New Horizon Health Limited
諾輝健康

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6606)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors (the "**Board**") of New Horizon Health Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2020 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- Revenue was RMB70.6 million for the year ended December 31, 2020, representing a 21.1% increase from RMB58.3 million for the same period in 2019.
- Gross profit and gross profit margin were RMB37.2 million and 52.8% respectively for the year ended December 31, 2020, as compared to RMB34.3 million and 58.9% respectively, for the same period in 2019.
- For ColoClear, revenue was RMB37.6 million for the year ended December 31, 2020, as compared to RMB39.1 million for the same period in 2019, primarily attributable to the impact of the COVID-19 outbreak. Nonetheless, the shipment volume of ColoClear recovered rapidly in the third and fourth quarter of 2020, which were approximately 61,400 and 162,100 units respectively, representing a 17.6% and 60.7% year-on-year increase respectively over the same period in 2019. The gross profit margin of ColoClear was 66.9% for the year ended December 31, 2020, as compared to 69.3% for the same period in 2019, primarily due to the higher revenue contribution from online channels with relatively lower average selling price.

- For Pupu Tube, revenue was RMB31.8 million for the year ended December 31, 2020, as compared to RMB15.1 million for the same period in 2019. The gross profit margin of Pupu Tube was 45.8% for the year ended December 31, 2020, as compared to 41.3% for the same period in 2019.

BUSINESS HIGHLIGHTS

In 2020, significant advancement has been made with respect to our product pipeline and business operations:

- ColoClear, our Core Product, was approved by the National Medical Products Administration of China ("**NMPA**") with issuance of the registration certificate for Class III medical device in November 2020.

- We completed the registrational trial for UU Tube in November 2020 and submitted the application to NMPA to register UU Tube as Class III medical device in November 2020.

EVENTS AFTER THE REPORTING PERIOD

- On February 18, 2021 (the "**Listing Date**"), the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

- On March 15, 2021, the Company and AstraZeneca China ("**AstraZeneca**") entered into a co-promotion agreement (the "**Co-promotion Agreement**"), pursuant to which the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China.

- In addition, on March 15, 2021, the Company and AstraZeneca entered into a non-legally binding strategic collaboration memorandum (the "**Strategic Collaboration Memorandum**"), to launch an in-depth strategic collaboration in the mainland China market.

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3*	**70,567**	58,275
Cost of sales		**(33,318)**	(23,957)
Gross profits		**37,249**	34,318
Other income		**9,386**	6,060
Other gains and losses	*4*	**(617,591)**	32,179
Impairment losses on trade receivables		**(2,569)**	(893)
Selling and distribution expenses		**(65,123)**	(75,609)
Research and development expenses		**(25,335)**	(26,371)
Administrative expenses		**(76,950)**	(53,862)
Listing expenses		**(26,900)**	(338)
Other expenses		**(12,853)**	(20,468)
Finance costs		**(7,735)**	(1,251)
Loss before tax		**(788,421)**	(106,235)
Income tax expense	*5*	**(303)**	(230)
Loss and total comprehensive expenses for the year	*6*	**(788,724)**	(106,465)
Loss per share			
– Basic (RMB)	*7*	**(6.64)**	(0.92)
– Diluted (RMB)		**(6.64)**	(1.03)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2020	2019
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**40,061**	31,514
Intangible assets		**20,023**	19,119
Right-of-use assets		**30,123**	33,661
Deposits paid for acquisition of property and equipment		**2,567**	2,212
Other receivables and deposits		**6,425**	2,618
Amounts due from related parties		**19,328**	–
		118,527	89,124
Current assets			
Inventories		**6,130**	4,719
Trade and other receivables	*8*	**56,664**	38,759
Amounts due from related parties		**48,705**	61,831
Contract costs		**5,724**	4,973
Time deposits over three months		**130,498**	526
Bank balances and cash		**451,796**	346,434
		699,517	457,242
Current liabilities			
Trade and other payables	*9*	**48,132**	18,651
Accrued payroll and welfare expenses		**15,785**	12,469
Contract liabilities		**10,872**	27,198
Refund liabilities		**2,594**	3,291
Tax payable		**–**	230
Amounts due to related parties		**–**	16,016
Bank borrowings		**70,209**	13,403
Lease liabilities		**8,997**	7,469
		156,589	98,727
Net current assets		**542,928**	358,515
Total assets less current liabilities		**661,455**	447,639

	Notes	At December 31, 2020	At December 31, 2019
		RMB'000	*RMB'000*
Non-current liabilities			
Bank borrowings		**46,025**	37,097
Other payables		**665**	782
Lease liabilities		**24,323**	24,969
Convertible redeemable preferred shares ("**Preferred Shares**")		**1,680,356**	750,367
		1,751,369	813,215
Net liabilities		**(1,089,914)**	(365,576)
Capital and reserves			
Share capital		**48**	40
Treasury shares		**(1)**	–
Share premium		**118,865**	48,227
Reserves		**(1,208,826)**	(413,843)
Total deficit		**(1,089,914)**	(365,576)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

New Horizon Health Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from February 18, 2021. The Company is an investment holding company. The Company's subsidiaries and consolidated affiliated entities are principally engaged in research and development of screening products for colorectal cancer, cervical cancer and other types of cancer.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

The Company and its subsidiaries and consolidated affiliated entities (the "**Group**") have consistently applied all the amendments to IFRSs issued by the IASB, that are effective for the Group's accounting period beginning on January 1, 2020.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and it Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after January 1, 2023
[2] Effective for annual periods beginning on or after January 1, 2022
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after June 1, 2020
[5] Effective for annual periods beginning on or after January 1, 2021

The directors of the Company anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

The Group derives its revenue from the transfer of goods and services in the following major product lines:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognised at a point in time		
ColoClear	**37,566**	39,098
Pupu tube	**31,838**	15,101
Others	**1,163**	4,076
	70,567	58,275

Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision maker, focus and review on the overall results and financial position of the Group. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

Substantially all of the Group's operations and non-current assets are located in the People's Republic of China ("**PRC**") while all of the Group's revenue from external customers are located in the PRC.

4. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net investment gain on structured deposits	**43**	571
Investment loss on currency swap agreement	**–**	(1,415)
Net foreign exchange (loss) gain	**(37,275)**	4,284
Fair value (loss) gain of Preferred Shares	**(578,786)**	48,334
Fair value loss on other financial liabilities	**–**	(19,616)
Fair value loss of early exercise promissory notes	**(1,467)**	–
Net (loss) gain on disposal of property and equipment	**(106)**	21
	(617,591)	32,179

5. INCOME TAX EXPENSE

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current tax – PRC tax	**303**	230

6. LOSS FOR THE YEAR

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property and equipment	**12,534**	11,889
Depreciation of right-of-use assets	**14,216**	9,761
Amortisation of intangible assets	**1,045**	437
	27,795	22,087
Capitalised in inventories	**(12,921)**	(8,709)
	14,874	13,378
Analysed as:		
Charged in administrative expenses	**10,757**	11,250
Charged in selling and distribution expenses	**56**	27
Charged in research and development expenses	**4,061**	2,101
	14,874	13,378
Auditors' remuneration	**1,250**	153
Cost of inventories recognised as cost of sales	**25,769**	19,030
Write-down of inventories	**2,862**	1,603
Write-down of contract costs on finished goods delivered (included in cost of sales)	**2,406**	452
Directors' remuneration	**16,455**	11,311
Other staff cost		
Salaries and other benefits	**61,028**	48,570
Retirement benefit scheme contributions	**2,322**	3,037
Discretionary bonus	**7,429**	5,648
Share-based payments	**6,792**	3,459
	94,026	72,025
Capitalised in inventories	**(7,391)**	(7,914)
	86,635	64,111

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Analysed as:		
Charged in administrative expenses	**43,307**	28,601
Charged in selling and distribution expenses	**30,347**	24,771
Charged in research and development expenses	**12,981**	10,739
	86,635	64,111
Research and development expenses		
Staff cost	**12,981**	10,739
Depreciation and amortisation	**4,061**	2,101
Clinic test expenses	**1,380**	14,749
Materials consumed	**6,323**	9,587
Consultancy fee	**641**	1,822
Cooperative development fees	**–**	197
Travel expenses	**250**	332
Others	**972**	707
	26,608	40,234
Capitalised in intangible assets	**(1,273)**	(13,863)
	25,335	26,371

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(788,724)**	(106,465)
Effect of dilutive potential ordinary shares:		
Fair value gain of Series B Preferred Shares	**–**	(48,930)
Loss for the purpose of diluted loss per share	**(788,724)**	(155,395)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**118,787,389**	115,199,241
Effect of dilutive potential ordinary shares:		
Series B Preferred Shares	**–**	35,640,220
Weighted average number of ordinary share for the purpose of diluted loss per share	**118,787,389**	150,839,461

The computation of basic loss per share for both years excluded the unvested restricted shares and unvested share options of the Company.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of potential ordinary shares which consists of unvested restricted shares of the Company, Preferred Shares issued by the Company and share options outstanding under the share incentive plan. For the year ended December 31, 2020, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2020 is the same as basic loss per share of the respective year.

Diluted loss per share for the year ended December 31, 2019, did not assume vesting of restricted shares, conversion of Series A-1, A-2 and C Preferred Shares, and exercise of share options as their inclusion would be anti-dilutive.

8. TRADE AND OTHER RECEIVABLES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**32,419**	17,885
Other receivables – current	**24,245**	20,874
	56,664	38,759

The Group allows an average credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition dates at the end of each reporting period:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
0-60 days	**20,539**	8,921
61-90 days	**2,399**	1,670
91-180 days	**4,365**	3,480
181-365 days	**1,478**	2,719
Over 1 year	**3,638**	1,095
	32,419	17,885

9. TRADE AND OTHER PAYABLES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**8,561**	6,716
Other payables – current	**39,571**	11,935
	48,132	18,651

The credit period on purchases of goods/services of the Group is ranging from 0 to 60 days. The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of each reporting period:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
0-60 days	**7,940**	5,811
61-90 days	**616**	802
Over 90 days	**5**	103
	8,561	6,716

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2019 and 2020, nor has any dividend been proposed since the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

Overview

Our mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China. As of the date of this announcement, ColoClear, our flagship product, is offering the first and only NMPA-approved colorectal cancer screening test addressing an untapped 120 million colorectal cancer high risk population in China.

Our Products and Product Pipeline

Founded in November 2015, we are a commercial stage biotech company focused on developing and commercializing innovative cancer screening products to address significant unmet medical needs in the cancer screening in China. We have built an early detection and cancer screening-focused pipeline of four product and product candidates with a strategic emphasis on colorectal cancer screening. We have established an integrated molecular cancer screening platform with comprehensive research and development, clinical development, testing operations and commercialization capabilities.

We are the pioneer in China's colorectal cancer screening market with ColoClear, our proprietary, non-invasive, multi-target, FIT-DNA test, being the first and only molecular cancer screening test in China approved by NMPA, which targets a 120 million high-risk colorectal cancer population in China.

Our two home-based colorectal cancer screening tests, ColoClear and Pupu Tube, synergistically address target populations with various risk levels. Pupu Tube, our proprietary, non-invasive, stool-based FIT test, is the first and only self-conducted FIT screening product approved by NMPA in China.

We are developing our UU Tube, a stool-based self-conducted screening test for gastric cancer. We completed the registrational trial of UU Tube in November 2020 and submitted a registration application to NMPA in the same month of 2020. We are also developing our CerviClear, a non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear by as early as the last quarter of 2021.

The following chart summarizes the development status of our products and major product candidates as of the date of this announcement:

Product	Indication	Sample Type	Technology	Global Rights	Development Stage
					Early Stage Development[3] / late Stage Development[4] / Registrational Trial / NMPA Submission / NMPA Approval
ColoClear®[1]	Colorectal cancer	Stool	FIT-DNA		
Pupu Tube®[2]	Colorectal cancer	Stool	FIT	✓	
UU Tube™	Gastric cancer	Stool	Immuno-based	✓	
CerviClear™	Cervical cancer	Urine	qPCR	✓	

1 *Prospective registrational trial (n=5,881) achieved colorectal cancer sensitivity of 95.5% and specificity of 87.1%, and advanced adenoma sensitivity of 63.5%; NMPA approval (Class III medical device) obtained in November 2020*

2 *NMPA approval (Class II medical device) obtained in March 2018 and CE Mark obtained in June 2018*

3 *Early stage development refers to technical feasibility, product optimization and finalization of product prototype, and pilot production*

4 *Late stage development refers to efficacy testing and large scale manufacturing and completion of a proof-of-concept clinical study, and is ready for registrational trial*

ColoClear IVD constitutes our Core Product for purposes of this announcement

Coloclear

ColoClear is a proprietary non-invasive stool-based FIT-DNA test that utilizes a multi-target approach to detect DNA and hemoglobin biomarkers associated with colorectal cancer and precancerous adenoma. Its non-invasive nature provides convenience to individuals who are unable or unwilling to undergo colonoscopy. It combines gene mutation, gene methylation and hemoglobin results in the laboratory analysis through a proprietary risk assessment algorithm to provide a single positive or negative reportable result. A positive result may indicate the presence of colorectal cancer or advanced adenoma, which should be followed by diagnostic colonoscopy.

ColoClear consists of four integrated components, each designed and approved to work exclusively with the other components: (i) ColoClear IVD (Class III medical device), (ii) our risk assessment algorithm (Class II medical device), (iii) ColoClear sample collection kit (Class I medical device) and (iv) DNA extraction and purification technologies. Only ColoClear sample collection kit is directly used by end-users while the other three components are strictly used in our laboratories as of the date of this announcement. Users collect a stool sample at home using our sample collection kit and then send it to one of our laboratories. In our laboratories, we utilize ColoClear IVD, our Core Product, along with our risk assessment algorithm to analyze the stool sample and determine a test result. ColoClear is the first and only molecular cancer screening test approved by NMPA, according to Frost & Sullivan. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by NMPA. We completed a two-year registrational trial for ColoClear IVD in December 2019 and submitted application for IVD registration as Class III medical device in January 2020, which was approved by NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with NMPA as Class I medical device in August 2020. All NMPA certificates have a validity period that lasts for five years, and each component of ColoClear is currently qualified for re-certification upon renewal of the respective certificate.

Pupu Tube

Pupu Tube is a proprietary non-invasive stool-based FIT colorectal cancer screening product to detect hemoglobin biomarkers associated with colorectal cancer. It is an integrated device for sample collection, dilution, and FIT test by end-users. Based on fecal occult blood testing, Pupu Tube provides a simple and convenient method to detect colorectal cancer at home. According to Frost & Sullivan, Pupu Tube is the first and only self-conducted FIT screening product for colorectal cancer approved by NMPA. Pupu Tube is designed to target the mass market of 633 million target population in China that generally falls in the age groups for which regular colorectal cancer screening is recommended and to identify the high colorectal cancer risk population that would require further screening with a higher sensitivity, such as ColoClear, or treatment. We obtained NMPA registration certificate of Class II medical device for Pupu Tube in March 2018 and commercialized Pupu Tube since then. We have also obtained CE Mark for Pupu Tube in June 2018.

UU Tube

UU Tube is our stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer. We completed the registrational trial for UU Tube in November 2020. We submitted the application to NMPA to register UU Tube as Class III medical device in November 2020.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET UU TUBE SUCCESSFULLY.

CerviClear

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear in vitro diagnostic kit ("**CerviClear IVD**") by as early as the last quarter of 2021. We plan to submit application for the registration of CerviClear IVD as Class III medical device with NMPA after the registrational trial is completed. As of the date of this announcement, there was no approved home-use urine-based cervical cancer screening test in China, according to Frost & Sullivan.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET CERVICLEAR SUCCESSFULLY.

Research & Development

We focus on developing innovative technologies to enhance our existing pipeline and to develop new cancer screening tests. We believe that our success has depended and will continue to depend to a large extent on our ability to develop new or improved cancer screening products. Our research and development capabilities are proven by our portfolio of proprietary technologies and patents. We have started research and development for ColoClear test since 2015. With over five years of dedicated research and development efforts, we have built a proprietary and extensive database of Asian-specific colorectal cancer methylation pattern profiles and developed our clinically-validated risk assessment algorithm (Class I medical device) for ColoClear which is the first algorithm-driven cancer screening test approved by NMPA. Our multi-parameter risk assessment algorithm is the first and only one in China. It is tailored and optimized to work exclusively with our primers, reagents and the overall ColoClear testing process, therefore cannot be replicated by our competitors without conducting a large prospective clinical trial. Due to the fact that our clinically validated risk assessment algorithm, whose parameters are not publicly available and strictly confidential, is developed based on, and works exclusively with ColoClear IVD, any potential competitor who tries to develop its own IVD reagent, or replicate our ColoClear IVD, will not only have to develop its own risk assessment algorithm, but also have to validate such algorithm through a large-scale prospective clinical trial as required by NMPA. Our proprietary DNA extraction technology (Class I medical device) enables us to purify evaluable DNA from highly-complex stool samples and achieve a success rate of approximately 99.4%, based on our operational data collected between October 2019 and September 2020. Our proprietary DNA sample stabilization technology preserves DNA and hemoglobin under room temperature for up to seven days. As of the date of this announcement, we have built a portfolio of 71 patents and patent applications globally to protect our proprietary technologies and know-how.

We are engaged in ongoing research and development activities to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety and reliability, and to expand the applications of our products. As of the date of this announcement, we had two major cancer screening product candidates in the late stage of development. We will continue our research and development activities for new products and technological innovations including advancing our in-house multi-omics platform and enhance the development of our platforms of genomics, epigenomics and proteomics and build up the platforms of transcriptomics and metabolomics.

We have a strong in-house research and development team of 34 members primarily based in Beijing and Hangzhou, China as of the date of this announcement, over 50% of whom possessed a master or doctorate degree. The team is led by our Chief Scientific Officer, Dr. Yiyou CHEN, and our Chief Technology Officer, Dr. Ning LU.

Testing and Manufacturing Capacity

As of the date of this announcement, we have two laboratories located in Beijing and Hangzhou, China, with a GFA of approximately 2,000 sq.m. and 3,700 sq.m., respectively. Our Beijing and Hangzhou laboratories have obtained NCCL EQA Certificates and PRC Practice Licenses of Medical Institution. All our laboratories have conducted registrations and obtained licenses as applicable, and are authorized to perform PCR amplification for clinical use.

In addition, we have completed the construction of our new laboratory in Guangzhou, China which is expected to be in full operation in the first quarter of 2021. The Guangzhou laboratory has a GFA of approximately 600 sq.m. and an annual testing capacity of 500,000 tests for ColoClear. We built the new laboratory in Guangzhou in preparation for the anticipated large market demand of ColoClear tests as we start to commercialize ColoClear IVD after it was approved by NMPA recently in November 2020. It will also help expand our geographic coverage for sample collection and allow us to deliver test results promptly to regional end-users, further improving user experience.

Manufacturing Facilities

As of the date of this announcement, our principal manufacturing facility is located at our headquarters with an aggregate GFA of approximately 11,300 sq.m. in Hangzhou, Zhejiang province, China, which was primarily used for the production of our cancer screening products and product candidates, including ColoClear and Pupu Tube. Our manufacturing facilities are equipped with advanced automation which can significantly improve efficiency and reduce manufacturing cost. Our manufacturing facilities are designed to provide synergy between our commercialized products and product candidates in order to achieve economies of scale and operating efficiency. Our production lines for ColoClear can also manufacture CerviClear and our production lines for Pupu Tube can also manufacture UU Tube.

The production volume for ColoClear and Pupu Tube increased from 2019 to 2020 due to increasing demands from end users. Utilization rate for ColoClear decreased significantly in the year ended December 31, 2020, primarily due to decreased demands attributable to temporary closure of hospitals and health checkup centers as a result of the COVID-19 outbreak.

Commercialization

We have two self-developed cancer screening tests, Pupu Tube which was approved by NMPA in March 2018 and received CE Mark in June 2018, and ColoClear, the core component of which, ColoClear IVD, has been approved by NMPA in November 2020 and could be commercialized as a standalone medical device. Currently, we primarily sell and market ColoClear as medical service and Pupu Tube in China. On March 15, 2021, the Company and AstraZeneca entered into the Co-promotion Agreement, pursuant to which the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China. In addition, on March 15, 2021, the Company and AstraZeneca entered into the Strategic Collaboration Memorandum, to launch an in-depth strategic collaboration in the mainland China market. For details, please refer to the section headed "Events after the Reporting Period" in this announcement.

Industry Overview

Colorectal cancer screening tests have huge market potential in China, given China has the highest colorectal cancer incidence in the world and colorectal cancer is one of the most curable and preventable cancers if detected early, which makes colorectal cancer screening tests in high demands. Despite its relatively high mortality rate, colorectal cancer is widely accepted by medical communities as one of the most curable and preventable cancers if detected early. Patients who are diagnosed early in the progression of the disease (i.e., with precancerous lesions or polyps or early-stage cancer) are more likely to have a complete recovery and incur less medical expenses. The colorectal cancer screening market in China is expected to experience accelerated growth mainly due to aging population, development of public awareness of colorectal cancer, increasing government support, prospective socioeconomic advantages and significant technology advancements. ColoClear is currently the only screening test in China with the ability to detect precancerous lesions such as advanced adenoma. As of the date of this announcement, Pupu Tube is the first and only self-conducted FIT screening product approved by NMPA for colorectal cancer screening in China.

Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, cancer screening naturally became less a priority as compared to other more imminent health concerns. The worldwide COVID-19 outbreak had significantly impacted the cancer screening industry due to the restricted access to medical institutions. Health checkup centers are our major sales channels, and therefore, our revenue and profitability, as well as shipment, have been affected by the COVID-19 outbreak in the 2020 to a certain extent. Despite the foregoing, our revenue increased. Our revenue was RMB70.6 million for the year ended December 31, 2020, representing a year-on-year increase of approximately 21.1% compared to the year ended December 31, 2019. The increase in revenue was primarily attributable to the addition of government procurement projects and promotion of health checkup centers.

Our shipment volume of ColoClear was approximately 8,600 and 16,100 units in the first and second quarters of 2020, representing a year-on-year decrease of 50.4% and 20.8%, respectively. Our shipment volume of ColoClear has recovered rapidly in the second half of 2020, and we recorded approximately 61,400 and 162,100 units in the third quarter and fourth quarter of 2020, representing a 17.6% and 60.7% year-on-year increase, respectively, over the same period in 2019. Shipment volume is generally considered a leading indicator for future ColoClear revenue which would be recognized when we complete the testing service and deliver the test results or when the delivered sample collection kits are expired. The sales performance of ColoClear tests in the fourth quarter of 2020 improved as our business in general has recovered from COVID-19 outbreak in the second half of 2020.

With respect to Pupu Tube, in the first quarter of 2020, the shipment volume of Pupu Tube was 18,561 units, representing a year-on-year decrease of 82%. Our shipment volume of Pupu Tube has recovered rapidly in the second half of 2020, and the shipment volume of Pupu Tube from the second quarter to the fourth quarter of 2020 was 272,274, 1,224,195 and 1,345,706 units, representing a year-on-year increase of 253%, 434% and 157% respectively. The sales performance of Pupu Tube in the fourth quarter of 2020 improved as our business in general has recovered from COVID-19 outbreak in the second half of 2020.

At the same time, due to social distancing rules and practices, contactless point-of-care screening methods which allow users to conduct tests without going to the hospitals or clinics are needed and recommended for use. Consumers tend to use contactless point-of-care screening technologies, such as at-home cancer screening tests rather than visiting the hospital. Moreover, due to this worldwide epidemic, medical resources are overwhelmed, with decreased number of doctors and physicians available for cancer screening tests.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

Revenue

During the Reporting Period, our revenue was mainly generated from (i) ColoClear, and (ii) Pupu Tube. The Group's revenue for the year ended December 31, 2020 was RMB70.6 million, representing an increase of approximately 21.1% compared to RMB58.3 million for the year ended December 31, 2019. The increase was due to increase in revenue of Pupu Tube as a result of the addition of government procurement projects and promotion of health checkup centers.

The following table sets forth a breakdown of our revenue by test for the periods indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear[(1)]	**37,566**	**53.2**	39,098	67.1
Pupu Tube	**31,838**	**45.1**	15,101	25.9
Others	**1,163**	**1.7**	4,076	7.0
Total revenue	**70,567**	**100.0**	58,275	100.0

(1) ColoClear was provided as laboratory developed test ("**LDT**") services prior to November 10, 2020 and has been provided as medical services since NMPA approval of ColoClear IVD on November 10, 2020.

For ColoClear, revenue was RMB37.6 million for the year ended December 31, 2020, as compared to RMB39.1 million for the same period in 2019, primarily attributable to the impact of the COVID-19 outbreak.

For Pupu Tube, revenue was RMB31.8 million for the year ended December 31, 2020, as compared to RMB15.1 million for the same period in 2019.

Cost of Sales

The cost of sales primarily consists of staff costs, manufacturing overhead, raw material costs, depreciation and amortization, utility costs, write-down of inventories and others.

The Group's costs of sales for the year ended December 31, 2020 was RMB33.3 million, representing an increase of approximately 39.1% compared to RMB24.0 million for the year ended December 31, 2019. The increase was primarily attributable to increase in sales volume of Pupu Tube.

The table below sets forth a breakdown of our cost of sales in absolute amount and as percentage of our total cost of sales for the periods indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear[(1)]	**12,445**	**37.4**	12,013	50.1
Pupu Tube	**17,265**	**51.8**	8,862	37.0
Others	**746**	**2.2**	1,479	6.2
Write-down of inventories	**2,862**	**8.6**	1,603	6.7
Total cost of sales	**33,318**	**100.0**	23,957	100.0

(1) ColoClear was provided as LDT services prior to November 10, 2020 and has been provided as medical services since NMPA approval of ColoClear IVD on November 10, 2020.

Our costs of sales of ColoClear increased slightly from RMB12.0 million for the year ended December 31, 2019 to RMB12.4 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 3.6%. Our costs of sales of Pupu Tube increased from RMB8.9 million for the year ended December 31, 2019 to RMB17.3 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 94.8%, primarily due to increase in sales volume of Pupu Tube. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories increased from RMB1.6 million for the year ended December 31, 2019 to RMB2.9 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 78.5%. which was primarily due to increase refunds and exchanges of our products in the year ended December 31, 2020 because of the outbreak of COVID-19.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue.

For the year ended December 31, 2020, the gross profit and gross profit margin was RMB37.2 million and 52.8%, respectively, as compared to RMB34.3 million and 58.9%, respectively, for the year ended December 31, 2019. The increase in gross profit was primarily due to increase in sales volume of Pupu Tube. The decrease in gross profit margin was primarily due to (1) the structural change in channel revenue as a result of COVID-19 and (2) the increase in inventories write-off and impairment due to COVID-19.

The table below sets forth a breakdown of our gross profit and gross profit margin by test for the periods indicated:

	For the year ended December 31,			
	2020		2019	
	Gross profit ***RMB'000***	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*
ColoClear[(1)]	**25,121**	**66.9**	27,085	69.3
Pupu Tube	**14,573**	**45.8**	6,239	41.3
Others	**417**	**35.9**	2,597	63.7

(1) ColoClear was provided as LDT services prior to November 10, 2020 and has been provided as medical services since NMPA approval of ColoClear IVD on November 10, 2020.

For ColoClear, the gross profit margin was 66.9% for the year ended December 31, 2020, as compared to 69.3% for the same period in 2019, primarily due to the higher revenue contribution from online channels with relatively lower average selling price.

For Pupu Tube, the gross profit margin was 45.8% for the year ended December 31, 2020, as compared to 41.3% for the same period in 2019.

Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the year ended December 31, 2020 was RMB9.4 million, representing an increase of approximately 54.9% compared to RMB6.1 million for the year ended December 31, 2019. The increase was primarily attributable to our increased government subsidies from PRC local governments to support our business operations and research and development activities and increase in the interest income from subscription receivables due from directors for the issuance of restricted shares.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of staff cost, sales promotion expenses, travel expenses and others.

The Group's selling and distribution expenses for the year ended December 31, 2020 was RMB65.1 million, representing a decrease of approximately 13.9% compared to RMB75.6 million for the year ended December 31, 2019. The decrease was primarily due to decrease in conference expenses as the number of physical conferences convened was decreased as a result of the COVID-19 outbreak.

Research and Development Expenses

The research and development expenses for our Group primarily consist of staff cost, clinical trial and service expenses, cost of research and development materials and equipment and other expenses.

The Group's research and development expenses for the year ended December 31, 2020 was RMB25.3 million, representing a decrease of approximately 3.9% compared to RMB26.4 million for the year ended December 31, 2019. The decrease was primarily due to decrease in expenses for research and development and clinical trials in 2020.

The table below sets forth a breakdown of our research and development expenses in absolute amount and as percentage of our total research and development expenses for the periods indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Research and development expenses				
Staff costs	**12,981**	**51.2**	10,739	40.7
Cost of research and development materials and equipment	**10,384**	**41.0**	11,688	44.3
Clinical trials and service expenses	**748**	**3.0**	2,905	11.0
Others	**1,222**	**4.8**	1,039	4.0
Total	**25,335**	**100.0**	26,371	100.0

Our staff cost primarily consists of salaries, welfare and pension for our research and development employees. Our costs of research and development materials and equipment consumed represent expenses on the raw materials used for developing our product candidates, and the depreciation of equipment and renovation of our research and development facilities as well as amortization of intangible assets. Our clinical trials and service expenses include expenses incurred for conducting clinical trials, including payment to CROs in relation to our clinical trials. Others mainly comprise travel expenses, testing expenses and other general expenses incurred for the purpose of research and development. For the years ended December 31, 2019 and 2020, the research and development expenses we spent on ColoClear accounted for 50% and 43% of the total research and development expenses, respectively, which were primarily for ColoClear IVD as the most critical component of ColoClear.

Administrative Expenses

The administrative expenses for our Group primarily consist of staff cost, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the year ended December 31, 2020 was RMB77.0 million, representing an increase of approximately 42.9% compared to RMB53.9 million for the year ended December 31, 2019. The increase was primarily due to increase in wages and number of employees to support our operational needs for the growth of business.

Impairment Losses on Trade Receivables

The Group's impairment losses on trade receivables for the year ended December 31, 2020 was RMB2.6 million, representing an increase of approximately 187.7% compared to RMB0.9 million for the year ended December 31, 2019. The increase was primarily due to longer payment cycle from our customers as a result of the COVID-19 outbreak, which resulted in increased overdue of our trade receivables.

Other Expenses

The Group's other expenses for the year ended December 31, 2020 was RMB12.9 million, representing a decrease of approximately 37.2% compared to RMB20.5 million for the year ended December 31, 2019. The decrease was primarily due to the significant decrease of the transaction costs directly attributable to the issuance of preferred shares.

Our other expenses mainly consist of transaction costs directly attributable to the issuance of preferred shares and write-off of advances to a supplier for purchase of raw materials which did not meet our quality control requirement.

Finance Costs

The Group's finance costs for the year ended December 31, 2020 was RMB7.7 million, representing an increase of approximately 518.3% compared to RMB1.3 million for the year ended December 31, 2019. The increase was primarily due to the increase in interest on bank borrowings.

Income Tax Expenses

The Group's income tax expenses for the year ended December 31, 2020 was RMB0.3 million, representing an increase of approximately 31.7% compared to RMB0.2 million for the year ended December 31, 2019. The increase was primarily due to the increase in income tax of interests on the Group's fund.

Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance, including fair value gain/loss on preferred shares, fair value loss on other financial liabilities, share-based payment expenses and listing expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Fair value gain/loss of preferred shares represent the changes in fair value of the conversion option associated with the preferred shares, which is non-recurring and non-operational in nature. Fair value loss on other financial liabilities represent the fair value changes on the consideration payable to exit investors in relation to the reorganization, which is non-recurring and non-operational in nature. Share-based payment expenses are non-operational expenses arising from granting shares to selected executives, employees and R&D consultants. The amount of relevant expenses may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities. With respect to share-based payment expenses, determining its fair value involves significant judgment. Historical occurrence of share-based payment expenses is not indicative of any future occurrence. Listing expenses are in relation to the listing and the global offering, which are non-recurring in nature. Therefore, we do not consider fair value gain/loss on preferred shares, fair value loss on other financial liabilities, share-based payment expenses and listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our

results of operations or financial condition as reported under IFRS. In addition, the non-IFRS 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 loss for the year to our adjusted net loss for the year indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net loss for the year	**(788,724)**	(106,465)
Fair value loss (gain) on preferred shares	**578,786**	(48,334)
Fair value loss on other financial liabilities	**–**	19,616
Share-based payment expenses	**14,725**	10,367
Listing expenses	**26,900**	338
Adjusted net loss	**(168,313)**	(124,478)

Note: We consider fair value gain/loss on preferred shares, fair value loss on other financial liabilities, share based payment expenses, and listing expenses as non-operational or non-recurring expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the fair value gain/loss on preferred shares, fair value loss on other financial liabilities, share based payment expences, and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group reviews and manages its capital structure regularly, and makes timely adjustments to it in light of changes in economic conditions.

The capital structure of the Group consists of net debts, which includes bank borrowings and preferred shares, and net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves. The Group will balance its overall capital structure through the new shares issuance as well as the issuance of new debts and redemption of existing debts.

Liquidity and Financial Resources

The Group's cash and cash equivalent as at December 31, 2020 were RMB451.8 million, representing an increase of approximately 30.4% compared to RMB346.4 million for the year ended December 31, 2019. The increase was primarily attributable to the issuance of the Series D Preferred Shares and the Series E Preferred Shares.

The major sources of the Group's liquidity are equity financing and bank borrowings. Our bank borrowings are divided into secured loans and unsecured loans. As of December 31, 2020, our unsecured and unguaranteed bank borrowings amounted to RMB20 million, and carried a fixed interest rate (also being the effective interest rate) of 4.80% per annum. Such borrowing will be repaid in full in March 2021.

Our secured bank borrowing was unguaranteed, repayable by installments and will mature in November 2022, and carried a fixed rate interest rate (also being the effective interest rate) of 6.5% per annum. Such bank borrowing was secured by our historical and future trade receivables. As of December 31, 2020, we had utilized RMB100 million from our banking facilities, and RMB50 million remained unutilized under our banking facilities. The utilization of the remaining balance of the secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements.

Gearing ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at December 31, 2020 was 233%, representing an increase of 66% compared to 167% for the year ended December 31, 2019.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, other financial assets, trade and other receivables, trade and other payables and preferred shares are denominated in foreign currency which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

III. OUTLOOK AND PROSPECTS

We plan to execute the following strategies to achieve our vision and mission.

Further develop the cancer screening market in China

According to the Healthy China 2030, it is expected that the overall 5-year cancer survival rate will be no less than 43.3% and 46.6% by 2022 and 2030, respectively; the early diagnosis rate of key cancer species in high incidence areas will reach 55% and above and will continue to improve; thereby achieving the regular participation of high risk groups of people in cancer prevention physical examinations. In addition, screening and early detection and early treatment guidelines will be established for key cancers that have high incidence rates and relatively more mature screening methods and technical solutions, such as gastric cancer, oesophageal cancer, colorectal cancer, lung cancer, cervical cancer and breast cancer. Given the low penetration rate in China for cancer screening and PRC's government initiatives to increase cancer early detection rate as mentioned above, we believe it is critical to further promote awareness of cancer screening and increase compliance. We plan to further advance the cancer screening market in China by increasing physician and user awareness and developing other effective cancer screening solutions.

We believe one of the key steps for promoting cancer screening awareness is through hospitals and physicians. We will leverage our strong relationship with Key Opinion Leaders ("**KOL(s)**") to continue and enhance our efforts in physician education in China. These efforts include sponsoring academic conferences, updating physicians on the latest developments in cancer screening industry, and collaboration with them to increase awareness of cancer screening among mass population. We also plan to directly promote mass market awareness on cancer screening in China through expanded sales of Pupu Tube. Pupu Tube's affordable price and user-friendly features enable colorectal cancer screening among the mass population. We will further promote the awareness of comprehensive colorectal cancer screening products such as ColoClear once the high risk population is identified by Pupu Tube. We will also further our partnership with multiple anti-cancer associations in China, such as the Cancer Foundation of China, to join their anti-cancer campaigns and other charity events to further improve cancer screening awareness.

Increase market penetration of ColoClear and Pupu Tube in China

We plan to further increase the market penetration of ColoClear and Pupu Tube to reinforce our market-leading position in China's colorectal cancer screening market. We will leverage on our multi-pronged commercialization channels to promote ColoClear. We will take advantage of our leading position as the first and only NMPA approved molecular cancer screening test to further promote our brand name and enhance awareness not only among KOLs and physicians but also among end-users to further capture the enormous growth potential in the colorectal cancer screening market in China. We plan to strengthen our collaboration with leading contract sales organizations in China to further promote our products among physicians and hospitals, by leveraging their sales and marketing expertise and their extensive coverage on hospitals.

In addition, for both our ColoClear and Pupu Tube, we plan to advance our academic promotion and engagement with physicians and hospitals to increase sales at our covered hospitals as well as to expand our coverage to cover new physicians and hospitals in China. We also plan to enhance our collaborations with health checkup centers, insurance companies, online healthcare platforms, pharmacies and other authorized agents to market ColoClear and Pupu Tube. To support our marketing efforts, we plan to recruit more talents and expand our commercialization team.

Expand our research and development capabilities and develop our pipeline products

We will prudently make investments in technological innovation to expand our research and development capabilities and such investment is a key to our future success. To support our research and development efforts, we plan to recruit additional experts to strengthen our internal research and development team, and complement our in-house research and development capabilities through collaborations with reputable domestic and international academic and medical institutions.

In addition to colorectal cancer, we plan to develop screening tests for other types of cancers which are curable or preventable at lower treatment costs if detected at early stages. We plan to advance our pipeline products, in particular the late stage candidates UU Tube for gastric cancer screening and CerviClear for cervical cancer screening, to further expand our coverage within the cancer screening market. We submitted registration application for UU Tube to NMPA in November 2020 and plan to initiate the registrational clinical trial of CerviClear in 2021. Leveraging our multi-omics biomarker technology platform and expertise, including our NGS and proteomics technologies and infrastructure, we will further expand our proprietary data base and enhance our biomarker discovery capability and NGS platform for our future cancer screening product development.

We will leverage our proprietary technologies and know-how, as well as our collaboration with KOLs, to develop new products with significant unmet medical needs. We believe the continued diversification of our product portfolio will help strengthen our market-leading position and generate significant operational efficiency that will drive our profitability.

Improve profitability and support future growth by enhancing our manufacturing and laboratory testing facilities

We have built manufacturing facilities in Hangzhou with an annual capacity of 4 million Pupu Tube and 500,000 ColoClear. Our manufacturing facilities are GMP certified in China. The facilities have produced all Pupu Tube for its clinical development and commercialization and all ColoClear to support its clinical development. We also have laboratory testing facilities in Beijing and Hangzhou with an aggregate capacity of 1,500,000 tests per year. We have completed construction of our laboratory testing facilities in Guangzhou which are expected to be in full operation in the first quarter of 2021. We plan to enhance our manufacturing and laboratory testing facilities by further investment in automation to enhance manufacturing and testing efficiency and improve our profitability. It will also shorten testing turnaround time to improve customer satisfaction for our tests. We also plan to expand our manufacturing and laboratory testing capacity to support our rapid growth.

Selectively pursue geographic expansion, strategic partnerships and acquisition opportunities

We hold global rights of our products and product candidates through patent registration and protection over proprietary technologies. We plan to enter into partnership arrangements to expand our market coverage and maximize the global value of our products.

We also plan to complement our organic growth with prudent investment, acquisition or partnership. Particularly, we plan to opportunistically acquire product candidates which have significant market potential or cutting-edge technologies, complement our existing product portfolio or have synergies with our existing research and development, manufacturing and commercialization infrastructure. We will adopt a market-driven approach in assessing potential acquisition targets. To pursue such opportunities, we will explore suitable investment and partnership arrangements, including establishing strategic alliances, joint ventures and in-licensing relationships. We believe that our extensive industry knowledge and research and development expertise will not only empower us to promptly identify and capture potential targets to enrich our product portfolio, but also make us a more desirable acquiror or partner than our competitors. Furthermore, we believe that our strong business execution capabilities will enable us to integrate the acquired products and/or business or assets seamlessly into our existing platform.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

As the shares of the Company were not yet listed on the Stock Exchange during the Reporting Period, the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were not applicable to the Group during the Reporting Period.

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the CG Code, and has complied with the applicable code provisions during the period from the Listing Date to the date of this announcement.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules.

Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this announcement.

Use of Proceeds from the Global Offering

The shares of the Company were listed on the Stock Exchange on February 18, 2021 and the over-allotment option was exercised in full on March 12, 2021. The Company's net proceeds were approximately HK$2,190.5 million (after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option).

For the period from the Listing Date up to the date of this announcement, the Company has not utilized any of the net proceeds raised from the global offering. The Company intends to use the net proceeds in the same manner and proportion as set out in the prospectus of the Company dated February 5, 2021 under the section headed "Future Plans and Use of Proceeds". For details of the breakdown of the use of proceeds, please refer to the 2020 annual report of the Company to be published in due course.

Significant Investment Held

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As at December 31, 2020, the Group had 336 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Director's emoluments) were approximately RMB94.0 million (for the same period in 2019: RMB72.0 million).

Purchase, Sale or Redemption of Listed Securities

For the period from the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Capital Expenditure and Commitments

The Group's capital expenditures in 2020 primarily related to purchase of property, plant and equipment. In 2020, the Group incurred RMB25.0 million in relation to capital expenditures as compared to RMB33.8 million in 2019.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2020.

Charges on Group Assets

Save as disclosed in this announcement, as of December 31, 2020, the Group did not have any charges over its assets.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Tuesday, June 15, 2021 to Friday, June 18, 2021 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the annual general meeting to be held on Friday, June 18, 2021 (the "**AGM**"). The holder of shares whose names appear on the share register of members of the Company on Tuesday, June 15, 2021 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, June 11, 2021.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2020 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2020 are in compliance with the relevant accounting standards, laws and regulations.

EVENTS AFTER THE REPORTING PERIOD

(1) Listing of shares of the Company on the Stock Exchange

On February 18, 2021, the Company was successfully listed on the Main Board of the Stock Exchange, in which 76,598,000 shares (subject to over-allotment option) has been issued.

On March 12, 2021, the over-allotment option has been exercised in full such that an additional 11,489,500 shares has been issued. The listing of and dealings in the over-allotment shares are expected to commence on the Main Board of the Stock Exchange at 9:00 a.m. on March 17, 2021.

(2) Co-promotion Agreement and Strategic Collaboration Memorandum

On March 15, 2021, the Company and AstraZeneca entered into the Co-promotion Agreement. The term of the Co-promotion Agreement is 3 years, during which ColoClear will become the only colorectal cancer gene test reagent in the mainland China market for which the promotion services are provided by AstraZeneca. Pursuant to the Co-promotion Agreement, the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China.

On the same day, the Company and AstraZeneca entered into the Strategic Collaboration Memorandum to launch an in-depth strategic collaboration in the mainland China market. Pursuant to the Strategic Collaboration Memorandum, the parties intend to further explore collaboration in the following areas: in respect of the area of early cancer screening, the parties will carry out commercial collaboration of ColoClear in China and other international markets based on the existing commercialization collaboration to jointly enhance the early-stage screening rate of colorectal cancer; in respect of the oncology area, the parties will discuss how to integrate their respective edges and consolidate their research and development platform to jointly carry out further exploration and research in the area of early screening and to continuously explore new collaboration models; at the same time, the Company will upgrade its sales, market and training systems, and AstraZeneca will provide support to the Company to enhance its operational efficiency continually and to optimize its training system in collaboration with "The AstraZeneca University".

The Company considered that entering into the Co-promotion Agreement and the Strategic Collaboration Memorandum with AstraZeneca would intensively integrate the advantageous resources of both parties in terms of market coverage of ColoClear and channel expansion. By fully leveraging on AstraZeneca's strong commercial promotional capabilities, comprehensive marketing network, professional team and its leading position in the area of digestive system, the Company could accelerate the expansion of market coverage of ColoClear in mainland China and promote ColoClear's application and popularity among the high-risk population of colorectal cancer, with a view to promoting awareness of early detection and early treatment of colorectal cancer and providing an all-in-one solution for the high risk population of digestive tract diseases from prevention, diagnosis and treatment to recovery.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (ir.newhorizonbio.com) and the website of the Stock Exchange.

The 2020 annual report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

By order of the Board
New Horizon Health Limited
諾輝健康
Yiyou CHEN
Chairman

Hong Kong, Monday, March 15, 2021

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Yiyou CHEN as Chairman and executive Director, Mr. Yeqing ZHU as executive Director, Mr. Naxin YAO, Ms. Nisa Bernice Wing-Yu LEUNG, Mr. Quan ZHOU and Mr. Siu Wai NG as non-executive Directors, and Mr. Danke YU, Prof. Hong WU and Dr. Kwok Tung LI, Donald as independent non-executive Directors.