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New Horizon Health Limited

诺辉健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6606)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors (the “**Board**”) of New Horizon Health Limited (the “**Company**”) is pleased to announce the condensed consolidated interim results of the Company, its subsidiaries and consolidated affiliated entities (the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended June 30, 2021 (the “**Reporting Period**”), together with comparative figures for the six months ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Revenue was RMB43.9 million for the six months ended June 30, 2021, representing a 317% increase from RMB10.5 million for the same period in 2020.
- Gross profit was RMB24.7 million for the six months ended June 30, 2021, representing an increase of approximately 1,000.2% from RMB2.2 million for the same period in 2020. Gross profit margin was 56.2% for the six months ended June 30, 2021, and expanded by approximately 3,500 bps from 21.3% for the same period in 2020.
- For ColoClear, revenue was RMB14.2 million for the six months ended June 30, 2021, as compared to RMB5.7 million for the same period in 2020, representing an organic growth of 149%. The shipment volume of ColoClear also accelerated in the first half of 2021, which was approximately 121,500 units, representing a 392% increase over the same period in 2020. The revenue and shipment volume growth were primarily driven by increasing receptivity among customers and rising product awareness by physicians since ColoClear was approved by the National Medical Products Administration of China (the “**NMPA**”) in November 2020; such increasing receptivity and rising awareness were partially attributable to the Company’s investments in clinical education and sales & marketing capabilities. The gross profit margin of ColoClear was 56.6% for the six months ended June 30, 2021, as compared to 33.9% for the same period in 2020, primarily due to the lower operating cost per unit arisen from operating leverage.

- For Pupu Tube, revenue was RMB29.6 million for the six months ended June 30, 2021, as compared to RMB4.1 million for the same period in 2020, representing an increase of 623.7%, primarily driven by accelerating volume growth combined with higher averaging selling prices across its sales channels. The gross profit margin of Pupu Tube was 59.0% for the six months ended June 30, 2021, as compared to 26.4% for the same period in 2020, attributable to a combination of lower cost per unit and a higher average selling price.

BUSINESS HIGHLIGHTS

In the first half of 2021, our core product, ColoClear, has received notable recognition. Significant advancements have also been made to the commercialization of ColoClear and Pupu Tube:

- ColoClear was included in two medical guidelines for colorectal cancer screening, i.e., China Guideline for the Screening, Early Detection and Early Treatment of Colorectal Cancer (2020, Beijing) (《中國結直腸癌篩查與早診早治指南》(2020, 北京)) in January 2021 and Chinese Society of Clinical Oncology (CSCO) Diagnosis and Treatment Guidelines for Colorectal Cancer 2021 (《2021 CSCO結直腸癌診療指南》) in April 2021.
- For commercialization, we entered into a series of strategic partnerships with, including, but not limited to, the following partners in China: AstraZeneca (stock code: AZN.UK) in March 2021, JD Health (stock code: 06618.HK) in April 2021, Ping An Healthcare (stock code: 01833.HK) in July 2021, Picahealth (雲鵲醫) in July 2021 and China Post (中國郵政) in August 2021, respectively, to raise public awareness of colorectal cancer screening and increase penetration of ColoClear and Pupu Tube across clinical, direct-to-consumer, and insurance markets. The Company continued to expand our sales and marketing team, with a total headcount of 270 by June 30, 2021, representing a 137% increase from December 31, 2020.

EVENTS AFTER THE REPORTING PERIOD

- The Company entered into an asset purchase agreement in August 2021 with Epigenomics AG, a molecular diagnostics company focused on blood-based test for colorectal cancer, whose common shares are listed on Frankfurt Stock Exchange (Prime Standard) with ticker symbol ECX. The total purchase price is US\$6.7 million.
- The Company entered into a collaborative research and development partnership with Proteomedix in July 2021 in the area of prostate cancer screening test, together with an investment of CHF 3 million in its convertible debt.
- On August 20, 2021, NHH Ventures Holding Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for a limited partnership interest in NHH Venture Fund, L.P. (the “**Fund**”) for a capital commitment in the amount of US\$30 million subject to the terms and conditions of the limited partnership agreement of the Fund dated the same day. The Fund is primarily focusing on the investment in the areas of molecular diagnostic technology used for disease screening and early detection in the field of cancer and other major disease categories.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

Our vision is to prevent and cure cancer by screening and early detection. Our mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China and globally. As of August 16, 2021 (the “**Latest Practicable Date**”), 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 products 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 the 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 the 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 the 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 are in late-stage development prior to initiating the registrational trial for CerviClear.

The following chart summarizes the development status of our products and major product candidates as of the Latest Practicable Date:

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 Latest Practicable Date. 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 the NMPA, according to Frost & Sullivan. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by the 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 the NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with the NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with the NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with the NMPA as Class I medical device in August 2020. All the 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. ColoClear was also included in two medical guidelines for colorectal cancer screening, i.e., China Guideline for the Screening, Early Detection and Early Treatment of Colorectal Cancer (2020, Beijing) (《中國結直腸癌篩查與早診早治指南》(2020, 北京)) in January 2021 and Chinese Society of Clinical Oncology (CSCO) Diagnosis and Treatment Guidelines for Colorectal Cancer 2021 (《2021 CSCO結直腸癌診療指南》) in April 2021.

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 the 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 the 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 the 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**”) and to submit application for the registration of CerviClear IVD as Class III medical device with the NMPA after the registrational trial is completed. As of the Latest Practicable Date, 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 the 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 the 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 Latest Practicable Date, 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 Latest Practicable Date, 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 primarily based in Beijing and Hangzhou, China as of the Latest Practicable Date, over 72% 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 Latest Practicable Date, we have three laboratories located in Beijing, Hangzhou and Guangzhou, China, with a gross floor area of approximately 2,000 sq.m., 3,700 sq.m. and 600 sq.m., respectively. Our Beijing and Hangzhou laboratories have obtained National Center for Clinical Laboratories External Quality Assessment 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.

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 the NMPA in November 2020. It helps expand our geographic coverage for sample collection and allows us to deliver test results promptly to regional end-users, further improving user experience. Our testing capacity is enhanced by the fact that our testing laboratories and PCR platforms can be shared between ColoClear and CerviClear for testing services.

Manufacturing Facilities

As of the Latest Practicable Date, 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 Pupu Tube and UU Tube can be shared.

The production volume for ColoClear and Pupu Tube increased for the six months ended June 30, 2021 due to increasing demands from end users, as compared to the same period in 2020. Utilization rate for ColoClear increased in the six months ended June 30, 2021 as compared to the same period in 2020, primarily due to the growth in online sales and increased demands attributable to normal opening of hospitals and health checkup centers as a result of the COVID-19 control.

Commercialization

We have two self-developed cancer screening tests, Pupu Tube which was approved by the NMPA in March 2018 and received CE Mark in June 2018, and ColoClear, the core component of which, ColoClear IVD, has been approved by the NMPA in November 2020. 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. The Company also entered into a series of strategic partnerships with including, but not limited to, the following partners in China: JD Health (stock code: 06618.HK) in April 2021, Ping An Healthcare (stock code: 01833.HK) in July 2021, Picahealth (雲鵲醫) in July 2021 and China Post (中國郵政) in August 2021, respectively, to raise public awareness of colorectal cancer screening and increase penetration for ColoClear and Pupu Tube across clinical, direct-to-consumer, and insurance markets. We have significantly expanded our sales and marketing team, which has reached 270 employees in total by June 2021, compared to 114 by the end of year 2020.

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 Latest Practicable Date, Pupu Tube is the first and only self-conducted FIT screening product approved by the 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 Reporting Period to a certain extent. Despite the foregoing, our revenue increased. Our revenue was RMB43.9 million for the six months ended June 30, 2021, representing a year-on-year increase of approximately 317% compared to the six months ended June 30, 2020. The increase in revenue was primarily attributable to the pandemic being increasingly under control and the increase in consumer health awareness in the first half of 2021.

The shipment volume of ColoClear accelerated in the first half of 2021, which was approximately 121,500 units, representing a 392% increase over the same period in 2020. The shipment volume growth were primarily driven by increasing receptivity among customers and rising product awareness by physicians since ColoClear approval by the NMPA in November 2020; such increasing receptivity and rising awareness were partially attributable to the Company's investments in clinical education and marketing events, together with the recovery of our business from the COVID-19 outbreak. 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.

With respect to Pupu Tube, the shipment volume of Pupu Tube in the first half of 2021 was 1,904,900 units, representing a year-on-year increase of 555%. The sales performance of Pupu Tube in the first half of 2021 improved as our business in general has recovered from the COVID-19 outbreak.

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 the 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 six months ended June 30, 2021 was RMB43.9 million, representing an increase of 317% compared to RMB10.5 million for the six months ended June 30, 2020. The increase was primarily attributable to the significant increase in income from the sales of ColoClear and Pupu Tube.

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

	For the six months ended June 30,			
	2021		2020	
	(Unaudited)		(Unaudited)	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
ColoClear ⁽¹⁾	14,178	32.3	5,705	54.2
Pupu Tube	29,569	67.3	4,086	38.8
Others	184	0.4	735	7.0
Total revenue	43,931	100.0	10,526	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 the NMPA approval of ColoClear IVD on November 10, 2020.

For ColoClear, revenue was RMB14.2 million for the six months ended June 30, 2021, as compared to RMB5.7 million for the six months ended June 30, 2020, primarily attributable to the increasing awareness by physicians and improved receptivity by customers after the NMPA approval of ColoClear in November 2020, driven by Company's investments in clinical education and marketing events. The shipment volume of ColoClear also increased significantly in the first half of 2021, which was approximately 121,500 units, representing a 392% year-on-year increase over the same period in 2020.

For Pupu Tube, revenue was RMB29.6 million for the six months ended June 30, 2021, as compared to RMB4.1 million for the six months ended June 30, 2020, primarily attributable to the epidemic being increasingly under control and consumer demand increased.

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 cost of sales for the six months ended June 30, 2021 was RMB19.2 million, representing an increase of 132.3% compared to RMB8.3 million for the six months ended June 30, 2020. The increase was primarily attributable to the corresponding increase in sales and marketing effort in the first half of 2021.

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 six months ended June 30, 2021		2020	
	(Unaudited) RMB'000	%	(Unaudited) RMB'000	%
ColoClear ⁽¹⁾	6,157	32.0	3,770	45.5
Pupu Tube	12,128	63.0	3,006	36.3
Others	145	0.8	487	5.9
Write-down of inventories	812	4.2	1,019	12.3
Total cost of sales	19,242	100.0	8,282	100.0

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

Our costs of sales of ColoClear increased from RMB3.8 million for the six months ended June 30, 2020 to RMB6.2 million for the six months ended June 30, 2021, representing a year-over-year increase of 63.3%. Our costs of sales of Pupu Tube increased from RMB3.0 million for the six months ended June 30, 2020 to RMB12.1 million for the six months ended June 30, 2021, representing a year-over-year increase of 303.5%, primarily due to the corresponding increase in sales volume in the first half of 2021. Our other costs primarily include costs of sales of other research service.

Write-down of inventories decreased from RMB1.0 million for the six months ended June 30, 2020 to RMB0.8 million for the six months ended June 30, 2021, representing a year-over-year decrease of 20.3%.

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 six months ended June 30, 2021, gross profit was RMB24.7 million, representing an increase of approximately 1,000.2% from RMB2.2 million for the same period in 2020. Gross profit margin was 56.2% for the six months ended June 30, 2021, and expanded by approximately 3,500 bps from 21.3% for the same period in 2020. The increase in gross profit was primarily due to the pandemic being increasingly under control and growth in the Company's scale of sales. The increase in gross profit margin was primarily due to cost reduction due to economies of scale.

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

	For the six months ended June 30, 2021		2020	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	RMB'000	%	RMB'000	%
ColoClear ⁽¹⁾	8,021	56.6	1,935	33.9
Pupu Tube	17,441	59.0	1,080	26.4
Others	39	21.2	248	33.7

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

For ColoClear, the gross profit margin was 56.6% for the six months ended June 30, 2021, as compared to 33.9% for the same period in 2020, primarily due to the lower operating cost per test thanks to ColoClear's operating leverage.

For Pupu Tube, the gross profit margin was 59.0% for the six months ended June 30, 2021, as compared to 26.4% for the same period in 2020, attributable to a combination of lower cost per unit and a higher average selling price.

Other gains and losses

Our other gains and losses consists of fair value loss of Preferred Shares, net foreign exchange loss or gain and others. The Group's other gains and losses for the six months ended June 30, 2021 was RMB2,760.2 million, representing an increase of 472.4% compared to RMB482.2 million for the six months ended June 30, 2020. The increase was primarily attributable to growth in fair value loss of Preferred Shares, which is non-cash and non-operating loss arising from private financings prior to initial public offering.

Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the six months ended June 30, 2021 was RMB10.9 million, representing an increase of 102.8% compared to RMB5.4 million for the six months ended June 30, 2020. The increase was primarily attributable to growth in bank interest income.

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 six months ended June 30, 2021 was RMB72.7 million, representing an increase of 247.9% compared to RMB20.9 million for the six months ended June 30, 2020. The increase was primarily due to expansion of the sales and marketing team and increased commercial promotion activities.

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 six months ended June 30, 2021 was RMB21.2 million, representing an increase of 102.8% compared to RMB10.5 million for the six months ended June 30, 2020. The increase was primarily due to expansion of the research and development team and growth in research and development investment.

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 six months ended June 30,			
	2021		2020	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
Research and development expenses				
Staff costs	8,821	41.6	5,144	49.1
Cost of research and development materials and equipment	8,748	41.2	4,765	45.5
Clinical trials and service expenses	1,725	8.1	244	2.3
Others	1,941	9.1	318	3.1
Total	21,235	100.0	10,471	100

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 contract research organisations 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.

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 six months ended June 30, 2021 was RMB45.8 million, representing an increase of 56.2% compared to RMB29.3 million for the six months ended June 30, 2020. The increase was primarily attributable to increase in employee salary.

Impairment Losses on Trade and Other Receivables

The Group's impairment losses on trade and other receivables for the six months ended June 30, 2021 was RMB3.9 million, representing an increase of 140.5% compared to RMB1.6 million for the six months ended June 30, 2020. The increase was primarily attributable to increase in accounts receivable balance.

Other Expenses

The Group's other expenses for the six months ended June 30, 2021 was nil compared to RMB5.0 million for the six months ended June 30, 2020.

Finance Costs

The Group's finance costs for the six months ended June 30, 2021 was RMB4.4 million, representing an increase of 57.8% compared to RMB2.8 million for the six months ended June 30, 2020. The increase was primarily attributable to increase in interest expense on bank borrowings.

Income Tax Expense

The Group's income tax expense for the six months ended June 30, 2021 was nil, compared to the income tax expense of RMB0.2 million for the six months ended June 30, 2020.

Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with the International Financial Reporting Standards (“**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, 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. Share-based payment expenses are non-operational expenses arising from granting shares to selected executives, employees and research and development 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, 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 period to our adjusted net loss for the period indicated:

	For the six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net loss for the period	(2,891,805)	(552,949)
Fair value loss on Preferred Shares	2,757,028	484,824
Share-based payment expenses	15,626	6,063
Listing expenses	19,217	8,137
Adjusted net loss	<u>(99,934)</u>	<u>(53,925)</u>

Note: We consider fair value loss on Preferred Shares, 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 loss on Preferred Shares, share-based payment expenses, 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 time deposits over three months, pledged bank deposits, as well as cash and cash equivalents as at June 30, 2021 were RMB2,241.9 million, representing an increase of 285.0% compared to RMB582.3 million as at December 31, 2020. The increase was primarily attributable to financing from the Company's listing.

The major sources of the Group's liquidity are equity financing and bank borrowings.

Our secured bank borrowing was guaranteed, repayable at the maturity date on November 1, 2022, and carried a fixed rate interest rate (also being the effective interest rate) of 4.0% per annum. Such bank borrowing was secured by our historical and future trade receivables, and by the pledge of bank deposits, guarantee by offshore company, i.e., offshore guarantee for onshore loan. As of June 30, 2021, we had utilized RMB79.5 million from our banking facilities, and RMB20.5 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 June 30, 2021 was 7.7%, representing a decrease of 225.5% compared to 233.2% as at December 31, 2020.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, amount due from related parties, 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.

Pledge of Shares

The Company does not have any controlling shareholder. As at June 30, 2021, we did not have any pledging of shares by our largest shareholder.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2021, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the six months ended June 30, 2021, the Group's total capital expenditure amounted to approximately RMB13.6 million, which was mainly used in purchase of property and equipment.

Charge on Assets

As at June 30, 2021, there was no charge on assets of the Group.

Contingent Liabilities

As at June 30, 2021, we did not have any contingent liabilities.

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 the 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 organisations 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 the NMPA in November 2020 and plan to initiate the registrational clinical trial of CerviClear. Leveraging our multi-omics biomarker technology platform and expertise, including our next generation sequencing and proteomics technologies and infrastructure, we will further expand our proprietary data base and enhance our biomarker discovery capability and next generation sequencing 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 good manufacturing practices (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 have completed construction of our laboratory testing facilities in Guangzhou which has been in full operation since the first quarter of 2021, and we now have laboratory testing facilities in Beijing, Hangzhou and Guangzhou with an aggregate capacity of 2,000,000 tests per year. 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	<i>Notes</i>	For the six months period ended June 30,	
		2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	5	43,931	10,526
Cost of sales		<u>(19,242)</u>	<u>(8,282)</u>
Gross profits		24,689	2,244
Other income		10,903	5,376
Other gains and losses	6	(2,760,167)	(482,172)
Impairment losses on trade and other receivables		(3,862)	(1,606)
Selling and distribution expenses		(72,747)	(20,912)
Research and development expenses		(21,235)	(10,471)
Administrative expenses		(45,771)	(29,309)
Listing expenses		(19,217)	(8,137)
Other expenses		–	(4,989)
Finance costs		<u>(4,398)</u>	<u>(2,787)</u>
Loss before tax	7	(2,891,805)	(552,763)
Income tax expense	8	<u>–</u>	<u>(186)</u>
Loss and total comprehensive expenses for the period		<u><u>(2,891,805)</u></u>	<u><u>(552,949)</u></u>
Loss per share	9		
– Basic (RMB)		<u><u>(8.58)</u></u>	<u><u>(4.74)</u></u>
– Diluted (RMB)		<u><u>(8.58)</u></u>	<u><u>(4.74)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	<i>Notes</i>	At June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
Non-current assets			
Property and equipment		42,697	40,061
Intangible assets		19,018	20,023
Right-of-use assets		38,941	30,123
Deposits paid for acquisition of property and equipment		5,960	2,567
Pledged bank deposits		110,000	–
Other receivables and deposits		5,240	6,425
Amounts due from related parties		13,299	19,328
		<u>235,155</u>	<u>118,527</u>
Current assets			
Inventories		8,771	6,130
Trade and other receivables	11	72,374	56,664
Amounts due from related parties		47,862	48,705
Contract costs		7,518	5,724
Time deposits over three months		1,263,727	130,498
Bank balances and cash		868,208	451,796
		<u>2,268,460</u>	<u>699,517</u>
Current liabilities			
Trade and other payables	12	38,137	48,132
Accrued payroll and welfare expenses		9,944	15,785
Contract liabilities		17,764	10,872
Refund liabilities		917	2,594
Bank borrowings		–	70,209
Lease liabilities		11,632	8,997
		<u>78,394</u>	<u>156,589</u>
Net current assets		<u>2,190,066</u>	<u>542,928</u>
Total assets less current liabilities		<u>2,425,221</u>	<u>661,455</u>

	At June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
Non-current liabilities		
Bank borrowings	79,498	46,025
Other payables	665	665
Lease liabilities	33,006	24,323
Convertible redeemable preferred shares ("Preferred Shares")	—	1,680,356
	<u>113,169</u>	<u>1,751,369</u>
Net assets (liabilities)	<u><u>2,312,052</u></u>	<u><u>(1,089,914)</u></u>
Capital and reserves		
Share capital	141	48
Treasury shares	(1)	(1)
Share premium	6,407,531	118,865
Reserves	<u>(4,095,619)</u>	<u>(1,208,826)</u>
Total equity (deficit)	<u><u>2,312,052</u></u>	<u><u>(1,089,914)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

1. General information

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 (the “**Stock Exchange**”) with effect from February 18, 2021 (the “**Listing**”).

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.

These condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. Segment information

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

5. Revenue

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

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
ColoClear	14,178	5,705
Pupu Tube	29,569	4,086
Others	184	735
	<u>43,931</u>	<u>10,526</u>

6. Other Gains And Losses

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net investment gain on structured deposits	–	43
Net foreign exchange (loss) gain	(2,998)	2,646
Fair value loss of Preferred Shares	(2,757,028)	(484,824)
Fair value loss of early exercise promissory notes	(131)	–
Net loss on disposal of property and equipment	(10)	(37)
	<u>(2,760,167)</u>	<u>(482,172)</u>

7. Loss before tax

Loss before tax has been arrived at after charging (crediting):

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Depreciation of property and equipment	7,347	6,146
Depreciation of right-of-use assets	7,272	6,539
Amortisation of intangible assets	1,005	420
	<u>15,624</u>	<u>13,105</u>
Capitalised in inventories	<u>(6,973)</u>	<u>(6,267)</u>
	<u>8,651</u>	<u>6,838</u>
Analysed as:		
Charged in administrative expenses	5,438	4,978
Charged in selling and distribution expenses	40	24
Charged in research and development expenses	3,173	1,836
	<u>8,651</u>	<u>6,838</u>
Write-down of inventories	812	1,019
Write-down of contract costs on finished goods delivered (included in cost of sales)	701	855

8. Taxation

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Withholding tax on interest income related to the inter-company loan paid from PRC entities to foreign company	<u>-</u>	<u>186</u>

9. Loss per share

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

	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share (<i>RMB'000</i>)	<u>2,891,805</u>	<u>552,949</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>'000</i>)	<u>337,040</u>	<u>116,595</u>

On October 9, 2020, the Company underwent a share subdivision whereby each issued and unissued share of par value US\$0.0001 each in the Company's authorised share capital was subdivided into two shares of US\$0.00005 par value each. The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the share subdivision had been effected since January 1, 2020.

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

For the six months ended June 30, 2020 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

10. Dividend

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. Trade and other receivables

	At June 30,	At December 31,
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade receivables	50,994	32,419
Other receivables – current	<u>21,380</u>	<u>24,245</u>
	<u>72,374</u>	<u>56,664</u>

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 the reporting period:

	At June 30,	At December 31,
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0-60 days	24,919	20,539
61-90 days	2,585	2,399
91-180 days	4,309	4,365
181-365 days	17,059	1,478
Over 1 year	<u>2,122</u>	<u>3,638</u>
	<u>50,994</u>	<u>32,419</u>

12. Accruals and other trade payables

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Trade payables	11,893	8,561
Other payables – current	<u>26,244</u>	<u>39,571</u>
	<u>38,137</u>	<u>48,132</u>

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 the reporting period:

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
0-60 days	11,857	7,940
61-90 days	34	616
Over 90 days	<u>2</u>	<u>5</u>
	<u>11,893</u>	<u>8,561</u>

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

For the period from February 18, 2021 (the “**Listing Date**”) to June 30, 2021, the Company has complied with all the code provisions as set out in the CG Code.

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 June 30, 2021.

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 Hong Kong public offering and the international offering of the shares (the “**Global Offering**”) and the exercise of the over-allotment option).

During the period from the Listing Date to June 30, 2021, 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:

- 40.0% of the net proceeds from the Global Offering will be used to fund the commercialization and further development of ColoClear as medical services or as a standalone product;
- 5.0% of the net proceeds from the Global Offering will be used to fund the ongoing sales and marketing of Pupu Tube through promoting awareness of colorectal cancer screening and increasing market penetration, and to conduct additional clinical assessment of Pupu Tube in various population;

- 30.0% of the net proceeds from the Global Offering will be used to fund the ongoing and planned research and development to further develop UU Tube, CerviClear and our other early pipeline products;
- 15.0% of the net proceeds from the Global Offering will be used for continued expansion and diversification of our product portfolio through potential acquisition or in-licensing of product candidates in the cancer screening field; and
- 10.0% of the net proceeds from the Global Offering will be used for our working capital and other general corporate purposes.

It is expected that the Company will fully utilize the net proceeds raised from the Global Offering by each of the manners set out above by end of 2025.

Employee and Remuneration Policy

As at June 30, 2021, the Group had 557 employees, including 270 sales and marketing employees, representing a significant growth of 137% as compared to 114 sales and marketing employees by the end of year 2020. Generally, salaries and allowances of the Company's employees were determined based on their performance, experience and the 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, projects and stock incentive plans to our employees especially key employees.

During the six months ended June 30, 2021, the total staff costs (including Director's emoluments) were approximately RMB67.1 million (for the same period in 2020: RMB33.5 million).

Purchase, Sale or Redemption of Listed Securities of the Company

Save for the issuance of 11,489,500 ordinary shares on March 12, 2021 pursuant to the full exercise of the over-allotment option as disclosed in the announcement of the Company dated March 12, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the period from the Listing Date to the date of this announcement.

INTERIM DIVIDEND

The Board did not propose any interim dividend for the six months ended June 30, 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company.

The unaudited interim condensed consolidated financial report of the Group for the six months ended June 30, 2021 has been separately reviewed by the Audit Committee and by the Company's external auditor in accordance with the International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Accounting Standards Board.

EVENTS AFTER THE REPORTING PERIOD

1. The Company entered into an asset purchase agreement in August 2021 with Epigenomics AG, a molecular diagnostics company focused on blood-based test for colorectal cancer, whose common shares are listed on Frankfurt Stock Exchange (Prime Standard) with ticker symbol ECX. The total purchase price is US\$6.7 million.
2. The Company entered into a collaborative research and development partnership with Proteomedix in July 2021 in the area of prostate cancer screening test, together with an investment of CHF 3 million in its convertible debt.
3. On August 20, 2021, NHH Ventures Holding Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for a limited partnership interest in the Fund for a capital commitment in the amount of US\$30 million subject to the terms and conditions of the limited partnership agreement of the Fund dated the same day. The Fund is primarily focusing on the investment in the areas of molecular diagnostic technology used for disease screening and early detection in the field of cancer and other major disease categories.

Save as disclosed above, there were no other significant events occurred subsequent to June 30, 2021 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The 2021 interim 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
Dr. Yiyou CHEN
Chairman

Hong Kong, Friday, August 20, 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 and Ms. Nisa Bernice Wing-Yu LEUNG as non-executive Directors; and Mr. Danke YU, Prof. Hong WU and Dr. Kwok Tung LI, Donald as independent non-executive Directors.