient Medical Co., Ltd.	Controlled by Yu Rong
Shenyang Heping Meijian Aoya Comprehensive Clinic Co., Ltd.	Controlled by Yu Rong
Shenzhen Meiyang Health Management Co., Ltd.	Controlled by Yu Rong
Shenzhen Meizhao Health Management Co., Ltd.	Controlled by Yu Rong
Shenzhen Yierkang Health Management Co., Ltd.	Controlled by Yu Rong
Tianjin Binhai New District Ciai Clinic Co., Ltd.	Controlled by Yu Rong
Tianjin Ciming Aoya Hospital Management Consulting Co., Ltd.	Controlled by Yu Rong
Tianjin Heping District Meinian Meijia Health Management Co., Ltd.	Controlled by Yu Rong
Wuhan Haozhuo Big Data Technology Co., Ltd.	Controlled by Yu Rong
Wuhan Meici Aoya Technology Management Co., Ltd.	Controlled by Yu Rong
Wuxi Meizhao Clinic Co., Ltd.	Controlled by Yu Rong
Xiamen Ciming Health Management Co., Ltd.	Controlled by Yu Rong
Yangzhou Meishun Health Management Co., Ltd.	Controlled by Yu Rong
Zhuhai Meinian Health Management Co., Ltd.	Controlled by Yu Rong
Chongqing Meiyi Health Management Co., Ltd.	Controlled by Yu Rong
Chengdu Wuhou Meinian Health Medical Examination Clinic Co., Ltd.	Controlled by Yu Rong
Anshun Ciming Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Dalian Meinian Health Yuexiang Comprehensive Clinic Co., Ltd.*	Significantly influenced by Yu Rong

Company	Relationship with the Company
Dongguan Humen Health 100 Clinic Co., Ltd.*	Significantly influenced by Yu Rong
Guangzhou Huadu District Meinian Grand Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Guangzhou Meinianda Health Medical Technology Co., Ltd.*	Significantly influenced by Yu Rong
Guangzhou Zengcheng Meinian Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Harbin AoYa Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Huaian Ciming Huakang Clinic Co., Ltd.*	Significantly influenced by Yu Rong
Jilin City Changyi District Meinian Health Technology Co., Ltd.*	Significantly influenced by Yu Rong
Jinan Laiwu Meinianda Health Examination Management Co., Ltd.*	Significantly influenced by Yu Rong
Nan'an Meinian Da Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Qingdao Meinian Health Technology Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Shaoxing Yuecheng Meinian Clinic Co., Ltd.*	Significantly influenced by Yu Rong
Shenzhen Aoya Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Taizhou Meizhao Health Examination Center (General Partnership)*	Significantly influenced by Yu Rong
Tonglu Meinian Physical Examination Center Co., Ltd.*	Significantly influenced by Yu Rong
Wuhan Meizhao Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Xi'an Meizhao Health Management Co., Ltd.*	Significantly influenced by Yu Rong
Yantai Meinian Futian Health Examination Management Co., Ltd.*	Significantly influenced by Yu Rong
Zhengzhou Meizhao Health Medical Management Co., Ltd.*	Significantly influenced by Yu Rong
Baoshan Meinianda Health Examination Center Co., Ltd.*	Associate of Meinian Onehealth
Dalian Pulandian Meinian Health Comprehensive Clinic Co., Ltd.*	Associate of Meinian Onehealth
Foshan Meinianda Health Examination Management Co., Ltd.*	Associate of Meinian Onehealth
Fuyang Meinianda Health Management Co., Ltd.*	Associate of Meinian Onehealth
Harbin Meiming Health Management Co., Ltd.*	Associate of Meinian Onehealth
Liaoyang Meizhao Health Management Co., Ltd.*	Associate of Meinian Onehealth
Nanchang Beibang Health Examination Center Co., Ltd.*	Associate of Meinian Onehealth
Shenzhen Meichen Health Management Co., Ltd.*	Associate of Meinian Onehealth
Shenzhen Meijia Health Management Co., Ltd.*	Associate of Meinian Onehealth
Shenzhen Meipeng Health Management Co., Ltd.*	Associate of Meinian Onehealth
Weihai Meinianda Health Examination Center Co., Ltd.*	Associate of Meinian Onehealth
Wenshan Meinianda Health Examination Center Co., Ltd.*	Associate of Meinian Onehealth
Xianning Meinianda Health Examination Management Co., Ltd.*	Associate of Meinian Onehealth
Yantai Meinianda Health Examination Management Co., Ltd.*	Associate of Meinian Onehealth
Yinchuan Meinian Grand Health Hospital Co., Ltd.*	Associate of Meinian Onehealth
Yixing Meinian Comprehensive Clinic Co., Ltd.*	Associate of Meinian Onehealth
Enshi Meinianda Health Management Co., Ltd.*	Associate of Meinian Onehealth
Wuhan Ciming Aoya Hospital Management Consulting Co., Ltd.*	Associate of Meinian Onehealth

Note:

* Since December 2020, Meinian Onehealth or Yu Rong has ceased to control the Group, the outstanding balances with these entities are not disclosed as balances with related parties in note (b) below and the transaction amounts with these entities for the Relevant Periods disclosed in note (a) only covered the periods when these entities were related parties.

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

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Services provided to: (note i)			
Meinian Onehealth	53,593	102,571	88,336
Jinjian Technology Services (Beijing) Co., Ltd.	–	–	66
Shenzhen Yierkang Health Management Co., Ltd.	1,064	1,530	1,570
Qingdao Meinian Health Technology Health Management Co., Ltd.	659	783	–
Guangzhou Meinianda Health Medical Technology Co., Ltd.	182	66	–
Shenzhen Meiyang Health Management Co., Ltd.	74	124	99
Chengdu Jinniu Meinian Health Management Consulting Co., Ltd.	414	767	318
Ma'anshan Meinian Health Consulting Co., Ltd.	231	201	43
Yixing Meinian Comprehensive Clinic Co., Ltd.	208	457	–
Xiamen Ciming Health Management Co., Ltd.	50	19	4
Chengdu MJ Health Management Co., Ltd.	620	410	611
Taizhou Meizhao Health Examination Center (General Partnership)	348	23	–
Changchun Meijian Health Technology Co., Ltd.	215	194	2,080
Shenyang Heping Meijian Aoya Comprehensive Clinic Co., Ltd.	175	437	1,759
Yantai Meinianda Health Examination Management Co., Ltd.	80	234	–
Zhuhai Meinian Health Management Co., Ltd.	57	41	293
Jilin City Changyi District Meinian Health Technology Management Co., Ltd.	201	481	–
Baoshan Meinianda Health Examination Center Co., Ltd.	181	202	–
Guangzhou Zengcheng Meinian Health Management Co., Ltd.	301	98	–
Xianning Meinianda Health Examination Management Co., Ltd.	403	–	–
Shaoxing Meizhao Outpatient Medical Co., Ltd.	8	228	86
Guangzhou Huadu District Meinian Grand Health Management Co., Ltd.	359	70	–
Huaian Ciming Huakang Clinic Co., Ltd.	250	177	–
Jinan Meinianda Health Technology Co., Ltd.	232	295	2,077
Wuxi Meizhao Clinic Co., Ltd.	106	517	236
Chengdu Health 100 One Center Physical Examination Clinic Co., Ltd.	134	380	240
Fuyang Meinianda Health Management Co., Ltd.	118	218	–
Meizhi Health Management (Beijing) Co., Ltd.	1,132	–	1,132
Dalian Meinian Health Yuexiang Comprehensive Clinic Co., Ltd.	–	419	–
Foshan Meinianda Health Examination Management Co., Ltd.	387	87	–
Harbin Meiming Health Management Co., Ltd.	782	–	–
Jinan Laiwu Meinianda Health Examination Management Co., Ltd.	39	450	–
Liaoyang Meizhao Health Management Co., Ltd.	–	219	–
Nanchang Beibang Health Examination Center Co., Ltd.	–	708	–
Shandong Meiming Aoya Health Consulting Co., Ltd.	–	83	1,011
Shanghai Meiyun Clinic Co., Ltd.	–	380	25
Shanghai Meizhao Zheyuan Clinic Co., Ltd.	39	91	883
Shenzhen Aoya Health Management Co., Ltd.	176	246	–
Shenzhen Meichen Health Management Co., Ltd.	–	592	–
Shenzhen Meijia Health Management Co., Ltd.	–	127	–

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Shenzhen Meipeng Health Management Co., Ltd.	–	772	–
Tianjin Binhai New District Ciai Clinic Co., Ltd.	–	438	287
Tianjin Ciming Aoya Hospital Management Consulting Co., Ltd.	–	485	381
Tianjin Heping District Meinian Meijia Health Management Co., Ltd.	7	355	78
Weihai Meinianda Health Examination Center Co., Ltd.	1	215	–
Wuhan Haozhuo Big Data Technology Co., Ltd.	–	–	278
Wuhan Meici Aoya Technology Management Co., Ltd.	–	257	250
Xi'an Meizhao Health Management Co., Ltd.	48	168	–
Yinchuan Meinian Grand Health Hospital Co., Ltd.	289	518	–
Chongqing Meiyi Health Management Co., Ltd.	71	441	–
	63,234	117,574	102,143

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Services provided by: (note i)			
Meinian Onehealth	–	379	721
Leases to: (note ii)			
Jinjian Technology Services (Beijing) Co., Ltd.	7,586	–	6,227
Meizhi Health Management (Beijing) Co., Ltd.	795	–	1,978
	8,381	–	8,205
Property management services provided by: (note ii)			
Shanghai Tianyi Hongfang Property Management Co., Ltd.	1,559	1,339	1,598
Repayment from a shareholder: (note iii)			
Meinian Onehealth	10,000	–	–

Notes:

(i) The service fee is on normal commercial terms as determined based on arm's length negotiation between the parties with reference to (1) the production cost and gross profit requirements of the Group; (2) the government prescribed price and the prevailing service fee of a similar service provider in the market; and (3) the sales to the buyer's end customers.

(ii) The rental fees were charged with reference to prices mutually agreed between the parties.

(iii) The advance to the shareholder was unsecured, interest free and repayable on demand. The outstanding amount was fully repaid in 2019.

(b) Outstanding balances with related parties:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Meinian Onehealth	45,973	61,649	81,390
Shenzhen Yierkang Health Management Co., Ltd.	1,183	1,433	2,639
Meizhi Health Management (Beijing) Co., Ltd.	285	–	1,650
Shenzhen Meiyang Health Management Co., Ltd.	78	111	199
Qingdao Meinian Health Technology Health Management Co., Ltd.	825	–	–
Guangzhou Meinianda Health Medical Technology Co., Ltd.	1,056	–	–
Chengdu MJ Health Management Co., Ltd.	601	363	736
Chengdu Jinniu Meinian Health Management Consulting Co., Ltd.	722	1,210	443
Shenyang Heping Meijian Aoya Comprehensive Clinic Co., Ltd.	529	650	2,519
Yixing Meinian Comprehensive Clinic Co., Ltd.	521	–	–
Taizhou Meizhao Health Examination Center (General Partnership)	593	–	–
Xiamen Ciming Health Management Co., Ltd.	224	55	2
Ma'anshan Meinian Health Consulting Co., Ltd.	–	38	33
Baoshan Meinianda Health Examination Center Co., Ltd.	208	–	–
Shenzhen Meizhao Health Management Co., Ltd.	150	147	147
Guangzhou Zengcheng Meinian Health Management Co., Ltd.	384	–	–
Nan'an Meinian Da Health Management Co., Ltd.	116	–	–
Zhuhai Meinian Health Management Co., Ltd.	117	45	313
Jinjiang Meinianda Health Management Co., Ltd.	170	159	–
Chengdu Wuhou Meinian Health Medical Examination Clinic Co., Ltd.	163	143	4
Guangzhou Huadu District Meinian Grand Health Management Co., Ltd.	431	–	–
Wenshan Meinianda Health Examination Center Co., Ltd.	172	–	–
Dongguan Humen Health 100 Clinic Co., Ltd.	145	–	–
Jinan Meinianda Health Technology Co., Ltd.	247	43	2,175
Xianning Meinianda Health Examination Management Co., Ltd.	324	–	–
Chengdu Health 100 One Center Physical Examination Clinic Co., Ltd.	133	457	233
Huaian Ciming Huakang Clinic Co., Ltd.	52	–	–
Zhengzhou Meizhao Health Medical Management Co., Ltd.	20	129	112
Changchun Meijian Health Technology Co., Ltd.	–	–	1,690
Wuxi Meizhao Clinic Co., Ltd.	106	514	493
Fuyang Meinianda Health Management Co., Ltd.	6	–	–
Shaoxing Mezhao Outpatient Medical Co., Ltd.	2	234	76
Foshan Meinianda Health Examination Management Co., Ltd.	666	–	–
Harbin AoYa Health Management Co., Ltd.	48	–	–
Harbin Meiming Health Management Co., Ltd.	578	–	–
Jinan Laiwu Meinianda Health Examination Management Co., Ltd.	42	–	–
Putian Meinian Da Health Management Co., Ltd.	168	186	53

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Shandong Meiming Aoya Health Consulting Co., Ltd.	–	82	1,062
Shanghai Meikai Clinic Co., Ltd.	19	179	5
Shanghai Meiyun Clinic Co., Ltd.	–	528	–
Shanghai Meizhao Zheyuan Clinic Co., Ltd.	42	124	1,040
Shaoxing Yuecheng Meinian Clinic Co., Ltd.	86	–	–
Shenzhen Aoya Health Management Co., Ltd.	187	–	–
Tianjin Binhai New District Ciai Clinic Co., Ltd.	–	464	521
Tianjin Ciming Aoya Hospital Management Consulting Co., Ltd.	–	514	638
Tianjin Heping District Meinian Meijia Health Management Co., Ltd.	8	389	172
Tonglu Meinian Physical Examination Center Co., Ltd.	36	–	–
Weihai Meinianda Health Examination Center Co., Ltd.	1	–	–
Wuhan Meici Aoya Technology Management Co., Ltd.	–	216	236
Xi'an Meizhao Health Management Co., Ltd.	49	–	–
Yantai Meinian Futian Health Examination Management Co., Ltd.	35	–	–
Yangzhou Meishun Health Management Co., Ltd.	–	109	–
Yinchuan Meinian Grand Health Hospital Co., Ltd.	163	–	–
Chongqing Meiyi Health Management Co., Ltd.	73	–	–
Chongqing Meizhao Hospital Management Co., Ltd.	–	–	391
	57,737	70,171	98,972

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
Jinjian Technology Services (Beijing) Co., Ltd.	7,512	–	6,747
Shanghai Tianyi Hongfang Property Management Co., Ltd.	172	172	172
Beijing Tianyi Hongfang Investment Management Co., Ltd.	1,196	1,196	1,196
Xiamen Fanding Jiayin Equity Investment Partnership (LP)*	–	–	54,000
Ganzhou Zhangxin Investment Center (LP)*	–	–	50,000
Qingdao Huichuang Qihang Equity Investment Partnership (LP)*	–	–	35,640
Suzhou Ruihua Investment Partnership (LP)*	–	–	34,500
Shanghai Yifangda New Hope Equity Investment Fund (LP)*	–	–	10,000
Tibet Tengyun Investment Management Co., Ltd*.	–	–	30,000
	8,880	1,368	222,255

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade payable			
Shanghai Tianyi Hongfang Property Management Co., Ltd.	266	790	122
Contract liabilities			
Meinian Onehealth	8,280	7,210	5,396
Changchun Meijian Health Technology Co., Ltd.	502	470	–
Wuhan Meizhao Health Management Co., Ltd.	233	–	–
Jilin City Changyi District Meinian Health Technology Management Co., Ltd.	201	–	–
Dalian Pulandian Meinian Health Comprehensive Clinic Co., Ltd.	108	–	–
Yantai Meinianda Health Examination Management Co., Ltd.	101	–	–
	9,425	7,680	5,396
Lease liabilities			
Beijing Tianyi Hongfang Investment Management Co., Ltd.	23,794	20,106	11,569

* The balances due from shareholders of RMB214,140,000 in aggregate as at 31 December 2021 were non-trade and interest-free, and are expected to be settled upon the completion of Mega Genomics Beijing's capital reduction process.

Other outstanding balances with related parties were all trade in nature. Details of the Group's trade balances with related parties are disclosed in notes 17, 18, 21 and 22 to the Historical Financial Information.

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

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,175	2,017	2,750
Pension scheme contributions	493	370	836
Total compensation paid to key management personnel	2,668	2,387	3,586

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets at amortised cost

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	108,125	130,234	203,630
Financial assets included in prepayments, other receivables and other assets	12,601	5,376	9,032
Cash and cash equivalents	52,646	208,450	239,096
	173,372	344,060	451,758

Financial assets at fair value through profit or loss

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	30,142	30,200

Financial liabilities at amortised cost

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	12,002	26,884	29,197
Financial liabilities included in other payables and accruals	2,059	1,373	1,465
Lease liabilities	23,794	20,106	11,569
Other borrowings	13,060	2,654	–
Redemption liabilities on ordinary shares	189,444	204,144	–
	240,359	255,161	42,231

33. 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, current portion of lease liabilities, other borrowings and redemption liabilities on ordinary shares, 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 and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair value of the unlisted equity investment at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. 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 book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value 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 each of the Relevant Periods.

The Group invests in certain financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on the sum of principal and interest receivable.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2021:

As at 31 December 2020

	Valuation technique	**Significant unobservable inputs**	**Rate**	**Sensitivity of fair value to the input**
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	37.17%	5% increase/decrease in discount would result in decrease/increase in fair value by 3%

As at 31 December 2021

	Valuation technique	**Significant unobservable inputs**	**Rate**	**Sensitivity of fair value to the input**
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	37.17%	5% increase/decrease in discount would result in decrease/increase in fair value by 3%

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	–	30,142	30,142

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	–	30,200	30,200

The Group did not have any financial assets measured at fair value as at 31 December 2019.

The movements in fair value measurements within Level 3 during the year are as follows:

	31 December 2020	**31 December 2021**
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
At beginning of year	–	30,142
Total gains recognised in profit or loss included in other income	100	58
Purchases	30,042	–
At end of year	30,142	30,200

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant 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.

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings (other than lease liabilities)	–	13,060	–	13,060
Redemption liabilities on ordinary shares	–	189,444	–	189,444
	–	202,504	–	202,504

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings (other than lease liabilities)	–	2,654	–	2,654
Redemption liabilities on ordinary shares	–	204,144	–	204,144
	–	206,798	–	206,798

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades with related parties and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Since the Group trades with related parties and recognised and creditworthy entities, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 40%, 45% and 37%, and 57%, 60% and 66% of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information was available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	115,293	115,293
Financial assets included in prepayments, other receivables and other assets					
– Normal**	12,601	–	–	–	12,601
Cash and cash equivalents					
– Not yet past due	52,646	–	–	–	52,646
	65,247	–	–	115,293	180,540

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	136,676	136,676
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,376	–	–	–	5,376
Cash and cash equivalents					
– Not yet past due	208,450	–	–	–	208,450
	213,826	–	–	136,676	350,502

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	216,237	216,237
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,032	–	–	–	9,032
Cash and cash equivalents					
– Not yet past due	239,096	–	–	–	239,096
	248,128	–	–	216,237	464,365

* For trade receivables to which the Group applies the simplified approach for impairment, further information is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2019					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,535	936	9,531	–	–	12,002
Financial liabilities included in other payables and accruals	2,059	–	–	–	–	2,059
Lease liabilities	543	1,639	5,092	13,336	5,479	26,089
Other borrowings	–	2,873	8,372	2,715	–	13,960
Redemption liabilities on ordinary shares	–	–	–	220,500	–	220,500
	4,137	5,448	22,995	236,551	5,479	274,610

	31 December 2020					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,945	6,885	16,054	–	–	26,884
Financial liabilities included in other payables and accruals	1,373	–	–	–	–	1,373
Lease liabilities	2,575	1,697	4,988	11,948	182	21,390
Other borrowings	–	2,715	–	–	–	2,715
Redemption liabilities on ordinary shares	–	–	220,500	–	–	220,500
	7,893	11,297	241,542	11,948	182	272,862

	31 December 2021					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,504	5,871	18,822	–	–	29,197
Financial liabilities included in other payables and accruals	1,465	–	–	–	–	1,465
Lease liabilities	–	1,663	4,988	5,479	–	12,130
	5,969	7,534	23,810	5,479	–	42,792

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is debt divided by total assets. Debt includes trade payables, other payables and accruals, lease liabilities and other borrowings. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	12,002	26,884	29,197
Other payables and accruals	23,797	19,444	27,243
Lease liabilities	23,794	20,106	11,569
Other borrowings	13,060	2,654	–
Debt	72,653	69,088	68,009
Total assets	263,745	453,573	772,183
Gearing ratio	28%	15%	9%

35. EVENTS AFTER THE RELEVANT PERIODS

There are no significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as at 31 December 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2021 or at any future date.

	Consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 *RMB'000 (Note 1)*	**Estimated net proceeds from the Global Offering** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2021** *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2021** *RMB (Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2021** *(HK$ equivalent) (Note 4)*
Based on an Offer Price of HK$18.00 per Share	693,685	159,078	852,763	3.56	4.29
Based on an Offer Price of HK$22.00 per Share	693,685	197,245	890,930	3.72	4.48

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 is arrived at after deducting intangible assets of RMB811,000 from the consolidated net assets attributable to owners of the Company of RMB694,496,000 as at 31 December 2021, as shown in the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$18.00 or HK$22.00 per Share after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share are calculated based on 239,233,800 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8310 to HK$1.00.

5. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company have not taken into account the onshore entities' capital reduction of RMB229,640,000. Had the onshore entities' capital reduction taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would be HK$3.13 per Share (based on the Offer Price of HK$18.00 per Share) or HK$3.33 per Share (based on the Offer Price of HK$22.00 per Share).

6. No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 31 December 2021.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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To the Directors of Mega Genomics Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Mega Genomics Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2021, and related notes as set out on pages II-1 to II-2 of the prospectus dated 10 June 2022 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II (A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2021 as if the transaction had taken place at 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2021, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
10 June 2022

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 April 2021 under the Companies Act. The Company's constitutional documents consist of its Second Amended and Restated Memorandum of Association (**Memorandum**) and its Second Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on May 27, 2022 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that

the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, in good faith and pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the year of the Company's adoption of the Articles. The annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) **Right to Speak**

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution or in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or

different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 22 April 2021 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium

account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase.

A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act.

Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisor on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on April 22, 2021. Our registered office is situated at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. Our principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 10, 2021 with the Registrar of Companies in Hong Kong. Ms. Cheung Yuet Fan and Ms. Ng Wai Kam have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and Articles of Association are subject to relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of our Articles of Association is set out in Appendix III to this Prospectus.

2. Changes in the Share Capital of Our Company

As of the Latest Practicable Date, our authorized share capital was US$50,000, divided into 100,000,000 investor class shares of par value US$0.0001 each and 400,000,000 ordinary shares of par value US$0.0001 each. The investor class shares have not been issued.

Save as disclosed in the section headed "History, Reorganization and Group Structure", there has been no alteration in the share capital of our Company since our incorporation.

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this Prospectus:

PRC subsidiaries

Save as disclosed in the section headed "History, Reorganization and Group Structure", there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Prospectus.

4. Resolutions of our Shareholders

Pursuant to the written resolutions of the all Shareholders passed on May 27, 2022:

(1) (as a special resolution) our Company approved and adopted the Memorandum of Association and Articles of Association, which will come into effect upon Listing;

(2) (as a special resolution) with effect from the Listing, 100,000,000 authorised but unissued investor class shares of our Company will be re-designated into 100,000,000 authorised but unissued ordinary shares, such that the authorised share capital of the Company will become US$50,000 divided into 500,000,000 Shares of par value US$0.0001 each;

(3) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Offer Price having been agreed; (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) (for themselves and on behalf of the other Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

    (i) the Global Offering was approved and the Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering:

    (ii) the Over-allotment Option was approved and the Directors were authorized to allot and issue the Shares upon exercise of the Over-allotment Option; and

    (iii) the grant of the Over-allotment Option by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 1,794,200 additional new Shares to cover, among other things, the over-allocations in the International Offering, was approved;

(4) a general unconditional mandate (the "**Issue Mandate**") was granted to our Directors to, inter alia, allot, issue and deal with Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders. Such mandate will remain in effect until:

(i) the conclusion of the next annual general meeting of the Company unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held under any applicable laws or the Memorandum of Association and Articles of Association; or

(iii) it is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

whichever occurs first (the "**Applicable Period**");

(5) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the number of the Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Repurchase Mandate will remain in effect during the Applicable Period; and

(6) the Issue Mandate was extended by the addition to the aggregate number of the Shares which may be allotted and issued, or agreed to be allotted and issued, by the Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised).

5. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For details, please see the section headed "History, Reorganization and Group Structure" in this Prospectus.

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set out in Note 1 of Section II to the Accountants' Report in Appendix I to this Prospectus.

7. Repurchase of Shares by Our Company

This section sets forth information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by us of our own Shares.

(1) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of all our Shareholders passed on May 27, 2022, the Repurchase Mandate was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the number of the Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) at any time during the Applicable Period.

(ii) Source of funds

The repurchase of Shares must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading restrictions

The total number of shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Act, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

As required by the Listing Rules, repurchase of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected person

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(2) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchase of Shares will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(3) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchases of Shares by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of our Company's share premium account before or at the time the Shares are repurchased, or, subject to the Companies Act, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this Prospectus in the event that the Repurchase Mandate is exercised in full.

(4) General

Exercise in full of the Repurchase Mandate, on the basis of 239,233,800 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 23,923,380 Shares being repurchased by our Company during the Applicable Period.

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined under the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined under the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of the business carried on or intended to be carried on by our Company) were entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

(1) the exclusive option agreement dated June 10, 2021 entered into among Mega Genomics WFOE, each of the Registered Shareholders and Mega Genomics Beijing, pursuant to which (i) the Registered Shareholders agreed to grant Mega Genomics WFOE an exclusive option for itself or its designated person to purchase all or part of their equity interests in Mega Genomics Beijing; and (ii) Mega Genomics Beijing agreed to grant Mega Genomics WFOE an exclusive option for itself or its designated person to purchase all or part of the assets of Mega Genomics Beijing;

(2) the exclusive consultancy and services agreement dated June 10, 2021 between Mega Genomics WFOE and Mega Genomics Beijing, pursuant to which Mega Genomics WFOE agreed to be engaged as the exclusive provider to Mega Genomics Beijing of marketing consultancy, technical support and other services;

(3) the equity pledge agreement dated June 10, 2021 entered into among Mega Genomics WFOE, each of the Registered Shareholders and Mega Genomics Beijing, pursuant to which the Registered Shareholders agreed to pledge all of their equity interests in Mega Genomics Beijing to Mega Genomics WFOE as a security interest to guarantee the performance of contractual obligations;

(4) the cornerstone investment agreement dated June 3, 2022, entered into among our Company, Nanchang Financial Holdings Co., Ltd. (南昌金融控股有限公司) and China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司), details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(5) the cornerstone investment agreement dated June 3, 2022, entered into among our Company, Nanchang Industrial Park Equity Investment Partnership (Limited Partnership) (南昌工控園區股權投資合夥企業(有限合夥)) and China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司), details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(6) the cornerstone investment agreement dated June 3, 2022, entered into among our Company, Maccura Biotechnology Co., Ltd. (邁克生物股份有限公司) and China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司), details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(7) the Deed of Non-competition; and

(8) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
1.		PRC	29871068	Mega Genomics Beijing	44	2019.1.28-2029.1.27
2.	MegaCloud	PRC	27119278	Mega Genomics Beijing	44	2018.10.7-2028.10.6
3.	美因智能	PRC	27105090	Mega Genomics Beijing	44	2018.10.21-2028.10.20
4.	美因云	PRC	27102691	Mega Genomics Beijing	44	2018.10.7-2028.10.6
5.		PRC	26415302	Mega Genomics Beijing	9	2018.11.28-2028.11.27
6.	人人基因	PRC	26291207	Mega Genomics Beijing	42	2019.3.7-2029.3.6
7.	美儿安	PRC	26102041	Mega Genomics Beijing	9	2018.8.14-2028.8.13
8.	美儿安	PRC	26100348	Mega Genomics Beijing	35	2018.8.14-2028.8.13
9.	美儿安	PRC	26090231	Mega Genomics Beijing	42	2018.8.14-2028.8.13
10.		PRC	26032859	Mega Genomics Beijing	44	2018.8.14-2028.8.13
11.	人人基因	PRC	25827975	Mega Genomics Beijing	44	2018.8.7-2028.8.6
12.		PRC	25733925	Mega Genomics Beijing	44	2018.7.28-2028.7.27
13.		PRC	25733891	Mega Genomics Beijing	42	2018.7.28-2028.7.27

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
14.		PRC	25729412	Mega Genomics Beijing	35	2018.9.14-2028.9.13
15.	微因泰	PRC	25726988	Mega Genomics Beijing	42	2018.7.28-2028.7.27
16.	Mega Genomics	PRC	25725669	Mega Genomics Beijing	9	2018.11.28-2028.11.27
17.	美因康	PRC	25725287	Mega Genomics Beijing	35	2018.7.28-2028.7.27
18.		PRC	25722161	Mega Genomics Beijing	9	2018.7.28-2028.7.27
19.	美因安	PRC	25721917	Mega Genomics Beijing	42	2018.7.28-2028.7.27
20.	微因泰	PRC	25720282	Mega Genomics Beijing	35	2018.8.14-2028.8.13
21.	微因泰	PRC	25720265	Mega Genomics Beijing	9	2018.8.21-2028.8.20
22.	美因康	PRC	25720250	Mega Genomics Beijing	9	2018.7.28-2028.7.27
23.	美因安	PRC	25718722	Mega Genomics Beijing	35	2018.7.28-2028.7.27
24.	Mega Genomics	PRC	25717134	Mega Genomics Beijing	42	2018.11.28-2028.11.27
25.	美因安	PRC	25717049	Mega Genomics Beijing	9	2018.7.28-2028.7.27
26.	美小食	PRC	25619365	Mega Genomics Beijing	44	2018.8.7-2028.8.6
27.	美小实	PRC	25619364	Mega Genomics Beijing	44	2018.7.28-2028.7.27
28.	美天见	PRC	25619363	Mega Genomics Beijing	44	2018.11.21-2028.11.20
29.		PRC	25619362	Mega Genomics Beijing	44	2018.7.28-2028.7.27
30.	美因保	PRC	25373488	Mega Genomics Beijing	44	2018.7.21-2028.7.20

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
31.	MEGA·HEALTH	PRC	25373485	Mega Genomics Beijing	44	2019.6.14-2029.6.13
32.	美因康	PRC	25373484	Mega Genomics Beijing	42	2018.7.14-2028.7.13
33.	美盈康	PRC	24981576	Mega Genomics Beijing	44	2018.9.21-2028.9.20
34.	安之易	PRC	24981575	Mega Genomics Beijing	44	2018.6.28-2028.6.27
35.	美健瓠	PRC	24981574	Mega Genomics Beijing	44	2018.6.28-2028.6.27
36.	美诺安	PRC	24981573	Mega Genomics Beijing	44	2018.9.21-2028.9.20
37.	美维安	PRC	24981572	Mega Genomics Beijing	44	2018.6.28-2028.6.27
38.	美怡安	PRC	24981571	Mega Genomics Beijing	44	2018.6.28-2028.6.27
39.	美络维	PRC	24981570	Mega Genomics Beijing	44	2018.6.28-2028.6.27
40.	美孕安	PRC	24981569	Mega Genomics Beijing	44	2018.6.28-2028.6.27
41.	MEGA·DX	PRC	24981567	Mega Genomics Beijing	44	2018.7.7-2028.7.6
42.	MEGA·TECH	PRC	24981565	Mega Genomics Beijing	44	2018.11.21-2028.11.20
43.	美盈康	PRC	23341161	Mega Genomics Beijing	44	2018.6.7-2028.6.6
44.	安之易	PRC	23341160	Mega Genomics Beijing	44	2018.3.21-2028.3.20
45.	美健瓠	PRC	23341159	Mega Genomics Beijing	44	2018.3.21-2028.3.20
46.	美诺安	PRC	23341158	Mega Genomics Beijing	44	2018.6.7-2028.6.6
47.	美维安	PRC	23341157	Mega Genomics Beijing	44	2018.3.21-2028.3.20
48.	美怡安	PRC	23341156	Mega Genomics Beijing	44	2018.3.21-2028.3.20
49.	美络维	PRC	23341155	Mega Genomics Beijing	44	2018.3.21-2028.3.20
50.	美孕安	PRC	23341154	Mega Genomics Beijing	44	2018.3.21-2028.3.20

No.	Trademark	Place of Registration	Registration No.	Registered Owner	Class	Valid Period
51.	Digital Life Hub	PRC	22066065	Mega Genomics Beijing	44	2018.1.14-2028.1.13
52.	MegaCN	PRC	22066064	Mega Genomics Beijing	44	2018.1.14-2028.1.13
53.	MegaAI	PRC	22066063	Mega Genomics Beijing	44	2018.1.14-2028.1.13
54.	美儿安	PRC	20663497	Mega Genomics Beijing	44	2017.9.7-2027.9.6
55.	美因康	PRC	19134154	Mega Genomics Beijing	44	2017.3.28-2027.3.27
56.	Mega Genomics	PRC	19134153	Mega Genomics Beijing	44	2017.3.28-2027.3.27
57.	微因泰	PRC	19134152	Mega Genomics Beijing	44	2017.3.28-2027.3.27
58.	美因安	PRC	19134149	Mega Genomics Beijing	44	2017.3.28-2027.3.27

Patents

As of the Latest Practicable Date, we had registered and maintained the following patents in the PRC which we consider to be or may be material to our business:

No.	Patents	Patentee	Patent Type	Patent No.	Application Date	Registration Date
1.	個人全基因組檢測套餐採樣盒	Mega Genomics Beijing	Design patent	2018300435248	2018.1.30	2018.9.21
2.	包裝箱(個人全外顯子組檢測套餐報告)	Mega Genomics Beijing	Design patent	2017304434080	2017.9.19	2018.2.23
3.	皮膚性狀相關基因的多重PCR檢測方法	Mega Genomics Beijing	Invention	2017113954878	2017.12.21	2021.5.25
4.	基於高通量測序的三段式探針擴增方法	Mega Genomics Beijing	Invention	2017113996298	2017.12.22	2021.7.13
5.	口腔拭子直接PCR進行SNP分型的方法	Mega Genomics Beijing	Invention	2017113997036	2017.12.22	2021.10.29

Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

(i) Computer software

No.	Copyright	Registration No.	Registered Date	Registered Owner
1.	結直腸癌相關基因甲基化水平分析軟件	2020SR1625139	2020.11.23	Mega Genomics Beijing
2.	免疫力綜合評估等基因檢測分型軟件	2020SR1625138	2020.11.23	Mega Genomics Beijing
3.	美因新冠信息處理系統	2020SR1625110	2020.11.23	Mega Genomics Beijing
4.	美因樣本管理系統	2019SR1123360	2019.11.7	Mega Genomics Beijing
5.	美因基因小程序客戶服務平台	2019SR1127281	2019.11.7	Mega Genomics Beijing
6.	美因報告分揀系統	2019SR0985644	2019.9.24	Mega Genomics Beijing
7.	美因報告模板自動生成系統	2019SR0985556	2019.9.24	Mega Genomics Beijing
8.	Fastq數據質控、過濾、裁剪、切割、統計一體化軟件	2018SR341244	2018.5.15	Mega Genomics Beijing; Xiao Zhe; Jiao Shaozhuo
9.	美因銷售訂單詳情查詢系統(IOS版)	2018SR086641	2018.2.2	Mega Genomics Beijing
10.	神經疾病診療輔助決策系統(IOS版)	2018SR088331	2018.2.2	Wang Chaodong; Mega Genomics Beijing
11.	神經疾病診療輔助決策系統(Android版)	2018SR088336	2018.2.2	Wang Chaodong; Mega Genomics Beijing
12.	美因銷售訂單詳情查詢系統(Android版)	2018SR086332	2018.2.2	Mega Genomics Beijing
13.	美因報告自動化系統	2017SR596008	2017.10.31	Mega Genomics Beijing
14.	美因生命客戶報告查詢與解讀系統	2017SR596004	2017.10.31	Mega Genomics Beijing
15.	神經專科體檢輔助系統	2017SR470209	2017.8.25	Wang Chaodong; Mega Genomics Beijing
16.	美因基因科技服務產品展示與諮詢平台	2017SR083319	2017.3.20	Mega Genomics Beijing
17.	LGC數據管理及統計分析軟件	2017SR076814	2017.3.13	Mega Genomics Beijing
18.	基因組外顯子測序分析流程定制軟件	2017SR076770	2017.3.13	Mega Genomics Beijing
19.	Sanger測序結果與Igc測序結果合併分析軟件	2017SR076815	2017.3.13	Mega Genomics Beijing

No.	Copyright	Registration No.	Registered Date	Registered Owner
20.	根據染色體臂CNV篩查結直腸癌軟件	2017SR076818	2017.3.13	Mega Genomics Beijing
21.	檢測報告分發系統	2017SR075909	2017.3.13	Mega Genomics Beijing
22.	lgc法檢測snp軟件	2017SR076816	2017.3.13	Mega Genomics Beijing
23.	大眾基因檢測自動化出報告軟件	2017SR076817	2017.3.13	Mega Genomics Beijing
24.	21基因檢測乳腺癌復發風險評估軟件	2017SR032304	2017.2.6	Mega Genomics Beijing
25.	K緊鄰預測分析軟件	2017SR029875	2017.2.4	Mega Genomics Beijing
26.	全基因組(外顯子)SNP及INDEL位點篩選軟件	2017SR006503	2017.1.6	Mega Genomics Beijing
27.	千人基因組特定人種的基因頻率提取軟件	2017SR006501	2017.1.6	Mega Genomics Beijing
28.	門店收樣系統	2017SR584586	2017.10.24	Mega Genomics Beijing
29.	高通量測序結果染色體分布檢測軟件	2016SR226517	2016.8.19	Mega Genomics Beijing
30.	宏基因組測序數據質量監控軟件	2017SR037800	2017.2.9	Mega Genomics Beijing
31.	離散增量法預測分析軟件	2017SR037801	2017.2.9	Mega Genomics Beijing
32.	microRNA二代測序數據集成分析軟件V1.0.0	2022SR0509692	2022.4.22	Mega Genomics Beijing
33.	胃癌相關基因差異甲基化分析軟件V1.0.0	2022SR0509693	2022.4.22	Mega Genomics Beijing

(ii) Works

No.	Copyright	Registration No.	First Publish Date	Registered Owner
1.	美因基因圖形	國作登字-2019-F-00932880	2016.1.6	Mega Genomics Beijing

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registrant	Expiry Date
1.	rrgenomics.com	Mega Genomics Beijing	2028.8.4
2.	www.megacn.cn	Mega Genomics Beijing	2028.10.16
3.	www.megagenomics.cn	Mega Genomics Beijing	2028.10.27

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(1) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

Interests in the Shares or Underlying Shares of our Company

		Shares held as of the date of this Prospectus		Shares held immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
Name of Director	**Capacity/nature of interest**	**Number**	**Approximate percentage**	**Number**	**Approximate percentage**
Dr. Yu	Interest in controlled corporations[(1)]	22,795,135 Shares	10.03%	22,795,135 Shares	9.53%
	Interest of a party to an agreement[(2)]	22,000,000 Shares	9.68%	22,000,000 Shares	9.20%
Ms. Guo	Interest in controlled corporation[(2)]	22,000,000 Shares	9.68%	22,000,000 Shares	9.20%
Ms. Lin Lin	Interest in controlled corporation[(3)]	9,975,311 Shares	4.39%	9,975,311 Shares	4.17%
Mr. Huang Yufeng	Interest in controlled corporation[(4)]	3,463,131 Shares	1.52%	3,463,131 Shares	1.45%

Notes:

(1) As of the Latest Practicable Date, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei, its limited partner, the general partner of which was Shanghai Zhongfu, which was ultimately controlled by Dr. Yu and (ii) 1% by Shanghai Zhongfu as its general partner. As such, Dr. Yu 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 the Latest Practicable Date, Infinite Galaxy Health Limited was wholly owned by Ms. Guo. As such, Ms. Guo is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On August 11, 2021, Dr. Yu, Ms. Guo 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, irrevocably entrusts Dr. Yu to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu is deemed to be interested in which Ms. Guo is ultimately interested (through holding 100% interests of Infinite Galaxy Health Limited) under the SFO.

(3) As of the Latest Practicable Date, LINLIN DJK HOLDING LTD. was wholly owned by Ms. Lin Lin. As such, Ms. Lin is deemed to be interested in the Shares held by LINLIN DJK HOLDING LTD. under the SFO.

(4) As of the Latest Practicable Date, Main Sunflower Technology Limited was held as to 54.84% by Mr. Huang. As such, Mr. Huang is deemed to be interested in the Shares held by Main Sunflower Technology Limited under the SFO.

Interests in the Shares or Underlying Shares of our 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	Interest in controlled corporation[1]	1,383,000	11.40%
Ms. Guo	Beneficial interests	1,335,048	11.00%

1 As of the Latest Practicable Date, Dr. Yu controlled Zhuhai Zhongwei and Beijing Yinwei. As such, Dr. Yu controls the interests in which Zhuhai Zhongwei and Beijing Yinwei are interested under the SFO.

(2) Particulars of service contracts

Each of the executive Directors has entered into a service contract with our Company on June 1, 2022 under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by no less than one month's notice in writing served by either the executive Director or our Company.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company on June 1, 2022. The initial term of their letter of appointment shall be three years commencing from the Listing Date.

(3) Directors' remuneration

An aggregate of approximately RMB0.8 million, RMB0.3 million and RMB1.2 million, was paid to our Directors as remuneration for the three years ended December 31, 2019, 2020 and 2021, respectively (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses).

Our independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay nil director's fee per annum to each of the independent non-executive Directors.

Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2022 will be approximately RMB2.8 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this Prospectus.

Further details of the terms of the above service contracts are set forth in the paragraph headed "C. Further Information about Our Directors and Substantial Shareholders – 1. Directors – (2) Particulars of service contracts" in this appendix.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors or chief executive were not aware of any other person, who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

3. Agency fees or commissions received

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this Prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

(1) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

(2) none of our Directors or experts referred to under paragraph headed "E. Other Information – 10. Consents of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(3) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group;

(4) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(5) taking no account of Shares which may be taken up under the Global Offering, none of our Directors or chief executive knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(6) so far as is known to our Directors, apart from Dr. Yu, Ms. Guo, Ms. Lin Lin and Meinian OneHealth, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. RSU SCHEME

The following is a summary of the principal terms of the RSU Scheme as approved and adopted by the resolution of our Board dated November 19, 2021. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new Shares.

1. Purpose and principal terms

The purposes of the RSU Scheme are to recognize and motivate the contributions by participants of the RSU Scheme ("**Participant(s)**") and give incentives thereto in order to retain them, as well as to attract suitable personnel for our further development. The principal terms of the RSU Scheme are as follows:

(1) ***RSU***. An award under the RSU Scheme gives a Participant a conditional right upon the vesting of the RSU to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the RSU administration committee as established by the Board (the "**RSU Committee**") in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges.

(2) ***Award price***. The consideration (if any) payable by a selected Participant to the trustee for acceptance of the RSU(s) granted to such Participant shall be determined at the sole and absolute discretion of the RSU Committee.

(3) ***Scheme limit***. The overall limit on the number of Shares that may be delivered under the RSU Scheme must not exceed 27,272,000 Shares.

(4) ***Participants***. Participants include the following:

(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.

(5) ***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. In spite of this, the RSU Scheme in all other respects remain in full force and effect and RSUs that are granted during the term may continue to be exercisable in accordance with their terms of issue.

(6) ***Administration***. The RSU Scheme shall be subject to the administration of the RSU Committee, which comprises Ms. Lin Lin, our executive Director and chairperson, as the initial sole member. The RSU Committee has the right to (i) interpret and construe the provisions of the RSU Scheme, (ii) determine the persons who will be granted RSUs and the number of RSUs to be granted, the terms on which RSUs are granted (including but not limited to award and exercise prices (if applicable)) and the time when the RSU(s) granted pursuant to the RSU Scheme may vest, (iii) make such appropriate and equitable adjustments to the terms of the RSUs granted as it deems necessary, (iv) appoint one or more independent third party professionals and contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions as it deems appropriate, and (v) make such other decisions or determinations relating to the administration of the RSU Scheme as the RSU Committee deems appropriate. All decisions made by the RSU Committee is final and binding on all parties.

(7) ***Trustee***. The RSU Committee may establish a trust (the "**Trust**") and appoint an independent trustee (the "**Trustee**") to be the trustee of the Trust to hold the Shares allotted by the Company to the Trustee on trust, and to assist in the administration and vesting of the RSUs. On June 1, 2022, our Company allotted and issued 27,272,000 Shares, representing all Shares underlying the RSUs that may be delivered under the RSU Scheme, to the RSU Nominee, a company wholly-owned by KASTLE LIMITED, an Independent Third Party appointed by the RSU Committee as the Trustee, to be held for the benefit of eligible Participants pursuant to the RSU Scheme. The Trustee will refrain from exercising any voting rights attached to the Shares held by it so long as such Shares are held under the Trust.

2. Grant of RSUs

An award of RSU granted to a Participant (a "**Grant**") pursuant to the RSU Scheme may include, if so specified by the RSU Committee in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the RSU is granted to the date that it vests. Where no such economic benefit of the Shares is awarded with the Grant, the economic benefit of the Shares underlying the RSUs granted accrued before vesting will be held by the Trustee as income of the trust fund. Where no Grant has been made in respect of a Share held under the trust, the economic benefit accrued from such Share will be held by the Trustee as income of the trust fund.

3. Restrictions on Grant

No offer of the Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A Grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement,

no RSU may be granted. Such period will cover any period of delay in the publication of a results announcement.

The RSU Committee may not grant any RSUs to any Participants in any of the following circumstances:

(1) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;

(2) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the Grant or the RSU Scheme, unless the RSU Committee determines otherwise;

(3) the Grant would result in a breach by our Company, its subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or

(4) where such Grant would result in a breach of the limits of the RSU Scheme.

4. Grant to Directors

Where any RSU is proposed to be granted to a director of any members of our Group, it shall not be granted on any day on which the financial results of our Company are published and during the period of:

(1) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

5. Grant to connected persons

Any Grant to any director, chief executive officer or substantial shareholder of any member of our Group, or any of their respective associates (as defined in the Listing Rules) shall be subject to compliance with the requirements of the Listing Rules.

6. Grant to PRC resident

If the grantee of an RSU ("**Grantee(s)**") is a PRC resident, he or she shall not be entitled to exercise any RSU until:

(1) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Shares; and

(2) he or she has given a representation to our Company to the effect that he or she has satisfied all the relevant laws, regulations and notices in exercising the RSU.

7. Rights attached to RSUs

No Participant shall enjoy any of the rights of a Shareholder (including voting right) by virtue of the Grant pursuant to the RSU Scheme, unless and until such Shares underlying the RSUs are actually transferred to the Participant upon the vesting of the RSUs and registered under the name of the Participant in the register of members of our Company, and the exercising the RSUs according to the Scheme. Unless otherwise specified by the RSU Committee in its entire discretion in the notice of grant, Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Share underlying an unvested RSU.

8. RSUs to be personal to the Grantee

Unless otherwise approved by our Company in writing (to the extent permitted by law), an unvested RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, unvested RSU(s) may be transferred by will or by the laws of testacy and distribution. The terms of the RSU Scheme and the notice of grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

9. Vesting

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each RSU, the RSU(s) granted shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the RSU Committee in its absolute discretion. Without prejudice to the foregoing, the default vesting schedule of any RSUs granted under the RSU Scheme shall be: (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.

If such vesting terms and conditions are not satisfied, the RSU Committee may elect to postpone the vesting date of the relevant RSUs for one year or any period to the extent appropriate as determined by the RSU Committee. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse.

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the RSU Committee, or by any other means the RSU Committee so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the RSU Committee considers necessary (which may include, without limitation, a certification to our Company that he or she has complied with all the terms and conditions set out in the RSU Scheme and the notice of grant).

For the purposes of vesting of the RSU(s), the RSU Committee may release the RSU(s) to the selected Participants by transferring the number of underlying Share(s) in respect of the RSU(s) to the selected Participants in such manner as determined by it from time to time. The RSU Committee shall inform the Trustee the number of underlying Shares in respect of the RSU(s) being transferred and released to the selected Participant in the manner as determined by the RSU Committee.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU(s) shall be cancelled according to conditions as determined by the RSU Committee in its absolute discretion.

In the event that the Grantee fails to execute the required documents within three months (or such other time as adjusted by the RSU Committee as it deems appropriate) after receiving the vesting notice, the vested RSU(s) will lapse.

Notwithstanding the foregoing, if any relevant parties of the RSU Scheme would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

10. Lapse and cancellation of RSU

An unvested RSU shall lapse and be cancelled automatically upon the earliest of:

(1) the date of the termination of Grantee's employment or service by our Company or any of its subsidiaries for cause;

(2) the date of the termination of Grantee's employment or service with our Company or its subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause);

(3) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;

(4) the record date for determining entitlements under the scheme of arrangement closes;

(5) the date of the commencement of the winding-up of our Company;

(6) the date on which the Grantee commits a breach of paragraph 7 above; or

(7) the date on which it is no longer possible to satisfy any outstanding conditions to vesting, as determined by the RSU Committee in its absolute discretion.

The RSU Committee shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause, the effective date of such termination and whether someone is a competitor, and such determination by the RSU Committee shall be final and conclusive.

Unless the RSU Committee determines otherwise in its absolute discretion, the Grantee or his/her legal personal representative is entitled to exercise vested RSU(s) by serving the application for exercising unvested RSU(s) within one month following the occurrence of the termination of Grantee's employment or service with our Group which is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause).

Subject to the applicable laws, the vested RSU(s) prior to being exercised and the underlying Shares or proceeds obtained by the Grantee from exercising the vested RSU(s) less the exercise price of the Grantee's RSU(s) shall be returned by the Grantee to our Company per the RSU Committee's request following the occurrence of one of more of the following events:

(1) the Grantee's employment is terminated by our Company or any of its subsidiaries for cause; or

(2) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any competitor, at any time before or within 12 months after the Grantee's employment is terminated by our Company or any of its subsidiaries for any reason.

11. Further restrictions on Grantee

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the RSU(s) granted pursuant to the RSU Scheme upon the occurrence of one or more of the following events:

(1) the Grantee's employment is terminated by our Company or any of its subsidiaries for cause; or

(2) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any competitor, at any time before or within 12 months after the Grantee's employment is terminated by our Company or any of its subsidiaries for any reason.

If the Grantee sells, transfers or deals with the Shares in breach of the above, the Grantee shall pay our Company the proceeds or consideration obtained (less the exercise price of the Grantee's RSU(s)) as a result of such breach upon demand by our Company.

The RSU Committee may at any time cancel any unvested RSU(s) granted to a Grantee subject to consent by the Grantee. Where our Company cancels unvested RSU(s) and makes a grant of new RSU(s) to the same Grantee, such Grant may only be made with available RSU(s) to the extent not yet granted (excluding the cancelled RSU(s)).

Notwithstanding the aforesaid, in each case, the RSU Committee may in its absolute discretion decide that any RSU(s) shall not be cancelled or determined subject to such conditions or limitations as the RSU Committee may decide.

12. Amendment of the RSU Scheme

Save for any material amendments to the RSU Scheme, the Scheme may be altered in any respect by a resolution of the RSU Committee. The RSU Committee's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

13. Termination of the RSU Scheme

Our Board or the RSU Committee may at any time terminate the operation of the RSU Scheme and in such event no further RSU(s) will be offered but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSU(s) which are granted during the life of the RSU Scheme and which remain unvested immediately prior to the termination of the operation of the RSU Scheme.

14. General

As of the date of this Prospectus, no RSU has been granted to eligible Participants by our Company under the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the Grant will be disclosed in our annual report.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this Prospectus and so far as our Directors are aware, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

3. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is US$500,000.

4. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2021 (being the date on which our latest audited consolidated financial statements was made up) up to the date of the prospectus.

6. Preliminary Expenses

Our preliminary expenses are immaterial and payable by our Company.

7. Promoter

We do not have any promoter for the purpose of the Listing Rules. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

8. Taxation of Holders of Shares

(1) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(2) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(3) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
China Securities (International) Corporate Finance Company Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the Sole Sponsor of the Listing
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
King & Wood Mallesons	Company's PRC Legal Advisor
Appleby	Company's Cayman Islands legal advisor
Frost & Sullivan (Beijing) Inc.	Independent industry consultant

10. Consents of Experts

Each of the experts stated in the sub-section headed "– 9. Qualification of Experts" above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report, letter, opinion and/or summary of opinion (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

11. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Miscellaneous

(1) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(2) save as disclosed in this Prospectus, there are no founder, management, deferred shares, outstanding convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(3) save as disclosed in this Prospectus, none of the persons named in the sub-paragraph headed "E. Other Information – 10. Consents of Experts" in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(4) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(5) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(6) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this Prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 10. Consents of Experts" in Appendix IV to this Prospectus.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange **(www.hkexnews.hk)** and our Company **(www.megagenomics.cn)** for a period of 14 days from the date of this Prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report for the years ended December 31, 2019, 2020 and 2021 prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(c) the audited financial statements of the Group for the years ended December 31, 2019, 2020 and 2021;

(d) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this Prospectus;

(e) the PRC legal opinions issued by King & Wood Mallesons, our PRC Legal Advisor, in respect of general matters and property interests of the Group;

(f) the letter of advice prepared by Appleby, our legal advisor as to the law of Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Prospectus;

(g) the industry report prepared by Frost & Sullivan, an independent industry consultant, a summary of which is set forth in "Industry Overview";

(h) the Companies Act;

(i) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 10. Consents of Experts" in Appendix IV to this Prospectus;

(j) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this Prospectus;

(k) the service contracts and letters of appointment with our Directors referred to in the section headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – Particulars of service contracts" in Appendix IV to this Prospectus; and

(l) the terms of the RSU Scheme.


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