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Mega Genomics Limited

美因基因有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6667)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF MEINIAN ONEHEALTH GENETIC TESTING SERVICE FRAMEWORK AGREEMENT AND DR. YU GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

MEINIAN ONEHEALTH GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

On 5 January 2024, Mega Genomics Beijing, a subsidiary of the Company, entered into the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement with Meinian OneHealth, 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 the Group to its customers.

DR. YU GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

On 5 January 2024, the Company terminated the Dr. Yu Genetic Testing Service Framework Agreement and entered into the 2024 Dr. Yu Genetic Testing Service Framework Agreement with Dr. Yu, pursuant to which the Group agrees to provide genetic testing and related service to Dr. Yu and his associates.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dr. Yu and Meinian OneHealth are the Controlling Shareholders. Therefore, the transactions contemplated under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement are 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.

Reference is made to the prospectus of the Company dated 10 June 2022 in relation to, among other things, the Meinian OneHealth Genetic Testing Service Framework Agreement (the “**Meinian OneHealth Genetic Testing Service Framework Agreement**”) entered into on 1 January 2021 and Dr. Yu Genetic Testing Service Framework Agreement entered into on 30 May 2022 (the “**Dr. Yu Genetic Testing Service Framework Agreement**”). As the Meinian OneHealth Genetic Testing Service Framework Agreement expired on 31 December 2023, Mega Genomics Beijing, a subsidiary of the Company, has entered into the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement with Meinian OneHealth on 5 January 2024. To enhance the efficiency of managing connected transactions of the Group, the Company terminated the Dr. Yu Genetic Testing Service Framework Agreement and entered into the 2024 Dr. Yu Genetic Testing Service Framework Agreement with Dr. Yu on 5 January 2024.

I. PRINCIPAL TERMS OF THE 2024 MEINIAN ONEHEALTH GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

Date	:	5 January 2024
Parties	:	(i) Mega Genomics Beijing; (ii) Meinian OneHealth
Term	:	From 1 January 2024 to 31 December 2026
Nature of transaction	:	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 the Group to its customers.
Pricing policy	:	The service fee to be charged by the 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 the 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. The Company will ensure the profit margin is comparable to the profit margin of similar services offered by the Group to other independent third parties.
Payment	:	Meinian OneHealth and its associates shall settle the consideration payable to Mega Genomics Beijing each month based on the actual sales of each service.

HISTORICAL AMOUNT

The historical amounts under the Meinian OneHealth Genetic Testing Service Framework Agreement entered into on 1 January 2021 for the two financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 are set out as follows:

	For the year ended 31 December		For the six months ended
	2021	2022	30 June 2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Historical amount	94.7	89.6	62.5

**Note: The amount of transactions from 1 January 2024 to the date of this announcement under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement are fully exempted from all disclosure and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.*

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement for the three financial years ending 31 December 2024, 2025 and 2026 are set out as follows:

	For the year ended 31 December		
	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Annual cap	150.0	195.0	253.5

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount between the Group and Meinian OneHealth together with its associates; (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 also take into consideration (i) the industry average growth rates and (ii) the estimated average revenue growth rates of the consumer genetic testing services industry. Specifically, (i) according to Frost & Sullivan, the compound annual growth rate for consumer genetic testing industry is approximately 40% from 2020 to 2030; (ii) the Group actively expanded its product matrix by continuously launching new products and created diversified sample collection methods so as to provide customers with better services and convenient experiences. At the same time, as the Company continues to explore and develop third party channels, the proposed annual caps are calculated based on an estimated comprehensive average growth rate of approximately 30%.

II. PRINCIPAL TERMS OF THE 2024 DR. YU GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

Date	:	5 January 2024
Parties	:	(i) The Company; (ii) Dr. Yu
Term	:	From 1 January 2024 to 31 December 2026
Nature of transaction	:	The Group agree to provide genetic testing and related service to Dr. Yu and his associates. The commercial terms under the 2024 Dr. Yu Genetic Testing Service Framework Agreement are largely in line with those under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement.
Pricing policy	:	The service fee to be charged by the 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.

HISTORICAL AMOUNT

The historical amounts of service fees incurred by Dr. Yu's associates to the Group for the two financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 are set out as follows:

	For the year ended 31 December		For the six
	2021	2022	months ended
	<i>RMB</i>	<i>RMB</i>	30 June 2023
	<i>million</i>	<i>million</i>	<i>RMB</i>
Historical amount	26.7	11.8	8.6

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the 2024 Dr. Yu Genetic Testing Service Framework Agreement for the three financial years ending 31 December 2024, 2025 and 2026 are set out as follows:

	For the year ended 31 December		
	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Annual cap	18.0	23.4	30.4

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount between the Group and Dr. Yu together with his associates; (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 also take into consideration (i) the industry average growth rates and (ii) the estimated average revenue growth rates of the consumer genetic testing services industry. Specifically, (i) according to Frost & Sullivan, the compound annual growth rate for consumer genetic testing industry is approximately 40% from 2020 to 2030; (ii) the Group actively expanded its product matrix by continuously launching new products and created diversified sample collection methods so as to provide customers with better services and convenient experiences. At the same time, as the Company continues to explore and develop third party channels, the proposed annual caps are calculated based on an estimated comprehensive average growth rate of approximately 30%.

REASONS FOR AND BENEFIT OF ENTERING INTO THE 2024 MEINIAN ONEHEALTH GENETIC TESTING SERVICE FRAMEWORK AGREEMENT AND THE 2024 DR. YU GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

The provision of the genetic testing services under the Meinian OneHealth Genetic Testing Service Framework Agreement reflects the Company's strategy of leveraging Meinian OneHealth's market share to gain direct access to the large consumer pool in China, and to enable the Company to operate and invest at a scale that would allow us to realize further gains in efficiency.

The 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 the Company's service to the customers with long-term cooperation for the Group's existing and future operation.

Based on the foregoing, the Directors are of the view that the terms of the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the respective proposed annual caps thereunder were determined after arm's length negotiation, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Dr. Yu Rong and Ms. Guo Meiling, being Directors also holding a directorship in Meinian OneHealth, has abstained from voting on the board resolution approving the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries as of the date of this announcement, none of the Directors has any material interests in the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder or shall abstain from voting in respect of the relevant resolutions.

INFORMATION OF THE PARTIES TO THE 2024 MEINIAN ONEHEALTH GENETIC TESTING SERVICE FRAMEWORK AGREEMENT AND THE 2024 DR. YU GENETIC TESTING SERVICE FRAMEWORK AGREEMENT

The Group

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 22 April 2021. The Company is a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services.

Mega Genomics Beijing is a limited liability company incorporated under the PRC laws and one of the Company's PRC Consolidated Entities. Mega Genomics Beijing is principally engaged in the provision of consumer genetic testing services and cancer screening services.

Meinian OneHealth

Meinian OneHealth is principally engaged in professional health examination services. It focuses on health examinations, integrating health consultation, health assessment, and health intervention. With big data of health examination as a foundation, Meinian OneHealth provides higher-quality health management services for corporate and individual clients.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as of the date of this announcement, Meinian OneHealth is directly and indirectly held by Alibaba Holding as to 13.03% equity interests, Dr. Yu as to 13.83% of the equity interests, Ms. Guo Meiling as to 3.60% equity interests and each of the other shareholders holds less than 5% equity interests in Meinian OneHealth.

Dr. Yu

Dr. Yu Rong (俞熔) is one of the founders of the Group, an executive Director and honorary co-chairperson of the Company and one of the Controlling Shareholders.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Dr. Yu and Meinian OneHealth are the Controlling Shareholders. Therefore, the transactions contemplated under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement and the 2024 Dr. Yu Genetic Testing Service Framework Agreement are 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.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder. SBI China Capital Hong Kong Securities Limited, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder. The Company will convene the EGM to seek the Independent Shareholders' approval for the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder. As the Company requires additional time to prepare the content of the circular, a circular containing, among others, (i) details of the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 6 February 2024.

DEFINITIONS

“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988);
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Mega Genomics Limited, a company incorporated under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 6667);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Yu Rong, Ms. Guo Meiling, Meinian OneHealth, YURONG TECHNOLOGY LIMITED, Tianjin Hongzhi Kangjian Management Consulting Partnership, Infinite Galaxy Health Limited and Mei Nian Investment Limited;
“Director(s)”	the director(s) of our Company;
“Dr. Yu”	Dr. Yu Rong (俞榕), one of the founders of the Group, an executive Director and honorary co-chairperson of the Company and one of the Controlling Shareholders;
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the 2024 Meinian OneHealth Genetic Testing Service Framework Agreement, the 2024 Dr. Yu Genetic Testing Service Framework Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	SBI China Capital Hong Kong Securities Limited;
“Independent Shareholder(s)”	Shareholder(s) other than the Controlling Shareholders and their associates;
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange;
“Mega Genomics Beijing”	Mega Genomics (Beijing) Co., Ltd. (美因健康科技(北京)有限公司), a limited liability company incorporated in the PRC on 5 January 2016 and is treated as a wholly subsidiary of the 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 22 January 1991, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044), one of the Controlling Shareholders of the Company;
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules;
“PRC” or “China”	The People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan;
“PRC Consolidated Entity(ies)”	the entities the Company controls 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 the Company by virtue of the contractual arrangements;
“RMB”	Renminbi, the lawful currency of the PRC;

“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of USD0.0001 each;
“Shareholders”	holder(s) of our Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“2024 Meinian OneHealth Genetic Testing Service Framework Agreement”	the framework agreement entered into by Mega Genomics Beijing and Meinian OneHealth on 5 January 2024;
“2024 Dr. Yu Genetic Testing Service Framework Agreement”	the framework agreement entered into by the Company and Dr. YU on 5 January 2024;
“%”	per cent.

By order of the Board
Mega Genomics Limited
LIN Lin
Executive Director and Chairperson

Hong Kong, 5 January 2024

As at the date of this announcement, the executive Directors are Dr. Yu Rong, Ms. Lin Lin, Mr. Huang Yufeng and Ms. Jiang Jing; the non-executive Director is Ms. Guo Meiling; and the independent non-executive Directors are Dr. Zhang Ying, Mr. Jia Qingfeng and Dr. Xie Dan.

* *For identification purpose only*