New Horizon Health Limited
諾輝健康
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6606)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the "**Board**") of New Horizon Health Limited (the "**Company**") is pleased to announce the unaudited 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, 2022 (the "**Reporting Period**"), together with comparative figures for the six months ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- Revenue was RMB225.7 million for the six months ended June 30, 2022, representing a 413.7% increase from RMB43.9 million for the same period in 2021.

- Gross profit was RMB185.1 million for the six months ended June 30, 2022, representing an increase of approximately 649.7% from RMB24.7 million for the same period in 2021. Gross profit margin was 82.0% for the six months ended June 30, 2022, and expanded by approximately 2,580 bps from 56.2% for the same period in 2021.

- For ColoClear, revenue was RMB73.6 million for the six months ended June 30, 2022, as compared to RMB14.2 million for the same period in 2021, representing an organic growth of 419.4%. The shipment volume of ColoClear also accelerated in the first half of 2022, which was approximately 294,600 units, representing a 142.5% increase over the same period in 2021. The revenue-recognizing volume of ColoClear was approximately 94,400 units in the first half of 2022, representing a 207% increase over the same period in 2021. The revenue and shipment volume growth were primarily driven by (a) the increase in the volume of ColoClear sold and recognized as revenue; and (b) the increase in revenue per test due to a higher proportion of revenue generated from channels with more favorable revenue per test (such as hospital and direct-to-consumer channels). The gross profit margin of ColoClear was 75.7% for the six months ended June 30, 2022, as compared to 56.6% for the same period in 2021, primarily due to (a) lower cost per test thanks to the economies of scale; (b) higher revenue per test within hospital and direct-to consumer channel; and (c) more favorable channel mix where an increased proportion of revenue came from hospital and direct-to-consumer channels which have higher revenue per test.

- For Pupu Tube, revenue was RMB68.5 million for the six months ended June 30, 2022, as compared to RMB29.6 million for the same period in 2021, representing an increase of 131.8%, primarily driven by (a) the increase in volume of Pupu Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health check centers. The gross profit margin of Pupu Tube was 80.0% for the six months ended June 30, 2022, as compared to 59.0% for the same period in 2021, primarily due to higher revenue per test (both on blended basis and for each individual channel) and lower manufacturing cost per unit.

- For UU Tube, revenue was RMB83.5 million for the six months ended June 30, 2022 since product launch in January 2022. The gross profit margin of UU Tube was 90.0% for the six months ended June 30, 2022.

(RMB in millions, except for percentage)	**Six months ended June 30, 2022** ***(Unaudited)***	**Six months ended June 30, 2021** ***(Unaudited)***	**Period-to-period change**	**For the year ended December 31,2021** ***(Audited)***
Revenue	**225.7**	**43.9**	**414%**	**212.8**
ColoClear	73.6	14.2	419%	97.2
Pupu Tube	68.5	29.6	132%	115.5
UU Tube	83.5	0.0	–	–
Gross Profit Margin	**82.0%**	**56.2%**	**25.8%**	**72.7%**
ColoClear	75.7%	56.6%	19.1%	76.0%
Pupu Tube	80.0%	59.0%	21.0%	71.5%
UU Tube	90.0%		–	
Selling & Marketing Expenses[1]	**194.5**	**70.5**	**176%**	**267.9**
% of Revenue	86%	161%		126%
Research & Development Expenses[1]	**39.4**	**18.7**	**111%**	**54.9**
% of Revenue	17%	43%		26%
Administrative Expenses[1]	**51.7**	**35.1**	**47%**	**93.0**
% of Revenue	23%	80%		44%
Adjusted Net Income[2]	**(106.2)**	**(97.1)**	**n/m[5]**	**(259.2)**
Minus: Share-based payment expenses[3]				
Selling & Marketing Expenses	*2.5*	*2.2*	*12%*	*3.5*
Research & Development Expenses	*1.5*	*2.6*	*-41%*	*3.9*
Administrative Expenses	*7.5*	*10.7*	*-30%*	*16.3*
Add: Net Foreign Exchange Gain (Loss)	52.4	(3.0)	n/m[5]	(26.2)
Minus: Listing Expenses	0.0	19.2	n/m[5]	19.2
Minus: Fair Value Loss on Preferred Shares	0.0	2,757.0	n/m[5]	2,757.0
IFRS Net Income	**(65.3)**	**(2,891.8)**	**n/m[5]**	**(3,085.3)**
Cash and Selected Financial Assets[4]	**1,648.9**	**2,241.9**		**1,892.1**

Notes:

1. Items exclude share-based payment expenses.
2. We consider fair value gain/loss on preferred shares, share-based payment expenses, net foreign exchange gain (loss), and listing expenses as non-operational or non-recurring expenses which do not affect our ongoing operating performance.
3. Items include share-based payment expenses in selling & marketing expenses, research & development expenses and administrative expenses.
4. Cash and Selected Financial Assets includes bank balances and cash, time deposits over three months, structured deposits and pledged bank deposits in financial statement.
5. "n/m" denotes "not meaningful".

BUSINESS HIGHLIGHTS

Significant progress in commercial operations and research developments have been made during the first six months of 2022. Some of the key milestones are summarized below:

- In January 2022, the Company received approval from the National Medical Products Administration of the PRC (國家藥品監督管理局) ("**NMPA**") of the registration application for UU Tube as Class III medical device, the Company's 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. UU Tube was launched commercially in China in February 2022

- In February 2022, FIT-DNA was recommended by a newly published medical guideline, Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer (《中國腫瘤整合診治指南》), which marked the third medical guideline to recommend FIT-DNA for the use of screening for high-risk colorectal cancer population in China

- In June 2022, ColoClear was launched commercially in Hong Kong through the partnership with Prenetics (stock code: PRE.Nasdaq)

- In June 2022, CerviClear, our urine-based self-sampling screening test for cervical cancer has initiated registrational trial

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the Business Review section to this results announcement in relation to the products and business development of the Company, there were no other significant events occurred subsequent to June 30, 2022 and up to the date of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	Notes	For the six months period ended June 30, 2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	5	**225,652**	43,931
Cost of sales		**(40,564)**	(19,242)
Gross profits		**185,088**	24,689
Other income		**4,876**	10,903
Other gains and losses	6	**52,978**	(2,760,167)
Impairment losses on trade and other receivables		**(7,629)**	(3,862)
Selling and marketing expenses		**(196,988)**	(72,747)
Research and development expenses		**(40,912)**	(21,235)
Administrative expenses		**(59,156)**	(45,771)
Listing expenses		**–**	(19,217)
Finance costs		**(3,509)**	(4,398)
Loss before tax	7	**(65,252)**	(2,891,805)
Income tax expense	8	**(30)**	–
Loss for the period		**(65,282)**	(2,891,805)
Other comprehensive income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**2,549**	–
Total comprehensive expenses for the period		**(62,733)**	(2,891,805)
Loss per share	9		
– Basic (RMB)		**(0.15)**	(8.58)
– Diluted (RMB)		**(0.15)**	(8.58)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022

	Notes	**At June 30, 2022** ***RMB'000*** ***(unaudited)***	At December 31, 2021 *RMB'000* *(audited)*
Non-current assets			
Property and equipment		**66,369**	61,056
Intangible assets		**23,284**	18,006
Right-of-use assets		**46,734**	38,890
Deposits paid for acquisition of property and equipment and intangible assets		**1,044**	2,160
Financial assets at fair value through profit or loss ("**FVTPL**")		**78,399**	55,468
Investments in associates measured at FVTPL		**9,843**	9,351
Other receivables and deposits		**16,007**	12,697
Amounts due from related parties		**60,972**	57,108
Time deposits over three months		**50,000**	40,000
		352,652	294,736
Current assets			
Inventories non-research and development related		**26,569**	14,646
Inventories research and development related		**44,976**	44,318
Trade and other receivables	*11*	**293,950**	133,715
Amounts due from related parties		**–**	510
Financial assets at FVTPL		**–**	10,000
Contract costs		**13,379**	13,891
Time deposits over three months		**308,456**	1,045,235
Pledged bank deposits		**110,000**	110,000
Bank balances and cash		**1,180,445**	686,817
		1,977,775	2,059,132
Current liabilities			
Trade and other payables	*12*	**61,524**	38,680
Accrued payroll and welfare expenses		**29,567**	39,466
Contract liabilities		**27,978**	21,943
Refund liabilities		**1,828**	2,639
Bank borrowings		**79,498**	79,498
Lease liabilities		**13,968**	11,132
		214,363	193,358
Net current assets		**1,763,412**	1,865,774
Total assets less current liabilities		**2,116,064**	2,160,510

	At June 30, 2022	At December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Non-current liabilities		
Other payables	**993**	1,543
Lease liabilities	**39,609**	32,307
	40,602	33,850
Net assets	**2,075,462**	2,126,660
Capital and reserves		
Share capital	**141**	141
Treasury shares	**(1)**	(1)
Share premium	**6,416,220**	6,412,484
Reserves	**(4,340,898)**	(4,285,964)
Total equity	**2,075,462**	2,126,660

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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal places of business of the Company are 13/F, T1 Building, 400 Jiang'er Road, Binjiang District, Hangzhou, Zhejiang, PRC and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

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.

The directors of the Company have, at the time of approving these condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

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, as appropriate.

The accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

Application of amendments to International Financial Reporting Standards ("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 Group's annual period beginning on January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of these 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 ("**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,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
ColoClear	**73,638**	14,178
Pupu tube	**68,538**	29,569
UU tube	**83,461**	–
Others	**15**	184
	225,652	43,931

6. Other gains and losses

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net investment gain on structured deposits	**1,365**	–
Net foreign exchange gain (loss)	**52,396**	(2,998)
Fair value loss of preferred shares	**–**	(2,757,028)
Fair value gain (loss) of early exercise promissory notes	**2,882**	(131)
Net loss on disposal of property and equipment	**(12)**	(10)
Fair value loss of financial assets at FVTPL	**(3,653)**	–
	52,978	(2,760,167)

7. Loss before tax

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Depreciation of property and equipment	**11,084**	7,347
Depreciation of right-of-use assets	**10,001**	7,272
Amortisation of intangible assets	**1,052**	1,005
	22,137	15,624
Capitalised in inventories	**(10,367)**	(6,973)
	11,770	8,651
Analysed as:		
Charged in administrative expenses	**6,918**	5,438
Charged in selling and distribution expenses	**536**	40
Charged in research and development expenses	**4,316**	3,173
	11,770	8,651
Write-down of inventories	**533**	812
Write-down of contract costs on finished goods delivered (included in cost of sales)	**2,987**	701

8. Income tax expense

The income tax expense represents the provision for PRC Enterprise Income Tax amounting to RMB30,000 (2021: nil) made by the Group during the six months ended June 30, 2022.

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,	
	2022	2021
	(unaudited)	*(unaudited)*
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share *(RMB'000)*	**65,282**	2,891,805
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *('000)*	**421,856**	337,040

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

For the six months ended June 30, 2022, the computation of diluted loss per share did not assume the exercise of share options and unvested restricted share units before exercise since their assumed conversion or exercise would result in a decrease in loss per share.

For the six months ended June 30, 2021, the computation of diluted loss per share did not assume the exercise of share options, unvested restricted shares and over-allotment option before exercise since their assumed conversion or exercise would result in a decrease in loss per share.

10. Dividends

No dividend was paid or declared by the Company during both interim periods.

11. Trade and other receivables

	At June 30, 2022 ***RMB'000*** ***(unaudited)***	At December 31, 2021 *RMB'000* *(audited)*
Trade receivables	**271,995**	105,995
Other receivables – current	**21,955**	27,720
	293,950	133,715

The Group allows an average credit period of 0 to 180 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, 2022 ***RMB'000*** ***(unaudited)***	At December 31, 2021 *RMB'000* *(audited)*
0 – 60 days	**165,953**	78,143
61 – 90 days	**36,753**	13,985
91 – 180 days	**14,349**	4,763
181 – 365 days	**49,211**	4,886
Over 1 year	**5,729**	4,218
	271,995	105,995

12. Trade and other payables

	At June 30, 2022 ***RMB'000*** ***(unaudited)***	At December 31, 2021 *RMB'000* *(audited)*
Trade payables	**35,749**	23,592
Other payables – current	**25,775**	15,088
	61,524	38,680

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, 2022 ***RMB'000*** ***(unaudited)***	At December 31, 2021 *RMB'000* *(audited)*
0 – 60 days	**30,047**	21,171
61 – 90 days	**3,613**	2,385
Over 90 days	**2,089**	36
	35,749	23,592

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, 2022 (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.

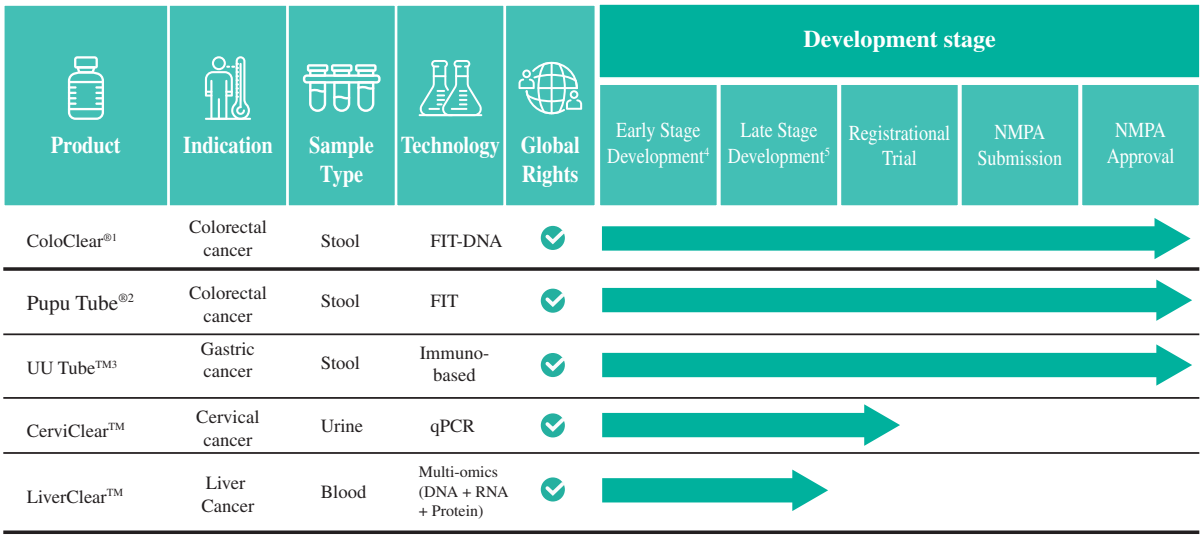
Our Products and Product Pipeline

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. UU Tube is a stool-based self conducted H.Pylori test that is approved by NMPA as Class III medical device. 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 have initiated registrational trial for CerviClear in June 2022.

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



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 *NMPA approval (Class III medical device) obtained in January 2022*

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

5 *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

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 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 three 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, 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, and Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer (《中國腫瘤整合診治指南》) in February 2022.

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, and submitted the application to the NMPA to register UU Tube as Class III medical device in November 2020. We received the approval from the NMPA of the registration application for UU Tube as Class III medical device.

CerviClear

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. In June 2022, we have initiated the registrational clinical trial for CerviClear and plan to submit application for the registration of CerviClear IVD as Class III medical device with the NMPA after the registrational clinical 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.

LiverClear

We started our research and development of LiverClear, a multi-omics liquid biopsy screening test for liver cancer, which is based on our internally developed platform combining DNA/RNA/Protein. Leveraging on its internal multi-omics technology platform and machine learning capability, LiverClear, we believe, is able to achieve much higher detection sensitivity and specificity for liver cancer compared to conventional blood AFP test. We aim to initiate a prospective multi-center clinical trial of LiverClear between the fourth quarter of 2022 and the first quarter of 2023.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET LIVERCLEAR 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 at room temperature for up to seven days.

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 enhancing 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 77% 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 1,300 sq.m., respectively. Our Beijing, Hangzhou and Guangzhou 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 polymerase chain reaction ("**PCR**") amplification for clinical use. 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, Pupu Tube, and UU 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.

Commercialization

We have three self-developed cancer screening tests, namely, (i) Pupu Tube, which was approved by the NMPA in March 2018 and received CE Mark in June 2018, (ii) ColoClear, the core component of which, ColoClear IVD, has been approved by the NMPA in November 2020, and (iii) UU Tube, which was approved by the NMPA in January 2022. 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. 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. In June 2022, ColoClear was launched commercially in Hong Kong through the partnership with Prenetics (stock code: PRE.Nasdaq).

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 RMB225.7 million for the six months ended June 30, 2022, representing a year-on-year increase of approximately 413.7% compared to the six months ended June 30, 2021. The increase in revenue was primarily attributable to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022.

The shipment volume of ColoClear accelerated in the first half of 2022, which was approximately 294,600 units, representing a 142.5% increase over the same period in 2021. The shipment volume growth was primarily driven by the increasing receptivity among customers and rising product awareness by physicians since ColoClear approval by the NMPA in November 2020. 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 2022 was 2,929,700 units, representing a year-on-year increase of 53.8%. The sales performance of Pupu Tube in the first half of 2022 improved since the strong market demand and the cooperation with major customers leads to the increase of sales volume.

With respect to UU Tube, the shipment volume of UU Tube in the first half of 2022 was 1,380,800 units since product launch in January 2022. The sales performance of UU Tube in the first half of 2022 was driven by consumers' great attention to the Helicobacter pylori, and the self-test of UU Tube is non-invasive and painless, which is highly recognized by the market.

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, (ii) Pupu Tube, and (iii) UU Tube. The Group's revenue for the six months ended June 30, 2022 was RMB225.7 million, representing an increase of 413.7% compared to RMB43.9 million for the six months ended June 30, 2021. The increase was primarily attributable to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022.

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

	For the six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**73,638**	**32.6**	14,178	32.3
Pupu Tube	**68,538**	**30.4**	29,569	67.3
UU Tube	**83,461**	**37.0**	–	–
Others	**15**	**–**	184	0.4
Total revenue	**225,652**	**100.0**	43,931	100.0

For ColoClear, revenue was RMB73.6 million for the six months ended June 30, 2022, as compared to RMB14.2 million for the six months ended June 30, 2021, primarily attributable to (a) the increase in volume of ColoClear sold and recognized as revenue; and (b) the increase in revenue per test due to higher proportion of revenue generated from channels with more favorable revenue per test (such as hospital and direct-to-consumer channels). The shipment volume of ColoClear also increased significantly in the first half of 2022, which was approximately 294,600 units, representing a 142.5% year-on-year increase over the same period in 2021.

For Pupu Tube, revenue was RMB68.5 million for the six months ended June 30, 2022, as compared to RMB29.6 million for the six months ended June 30, 2021, primarily attributable to (a) the increase in volume of Pupu Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health check centers.

For UU Tube, revenue was RMB83.5 million for the six months ended June 30, 2022 since product launch in January 2022. The gross profit margin of UU Tube was 90.0% for the six months ended June 30, 2022.

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, 2022 was RMB40.6 million, representing an increase of 110.8% compared to RMB19.2 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase of sales volume.

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,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**17,884**	**44.1**	6,157	32.0
Pupu Tube	**13,695**	**33.8**	12,128	63.0
UU Tube	**8,331**	**20.5**	–	–
Others	**121**	**0.3**	145	0.8
Write-down of inventories	**533**	**1.3**	812	4.2
Total cost of sales	**40,564**	**100.0**	19,242	100.0

Our costs of sales of ColoClear increased from RMB6.2 million for the six months ended June 30, 2021 to RMB17.9 million for the six months ended June 30, 2022, representing a year-over-year increase of 190.5%. Our costs of sales of Pupu Tube increased from RMB12.1 million for the six months ended June 30, 2021 to RMB13.7 million for the six months ended June 30, 2022, representing a year-over-year increase of 12.9%, primarily due to the increase of sales volume. Our costs of sales of UU Tube for the six months ended June 30, 2022 was RMB8.3 million since product launch in January 2022.

Write-down of inventories decreased from RMB0.8 million for the six months ended June 30, 2021 to RMB0.5 million for the six months ended June 30, 2022, representing a year-over-year decrease of 34.4%.

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, 2022, gross profit was RMB185.1 million, representing an increase of approximately 649.7% from RMB24.7 million for the same period in 2021. Gross profit margin was 82.0% for the six months ended June 30, 2022, and expanded by approximately 2,580 bps from 56.2% for the same period in 2021. The increase in gross profit was primarily due to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022. The increase in gross profit margin was primarily due to the increased gross profit margin of both ColoClear and Pupu Tube, as well as attractive gross profit margin of UU Tube.

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,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**55,754**	**75.7**	8,021	56.6
Pupu Tube	**54,843**	**80.0**	17,441	59.0
UU Tube	**75,130**	**90.0**	–	–
Others	**(106)**	**n/m**	39	n/m

Note:

(1) "n/m" denotes "not meaningful".

For ColoClear, the gross profit margin was 75.7% for the six months ended June 30, 2022, as compared to 56.6% for the same period in 2021, primarily due to (a) lower cost per test thanks to economics of scale; (b) higher revenue per test within hospital and direct-to-consumer channel; and (c) more favorable channel mix where increased proportion of revenue came from hospital and direct-to-consumer channels which have higher revenue per test. For Pupu Tube, the gross profit margin was 80.0% for the six months ended June 30, 2022, as compared to 59.0% for the same period in 2021, primarily attributable to higher revenue per test (both on blended basis and for each individual channel) and lower manufacturing cost per unit. For UU Tube, the gross profit margin was 90.0% for the six months ended June 30, 2022 since product launch in January 2022.

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, 2022 was a gain of RMB53.0 million, compared to a loss of RMB2,760.2 million for the six months ended June 30, 2021. The gain was primarily attributable to the gain of foreign exchange and there is no fair value loss of preferred shares.

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, 2022 was RMB4.9 million, representing a decrease of 55.3% compared to RMB10.9 million for the six months ended June 30, 2021. The decrease was primarily attributable to the decrease of interest income.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses for the six months ended June 30, 2022 was RMB197.0 million, representing an increase of 170.8% compared to RMB72.7 million for the six months ended June 30, 2021. The increase was primarily due to the increase of staff cost and sales promotion expenses.

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, 2022 was RMB40.9 million, representing an increase of 92.7% compared to RMB21.2 million for the six months ended June 30, 2021. The increase was primarily due to the increase of staff cost and the cost of research and development materials.

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,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
Research and development expenses				
Staff costs	**14,448**	**35.3**	8,821	41.6
Cost of research and development materials and equipment	**18,126**	**44.3**	8,748	41.2
Clinical trials and service expenses	**6,736**	**16.5**	1,725	8.1
Others	**1,602**	**3.9**	1,941	9.1
Total	**40,912**	**100.0**	21,235	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 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, 2022 was RMB59.2 million, representing an increase of 29.2% compared to RMB45.8 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase of staff cost.

Impairment Losses on Trade and Other Receivables

The Group's impairment losses on trade and other receivables for the six months ended June 30, 2022 was RMB7.6 million, representing an increase of 97.5% compared to RMB3.9 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase of accounts receivable.

Finance Costs

The Group's finance costs for the six months ended June 30, 2022 was RMB3.5 million, representing a decrease of 20.2% compared to RMB4.4 million for the six months ended June 30, 2021. The decrease was primarily attributable to the decrease in bank interest expense.

Income Tax Expense

The Group's income tax expense for the six months ended June 30, 2022 was RMB0.03 million, compared to the income tax expense of nil for the six months ended June 30, 2021.

Non-IFRS Measures

To supplement our condensed consolidated statement of profit or loss and other comprehensive income 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, net foreign exchange gain/loss 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. Net foreign exchange gain/loss represent the Group's foreign currency exposure resulting from the fluctuation of the foreign exchange rates in the current interim review period. The Company believes that the gains and losses from changes in foreign exchange rates are generally not representative to the Group's core operating results or evaluating its economic performance of its businesses as the Group did not actively hedge exposure of foreign currency other than currency diversification. 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, net foreign exchange gain/loss 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,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net loss for the period	**(65,282)**	(2,891,805)
Fair value loss on Preferred Shares	**–**	2,757,028
Share-based payment expenses[1]	**11,499**	15,512
Net foreign exchange (gain) loss	**(52,396)**	2,998
Listing expenses	**–**	19,217
Adjusted net loss[2]	**(106,179)**	(97,050)

Notes:

1: Item includes share-based payment expenses in selling & marketing expenses, research & development expenses and administrative expenses.

2: We consider fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss 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 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, 2022 were RMB1,648.9 million, representing a decrease of 12.4% compared to RMB1,882.1 million as at December 31, 2021. The decrease was primarily attributable to the funds consumed due to our business development. The major sources of the Group's liquidity are equity financing and bank borrowings.

Our secured bank borrowing was unguaranteed, originally repayable by monthly installments and will mature in November 2022, and carried with an original fixed rate interest rate of 6.5% per annum. Pursuant to a supplemental agreement date May 20, 2021 entered into by the Group and the relevant borrowing bank (the "**Supplemental Agreement**"), the interest rate of the bank borrowing was modified from a fixed interest rate of 6.5% per annum to a fixed interest rate of 4% per annum and the repayment term of the principal amount is modified from monthly instalment to full repayment at the maturity date of the bank borrowings on November 1, 2022. Such bank borrowing was originally secured by our historical and future trade receivables, which was released and substituted by the security of pledged bank deposits amounting to RMB110,000,000, which carried with a fixed interest rate of 2% per annum pursuant to the Supplemental Agreement. Furthermore, pursuant to the Supplemental Agreement, the Group is required to pay a 2% fee calculated based on the maximum amount of the borrowing drawdown by the Group during the loan period upon the successful listing of the Company. As of June 30, 2022, 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, 2022 was 11%, representing an increase of 1% compared to 10% as at December 31, 2021.

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, 2022, we did not have any pledging of shares by our largest shareholder.

Significant Investment Held

For the six months ended June 30, 2022, the Group did not have any significant investment, acquisitions or disposals.

Future Plans Relating to Material Investment or Capital Asset

As at the date of this results announcement, the Group did not have any future plan of material investment or capital asset.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2022, we did not have material acquisitions and disposals of subsidiaries, associates and joint ventures.

Capital Expenditure and Commitments

For the six months ended June 30, 2022, the Group's total capital expenditure amounted to approximately RMB21.3 million, which was mainly used in purchase of property and equipment and intangible assets.

As of June 30, 2022, we have capital commitment of RMB7.3 million for the contracts in relation to the acquisition of property and equipment and intangible assets (December 31, 2021: RMB0.3 million).

Charge on Assets

As at June 30, 2022, there was no charge on assets of the Group.

Contingent Liabilities

As at June 30, 2022, 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, Pupu Tube, and UU 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.

With the commercial launch of UU Tube in January 2022, we plan to increase the market penetration of UU Tube, which is the only NMPA approved self test for H.Pylori. We plan to leverage our existing commercial infrastructure and partnerships to accelerate the commercial ramp-up of UU Tube, whose customers, distributors, and partners are believed to be highly synergistic to those of Pupu Tube.

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 10 million Pupu Tube, 5 million ColoClear and 10 million UU Tube. 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 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 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.

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**"), enhance corporate value, formulate its business strategies and policies and enhance its transparency 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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the six months ended June 30, 2022, the Company has complied with all applicable code provisions of 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 six months ended June 30, 2022.

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).

Up to June 30, 2022, the Company has utilized HK$977,816,000 or 45% of the net proceeds as specified in the below table. 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 (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

	Use of proceeds as stated in the Prospectus *(in HK$'000) (approximate)*	**Actual use of proceeds during the six months ended June 30, 2022** *(in HK$'000) (approximate)*	**Actual use of proceeds up to June 30, 2022** *(in HK$'000) (approximate)*	**Net proceeds unutilized as of June 30, 2022** *(in HK$'000) (approximate)*	**Expected timeline for usage of proceeds**
40% for the commercialization and further development of ColoClear as medical services or as a standalone product	876,200	206,393	504,260	371,940	The amount is expected to be fully utilized by second half of 2025
5% for 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 populations	109,525	12,650	59,731	49,794	The amount is expected to be fully utilized by second half of 2025
30% for the ongoing and planned research and development to further develop UU Tube, CerviClear and our other early stage pipeline products	657,150	50,616	148,248	508,902	The amount is expected to be fully utilized by second half of 2025
15% for the continued expansion and diversification of our product portfolio through potential acquisition or in-licensing of product candidates in the cancer screening field	328,575	33,915	114,868	213,707	The amount is expected to be fully utilized by second half of 2025
10% for working capital and other general corporate purposes	219,050	49,543	150,709	68,341	The amount is expected to be fully utilized by second half of 2025
Total	2,190,500	353,117	977,816	1,212,684	

Employee and Remuneration Policy

As at June 30, 2022, the Group had 861 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, projects and stock incentive plans to our employees especially key employees.

During the six months ended June 30, 2022, the total staff costs (including Director's emoluments) were approximately RMB124.4 million (for the same period in 2021: RMB67.1 million).

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended June 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended June 30, 2022 (June 30, 2021: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management with senior management members and the external auditor of the Company.

The unaudited condensed consolidated interim financial report of the Group for the six months ended June 30, 2022 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 Auditing and Assurance Standards Board.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the Business Review section to this results announcement in relation to the products and business development of the Company, there were no other significant events occurred subsequent to June 30, 2022 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 (www.hkexnews.hk).

The 2022 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 in due course.

By Order of the Board
New Horizon Health Limited
Mr. Yeqing ZHU
Chairman

Hong Kong, August 19, 2022

As at the date of this announcement, the Board comprises Mr. Yeqing ZHU as Chairman and executive Director, Dr. Yiyou CHEN as executive Director, Mr. Naxin YAO as non-executive Director, and Mr. Danke YU, Prof. Hong WU and Dr. Donald Kwok Tung LI, as independent non-executive Directors.