诺辉健康
NEW HORIZON HEALTH

# New Horizon Health Limited
# 諾輝健康

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6606.HK

# 2022
# ANNUAL REPORT

# Contents

# Definitions

In this annual report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

| | |
|---|---|
| **"2022 RSU Scheme"** | the restricted share unit scheme of the Company approved and adopted by the Company on June 24, 2022, in its present form or as amended from time to time in accordance with the rules relating to the 2022 RSU Scheme, as amended, modified or supplemented from time to time |
| **"2022 Share Option Scheme"** | the share option scheme of the Company approved and adopted by the Company on June 24, 2022, in its present form or as amended from time to time in accordance with the rules relating to the 2022 Share Option Scheme, as amended, modified or supplemented from time to time |
| **"AGM"** | the annual general meeting of the Company to be held on Friday, June 9, 2023 |
| **"Articles of Association"** or **"Articles"** | articles of association of our Company adopted on October 9, 2020 with effect from the Listing Date, as amended from time to time |
| **"Audit Committee"** | the audit committee of the Board |
| **"Beijing Nuoan Lab"** | Beijing Nuoan Medical Examination Lab Co., Ltd. (北京諾安醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on March 9, 2016 |
| **"Beijing Xincheng"** | Beijing New Horizon Xincheng Health Technology Co., Ltd (北京諾輝新程健康科技有限公司), a limited liability company established under the laws of the PRC on February 29, 2016 |
| **"Board"** | the board of directors of our Company |
| **"CEO"** or **"Chief Executive Officer"** | chief executive officer of our Company |
| **"CG Code"** | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| **"CerviClear"** | our non-invasive urine-based home-use screening test for cervical cancer |
| **"Chief Financial Officer"** | chief financial officer of our Company |
| **"China"** or **"PRC"** | the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan |
| **"ColoClear"** | ColoClear, a proprietary non-invasive stool-based FIT-DNA test |

| | |
|---|---|
| **"ColoClear IVD"** | ColoClear in vitro diagnostic kit, which is our Company's proprietary reagents used in the testing process of ColoClear approved by NMPA as a Class III medical device and constitutes our Core Product for purposes of this annual report |
| **"Company"** or **"Our Company"** | New Horizon Health Limited (諾輝健康), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 7, 2018 |
| **"Consolidated Affiliated Entities"** | the entities we control through the Contractual Arrangements, namely, Beijing Xincheng and its subsidiaries (each a "**Consolidated Affiliated Entity**") |
| **"Contractual Arrangements"** | a series of contractual arrangements entered into by, Hangzhou Nuohui, Beijing Xincheng and the Registered Shareholders |
| **"Core Product"** | has the meaning ascribed thereto under Chapter 18A of the Listing Rules |
| **"Director(s)"** | the director(s) of the Company |
| **"Frost & Sullivan"** | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company |
| **"Global Offering"** | the Hong Kong public offering and the international offering of the Shares |
| **"Group", "our Group", "our", "we"** or **"us"** | the Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time |
| **"Guangzhou Nuohui Lab"** | Guangzhou Nuohui Medical Examination Lab Co., Ltd (廣州諾輝醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on May 28, 2019 |
| **"Hangzhou Nuohui"** | Hangzhou New Horizon Health Technology Co., Ltd (杭州諾輝健康科技有限公司), a limited liability company established under the laws of the PRC on November 19, 2015 and our indirect wholly-owned subsidiary |
| **"Hangzhou Nuokang Lab"** | Hangzhou Nuokang Medical Examination Lab Co., Ltd. (杭州諾康醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on June 3, 2016 |
| **"Latest Practicable Date"** | March 10, 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report |
| **"Listing"** | the listing of the shares on the Main Board of the Stock Exchange |

# Definitions

| | |
|---|---|
| **"Listing Date"** | February 18, 2021 |
| **"Listing Rules"** | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| **"Model Code"** | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| **"NMPA"** | the National Medical Products Administration of China (國家藥品監督管理局) |
| **"Nomination Committee"** | the nomination committee of the Board |
| **"Pre-IPO Share Incentive Plan"** | the pre-IPO share incentive plan effective as of October 10, 2018 and further amended and approved on August 17, 2020 |
| **"Prospectus"** | the prospectus of the Company dated February 5, 2021 |
| **"Pupu Tube"** | our proprietary non-invasive stool-based FIT screening product to detect hemoglobin biomarkers associated with colorectal cancer |
| **"Registered Shareholders"** | the registered shareholders of Beijing Xincheng, being Mr. YeQing ZHU and Ms. Lijuan ZHU |
| **"Remuneration Committee"** | the remuneration committee of the Board |
| **"Reporting Period"** | the year ended December 31, 2022 |
| **"SFO"** | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| **"Share(s)"** | ordinary share(s) in the share capital of our Company with a nominal value of US$0.00005 each |
| **"Shareholder(s)"** | holder(s) of our Share(s) |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"U.S."** or **"United States"** | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| **"UU Tube"** | our stool-based self-conducted screening product for H. pylori |

# Glossary of Technical Terms

| | |
|---|---|
| **"cervical cancer"** | the development of cancer from the cervix |
| **"colorectal cancer"** | the development of cancer from the colon or rectum |
| **"COVID-19"** | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"CRO"** | contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis |
| **"CSO"** | contract sales organization, an entity that provides a series of services and solutions related to marketing and sales activities under contracts with pharmaceutical, biotechnology, and medical device companies |
| **"DNA"** | deoxyribonucleic acid, a self-replicating material which is present in nearly all living organisms as the main constituent of chromosomes. It is the carrier of genetic information |
| **"FIT"** | fecal immunochemical test |
| **"GFA"** | gross floor area |
| **"GMP"** | good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification |
| **"H. pylori"** | Helicobacter pylori, a pathogenic bacteria |
| **"IVD"** | in vitro diagnostics products, including platforms and assays |
| **"KOLs"** | acronym for Key Opinion Leaders; refers to renowned physicians that influence their peers' medical practice |

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors
Mr. YeQing ZHU
*(Chairman and Chief Executive Officer)*
Dr. Yiyou CHEN

### Non-executive Directors
Mr. Naxin YAO
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
*(resigned on February 28, 2022)*

### Independent non-executive Directors
Mr. Danke YU
Prof. Hong WU
Dr. Kwok Tung LI, Donald, *S.B.S, J.P*

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
13/F, T1 Building
400 Jiang'er Road
Binjiang District
Hangzhou
Zhejiang
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

## REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL SHARE REGISTRAR
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## COMPLIANCE ADVISOR
Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

## PRINCIPAL BANKS
China Merchants Bank
*Shenzhen Offshore Banking Department*
No. 7088 Shennan Road
Futian District
Shenzhen 518040
PRC

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

## JOINT COMPANY SECRETARIES
Mr. Yu GAO
Ms. Ming Wai MOK

## AUTHORIZED REPRESENTATIVES
Mr. YeQing ZHU
Ms. Ming Wai MOK

## AUDIT COMMITTEE
Mr. Danke YU *(Chairperson)*
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
*(resigned on February 28, 2022)*
Dr. Kwok Tung LI, Donald, *S.B.S, J.P*
Mr. Naxin YAO *(appointed on February 28, 2022)*

## REMUNERATION COMMITTEE
Prof. Hong WU *(Chairperson)*
Mr. YeQing ZHU *(resigned on June 20, 2022)*
Mr. Danke YU
Dr. Yiyou CHEN *(appointed on June 20, 2022)*

## NOMINATION COMMITTEE
Mr. YeQing ZHU *(Chairperson)*
*(appointed on June 20, 2022)*
Dr. Yiyou CHEN *(Chairperson)*
*(resigned on June 20, 2022)*
Prof. Hong WU
Mr. Danke YU

## STOCK CODE
6606

## AUDITOR
Deloitte Touche Tohmatsu
*Registered Public Interest Entity Auditors*
35/F, One Pacific Place 88 Queensway
Hong Kong

## COMPANY WEBSITE
ir.newhorizonbio.com

# Financial Highlights

| | As at December 31/For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | **2022** |
| | (RMB in millions, except for percentage) | | | | |
| **Revenue** | 18.8 | 58.3 | 70.6 | 212.8 | **765.0** |
| *Mainland China* | 18.8 | 58.3 | 70.6 | 212.8 | **764.4** |
| ColoClear | 14.4 | 39.1 | 37.6 | 97.2 | **356.0** |
| Pupu Tube | 4.4 | 15.1 | 31.8 | 115.5 | **200.6** |
| UU Tube | – | – | – | – | **207.8** |
| *International* | – | – | – | – | **0.6** |
| **Gross Profit Margin** | 20.4% | 58.9% | 52.8% | 72.7% | **84.5%** |
| *Mainland China* | 20.4% | 58.9% | 52.8% | 72.7% | **84.5%** |
| ColoClear | 22.0% | 69.3% | 66.9% | 76.0% | **83.4%** |
| Pupu Tube | 38.0% | 41.3% | 45.8% | 71.5% | **82.1%** |
| UU Tube | – | – | – | – | **90.7%** |
| *International* | – | – | – | – | **49.1%** |
| **Selling & Marketing Expenses[1]** | 25.1 | 73.2 | 62.6 | 267.9 | **539.4** |
| % of Revenue | 133.3% | 125.6% | 88.7% | 125.9% | **70.5%** |
| **Research & Development Expenses[1]** | 14.2 | 25.2 | 23.4 | 55.0 | **87.9** |
| % of Revenue | 75.4% | 43.2% | 33.2% | 25.8% | **11.5%** |
| **Administrative Expenses[1]** | 43.1 | 47.1 | 66.7 | 93.0 | **113.4** |
| % of Revenue | 229.1% | 80.7% | 94.4% | 43.7% | **14.8%** |
| **Adjusted Net Income[2]** | (77.1) | (128.8) | (131.0) | (259.2) | **(104.6)** |
| Minus: Share-based payment expenses[3] | | | | | |
| Selling & Marketing Expenses | 0.9 | 2.4 | 2.5 | 3.5 | **15.7** |
| Research & Development Expenses | 0.6 | 1.2 | 1.9 | 3.9 | **6.7** |
| Administrative Expenses | 2.9 | 6.8 | 10.3 | 16.3 | **46.2** |
| Add: Net Foreign Exchange Gain (Loss) | 0.1 | 4.3 | (37.3) | (26.2) | **92.9** |
| Minus: Listing Expenses | – | 0.3 | 26.9 | 19.2 | **–** |
| Minus: Fair Value (Gain) Loss on Preferred Shares | 151.1 | (48.3) | 578.8 | 2,757.0 | **–** |
| Minus: Fair value (Gain) Loss on changes of other financial liabilities | (7.6) | 19.6 | – | – | **–** |
| **IFRS Net Income** | (224.9) | (106.5) | (788.7) | (3,085.3) | **(80.3)** |
| **Cash and Selected Financial Assets[4]** | 76.7 | 347.0 | 582.3 | 1,892.1 | **1,572.7** |

Notes:

1. Items exclude share-based payment expenses.

2. We consider fair value (gain) loss on preferred shares, fair value (gain) loss on changes of other financial liabilities, 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. This is presented in accordance with the non-IFRS measures, for details, please refer to the subsection headed "Non-IFRS Measures" in this announcement.

3. Items include share-based payment expenses in selling and marketing expenses, research and development expenses and administrative expenses.

4. Cash and Selected Financial Assets includes cash and cash equivalents, time deposits over three months, structured deposits and pledged bank deposits in financial statement. In January 2023, the Company received total net proceeds of HK$775 million (equivalent to RMB670 million) from the subscription as disclosed in events after the reporting period. The pro forma balance of Cash and Selected Financial Assets as at December 31, 2022 is RMB2,242.7 million.

# Founders' Statement


March 13, 2023

Dear shareholders,

2022 was an unusual year for the Company. Despite the sustained COVID-19 disruptions, we strove to achieve Company's growth certainty in an uncertain macro environment. Our annual revenue has reached nearly 11 times from that of 2020, the year just prior to our IPO, with over 220% growth during the past two years consecutively. The gross profit margin for each product has improved significantly, and the overall gross profit margin of the Company has increased by 32 percentage points.

On the commercial side, we have established the only cancer screening focused sales team in China which expanded from less than 100 people at the time of IPO in 2021 to 450 people by 2022; more importantly, we have built a comprehensive sales force platform that enables recruiting, training, and sales operations; with our commercial success in clinical channel and DTC channel, we are highly confident of our commercialization outlook in 2023 and beyond.

As a leader in China's cancer screening and a pioneer in home testing, creating value for shareholders and providing consumers with more high-quality products has always been our top priority. We are pleased to report business performance in 2022:

- ColoClear, our colorectal cancer screening molecular test targeting 120 million high-risk population in China, recorded revenue of RMB764.4 million (an increase of 259.3% compared to the same period last year) and gross profit margin of 83.4% (an increase of 7.4 percentage points compared to the same period last year).

- Pupu Tube, our FIT self-test targeting 633 million average-risk population in China, recorded revenue of RMB200.6 million (an increase of 73.7% compared to the same period last year) and gross profit margin of 82.1% (an increase of 10.6 percentage points compared to the same period last year).

- UU Tube, our H.Pylori self-test product, was approved by the NMPA (National Medical Products Administration) as a Class III medical device in January 2022,recorded revenue of RMB207.8 million and gross profit margin of 90.7%.

In addition to the mainland China market, ColoClear, UU tube and CerviClear have been commercialized through local partnerships in the Hong Kong market in 2022 and first quarter of 2023 respectively.

In terms of R&D progress, we continue to invest in our proprietary multi-omics platform and continue to optimize pipeline products to enter the next stage:

- In February 2022, FIT-DNA was recommended by the newly released clinical guidelines "China Cancer Integrated Diagnosis and Treatment Guidelines"(《中國腫瘤整合診治指南》) by China Anti-Cancer Association. This guideline is the third recommendation for FIT-DNA for colorectal cancer screening in China's clinical guidelines for diagnosis and treatment, making ColoClear the only screening product recommended by all three clinical guidelines on colorectal cancer diagnosis and treatment, further establishing the clinical utility and authority of our products.

- In June 2022, our urine self-sampling cervical cancer screening test CerviClear has started registration trials and recruited its first trial participant in November 2022.

- In November 2022, we launched a pan-cancer early detection clinical project ("**PANDA project**") with Peking University Medical School targeting more than 22 types of cancers in China.

- In January 2023, our Company established (1) a research and development center in Hong Kong mainly engaged in cancer screening pipeline research and development, aiming to expand international markets outside mainland China; (2) New Horizon Health Research Institute in Hong Kong focusing on early research and aiming to use disruptive technology platforms to promote next-generation molecular diagnostics.

- In February 2023, CerviClear obtained CE Mark.

With our robust business system and product pipeline, we expect the Company to maintain high growth rate in 2023 and scale the Company to a new level. Finally, on behalf of the Company's Board and all employees, we would like to express our sincere thanks to you for your continued trust and support. We also thank our business partners for their support over the years. We will continue to work hard to reward shareholders' support, consumers' trust and partners' understanding.

Sincerely,

**Mr. YeQing Zhu**
*Chairman and Chief Executive Officer*

**Dr. Yiyou Chen**
*Chief Scientific Officer*

# 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 March 10, 2023, (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 in January 2022. 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, and the first participant was enrolled in November 2022.

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[4] | Late Stage Development[5] | Registrational Trial | NMPA Approval |
| **ColoClear[1]** | **Colorectal Cancer** | **Stool** | **FIT-DNA** | ✓ | | | | |
| **Pupu Tube[2]** | **Colorectal Cancer** | **Stool** | **FIT** | ✓ | | | | |
| **UU Tube[3]** | **Gastric Cancer** | **Stool** | **Immuno-based** | ✓ | | | | |
| CerviClear | Cervical Cancer | Urine | qPCR | ✓ | | | | |
| LiverClear | Liver Cancer | Blood | Multi-omics | ✓ | | | | |
| NPClear | Nasopharyngeal Cancer | Nasal Swab | qPCR | ✓ | | | | |
| MCED | Pan Cancer | Blood | Multi-omics | ✓ | | | | |
| Other Undisclosed | Other Undisclosed Cancer Types | Undisclosed | Multi-omics | ✓ | | | | |

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. In November 2022, the first participant was enrolled. 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 expect to initiate the registrational clinical trial in 2024.

**WE MAY NOT BE ABLE TO ULTIMATELY MARKET LIVERCLEAR SUCCESSFULLY.**

***NPClear***

We started our pre-clinical study of NPClear, a non-invasive screening test using nasopharyngeal swab for nasopharyngeal cancer. We plan to carry out a series of clinical studies after the product is finalized in June 2023, and aim to initiate registration trial in June 2024 and proceed to obtain NMPA and new drug application approval in June 2025.

**WE MAY NOT BE ABLE TO ULTIMATELY MARKET NPCLEAR SUCCESSFULLY.**

***PANDA Program***

We launched a pan-cancer early detection program (PANDA program) in 2022 and aim to complete the program in six years at least, with a total investment expected to exceed RMB200 million and with 50,000 participants enrolled. The program will be divided into four phases: (i) 7,500 participants will be retrospectively enrolled in the algorithm model establishment phase (PANDA-1); (ii) 5,000 participants will be retrospectively enrolled in the model optimization and finalization phase (PANDA-2); (iii) 17,500 participants will be prospectively enrolled in the model independent validation phase (PANDA-3); and (iv) 20,000 participants will be enrolled in the real-world cohort study phase (PANDA-4).

**WE MAY NOT BE ABLE TO ULTIMATELY MARKET PAN-CANCER EARLY DETECTION 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, Hangzhou and Hong Kong, China as of the Latest Practicable Date, over 74.6% 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. Since early December 2022, the Chinese government announced certain new measures for dealing with COVID-19 which eased the restrictions previously imposed with respect to pandemic control. As a result, regional lockdowns, quarantine requirements and inter-region travel restrictions have been gradually lifted. While the relaxation of COVID-19-related pandemic control measures has allowed many offline business operations across China to resume, a surge in infection of the Chinese population also ensued. Despite the foregoing, our revenue increased. Our revenue was RMB765.0 million for the year ended December 31, 2022, representing a year-on-year increase of approximately 259.5% compared to the year ended December 31, 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 revenue-recognized volume of ColoClear accelerated in 2022, which was approximately 361,400 units, representing a 150.1% increase over the same period in 2021. The revenue-recognized 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.

With respect to Pupu Tube, the revenue-recognized volume of Pupu Tube in 2022 was 7,962,600 units, representing a year-on-year increase of 37%. The sales performance of Pupu Tube in 2022 improved continuously since the strong market demand and the cooperation with major customers leads to the increase of sales volume.

With respect to UU Tube, the revenue-recognized volume of UU Tube in 2022 was 3,550,900 units since product launch in January 2022. The sales performance of UU Tube in 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 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 report.

### 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 year ended December 31, 2022 was RMB765.0 million, representing an increase of 259.5% compared to RMB212.8 million for the year ended December 31, 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 years indicated:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| **Mainland China** | | | | |
| – ColoClear | **356,003** | **46.5** | 97,216 | 45.7 |
| – Pupu tube | **200,607** | **26.2** | 115,466 | 54.3 |
| – UU tube | **207,771** | **27.2** | – | – |
| – Others | **15** | **–** | 79 | – |
| | **764,396** | **99.9** | 212,761 | 100.0 |
| **International**[1] | **564** | **0.1** | – | – |
| | **764,960** | **100.0** | 212,761 | 100.0 |

Note:

1: Amount represents sales of ColoClear.

For ColoClear, revenue was RMB356.6 million for the year ended December 31, 2022, as compared to RMB97.2 million for the year ended December 31, 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). Specifically, for the year ended December 31, 2022, hospital channel has become the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.The revenue-recognized volume of ColoClear also increased significantly in 2022, which was approximately 361,400 units, representing a 150.1% year-on-year increase over the same period in 2021.

For Pupu Tube, revenue was RMB200.6 million for the year ended December 31, 2022, as compared to RMB115.5 million for the year ended December 31, 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 checkup centers.

For UU Tube, revenue was RMB207.8 million for the year ended December 31, 2022 since the product launch in January 2022, primarily attributable to (a) the increase in volume of UU Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health checkup centers.

## 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 year ended December 31, 2022 was RMB118.8 million, representing an increase of 104.4% compared to RMB58.1 million for the year ended December 31, 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 a percentage of our total cost of sales for the years indicated:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| **Mainland China** | | | | |
| – ColoClear | **59,016** | **49.7** | 23,302 | 40.1 |
| – Pupu tube | **35,965** | **30.3** | 32,866 | 56.6 |
| – UU tube | **19,399** | **16.3** | – | – |
| – Others | **440** | **0.4** | 492 | 0.8 |
| – Write-down of inventories | **3,683** | **3.1** | 1,456 | 2.5 |
| | **118,503** | **99.8** | 58,116 | 100.0 |
| **International**[1] | **287** | **0.2** | – | – |
| | **118,790** | **100.0** | 58,116 | 100.0 |

Note:

1: Amount represents sales of ColoClear.

Our costs of sales of ColoClear increased from RMB23.3 million for the year ended December 31, 2021 to RMB59.3 million for the year ended December 31, 2022, representing a year-over-year increase of 154.5%. Our costs of sales of Pupu Tube increased from RMB32.9 million for the year ended December 31, 2021 to RMB36.0 million for the year ended December 31, 2022, representing a year-over-year increase of 9.4%, primarily due to the increase of sales volume. Our costs of sales of UU Tube for the year ended December 31, 2022 was RMB19.4 million since product launch in January 2022. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories increased from RMB1.5 million for the year ended December 31, 2021 to RMB3.7 million for the year ended December 31, 2022, representing a year-over-year increase of 153.0%, which was primarily due to the increase in revenue and shipments in channels which lead to higher write-down of inventories.

### Gross Profit and Gross Profit Margin

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

For the year ended December 31, 2022, the gross profit was RMB646.2 million, representing an increase of approximately 317.8% from RMB154.6 million for the year ended December 31, 2021. Gross profit margin was 84.5% for the year ended December 31, 2022, and expanded by approximately 1,180 bps from 72.7% for the year ended December 31, 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 years indicated:

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | **Gross profit** *RMB'000* | **Gross profit margin** *%* | Gross profit *RMB'000* | Gross profit margin *%* |
| **Mainland China** | | | | |
| – ColoClear | **296,987** | **83.4** | 73,914 | 76.0 |
| – Pupu tube | **164,642** | **82.1** | 82,600 | 71.5 |
| – UU tube | **188,372** | **90.7** | – | – |
| – Others | **(425)** | **n/m[1]** | (413) | n/m[1] |
| **International[2]** | **277** | **49.1** | – | – |

Notes:

1: "n/m" denotes "not meaningful".

2: Amount represents sales of ColoClear.

For ColoClear, the gross profit margin was 83.4% for the year ended December 31, 2022, as compared to 76.0% 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. Specifically, for the year ended December 31, 2022, hospital channel has become the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.

For Pupu Tube, the gross profit margin was 82.1% for the year ended December 31, 2022, as compared to 71.5% for the year ended December 31, 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 90.7% for the year ended December 31, 2022 since product launch in January 2022.

### Other gains and losses

Our other gains and losses consist of fair value loss of preferred shares, net foreign exchange loss or gain and others. The Group's other gains and losses for the year ended December 31, 2022 was a gain of RMB96.2 million, compared to a loss of RMB2,789.5 million for the year ended December 31, 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 year ended December 31, 2022 was RMB16.0 million, representing a decrease of 29.5% compared to RMB22.7 million for the year ended December 31, 2021. The decrease was primarily attributable to the decrease in monetary funds.

### 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 year ended December 31, 2022 was RMB555.1 million, representing an increase of 104.5% compared to RMB271.4 million for the year ended December 31, 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 the Group primarily consist of staff cost, clinical trial and service expenses, cost of research and development materials and equipment and other expenses.

The Group's research and development expenses for the year ended December 31, 2022 was RMB94.6 million, representing an increase of 60.6% compared to RMB58.9 million for the year ended December 31, 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 years indicated:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | **%** | *RMB'000* | *%* |
| **Research and development expenses** | | | | |
| Staff costs | **44,685** | **47.2** | 22,699 | 38.5 |
| Cost of research and development materials and equipment | **33,910** | **35.9** | 25,880 | 43.9 |
| Clinical trials and service expenses | **11,716** | **12.4** | 5,992 | 10.2 |
| Others | **4,289** | **4.5** | 4,332 | 7.4 |
| **Total** | **94,600** | **100.0** | 58,903 | 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 the Group primarily consist of staff cost, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the year ended December 31, 2022 was RMB159.6 million, representing an increase of 46.0% compared to RMB109.3 million for the year ended December 31, 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 year ended December 31, 2022 was RMB21.4 million, representing an increase of 223.1% compared to RMB6.6 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in trade receivables which is due to the deteriorated cash flow of the Group's customers which were affected by the COVID-19 pandemic.

### Finance Costs

The Group's finance costs for the year ended December 31, 2022 was RMB7.4 million, representing a decrease of approximately 5.1% compared to RMB7.8 million for the year ended December 31, 2021. The decrease was primarily attributable to the decrease of bank borrowing rates.

### Income Tax Expense

The Group's income tax expense for the year ended December 31, 2022 was RMB0.7 million, compared to the income tax expense of nil for the year ended December 31, 2021.

### Non-IFRS Measures

To supplement our consolidated statement of profit or loss and other comprehensive income which are presented in accordance with the 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 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 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. 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 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 year to our adjusted net loss for the years indicated:

| | For the year ended December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Net loss for the year** | **(80,313)** | (3,085,336) |
| Net foreign exchange gain/loss | **(92,857)** | 26,172 |
| Fair value loss on Preferred Shares | – | 2,757,028 |
| Share-based payment expenses[1] | **68,595** | 23,698 |
| Listing expenses | – | 19,217 |
| **Adjusted net loss[2]** | **(104,575)** | (259,221) |

Notes:

1: Item includes share-based payment expenses in selling and marketing expenses, research and 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, net foreign exchange gain/loss 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.

There is no foreign currency net investments are hedged by currency borrowings and other hedging instruments.

### Liquidity and Financial Resources

The Group's time deposits over three months, pledged bank deposits, as well as cash and cash equivalents as at December 31, 2022 were RMB1,572.7 million, representing a decrease of 16.4% 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.

As at December 31, 2022, our secured bank borrowing was RMB180 million. In 2022, the Group entered into a new loan agreement. Pursuant to the agreement, the Group is required to place pledged bank deposits in USD amounting to 1.1 times the carrying amount of the bank borrowings, which carried a fixed interest rate of 3.9% per annum, as security to the existing bank borrowings with carrying amount of RMB180,000,000.

As at December 31, 2021, our secured bank borrowing was RMB79.5 million. The bank borrowing was unguaranteed, originally repayable by monthly installments and to be mature in November 2022, and carried with an original fixed rate interest rate of 6.5% per annum. Pursuant to a supplemental agreement dated 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, upon the Listing, the Group was required to pay a 2% fee calculated based on the maximum amount of the borrowing drawdown by the Group during the loan period ("**Success Fee**"). During the year ended December 31, 2022, the Group had fully repaid the borrowing at its maturity date.

At December 31, 2022, we had utilized RMB180 million from our banking facilities, and RMB40 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.

The Company is aware that the Federal Deposit Insurance Corp. has taken control of Silicon Valley Bank ("**SVB**") due to liquidity concerns. The Company does not hold cash deposits or securities with SVB, and it does not have any business relationship with SVB.

### Gearing ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at December 31, 2022 was 18%, representing an increase of 8% 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.

## Significant Investments Held

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

## Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

## Employee and Remuneration Policy

As at December 31, 2022, the Group had 878 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 Reporting Period, the total staff costs (including Directors' emoluments) were approximately RMB312.8 million (for the year ended December 31, 2021: RMB186.0 million).

## Future Plans Relating to Material Investment or Capital Asset

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

## Capital Expenditure and Commitments

The Group's capital expenditures in 2022 primarily related to purchase of property, plant and equipment, and intangible assets. In 2022, the Group incurred RMB53.8 million in relation to capital expenditures as compared to RMB37.1 million in 2021.

## Contingent Liabilities

The Group had no material contingent liability as of December 31, 2022.

## Charges on Group Assets

As at December 31, 2022, the Group did not have any other charges over its assets.

## 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, esophageal 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 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 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.

## EVENTS AFTER THE REPORTING PERIOD

In January 2023, the Company conducted a top-up placing with 27,543,000 shares of the Company placed to no less than six placees under the general mandate at the placing price of HK$28.38 per share on January 20, 2023 and top-up subscription of 27,543,000 new shares at the subscription price of HK$28.38 per share on January 30, 2023.

In January 2023, UU Tube started partnership with PHASE Scientific for marketing and sales of UU Tube in Hong Kong.

In January 2023, the Company established (1) a R&D Center in Hong Kong, mainly engaged in the research and development of cancer screening pipeline, targeting to expanding international market beyond mainland China and (2) New Horizon Health Research Institute based in Hong Kong, which focuses on early stage research and aims to enable next-generation molecular diagnostics with disruptive technology platforms.

In February 2023, CerviClear obtained CE Mark.

In March 2023, CerviClear was launched for sale in Hong Kong.

Save as disclosed the above, there were no other significant events occurred subsequent to December 31, 2022 and up to the date of this report.

## EXECUTIVE DIRECTORS

**Mr. YeQing ZHU (朱葉青)**, aged 51, is a co-founder of our Group. Mr. Zhu founded our Group in 2015 and was appointed as the Chief Executive Officer of the Company on June 7, 2018. Mr. Zhu was designated as an executive Director on October 9, 2020. Mr. Zhu was appointed as the Chairman of the Board on June 20, 2022. Mr. Zhu currently acts as the chairman of the Nomination Committee.

From July 1996 to September 1999, Mr. Zhu worked as a sales manager at the Beijing office of Samsung Corporation (now known as Samsung C&T Corporation) (三星物產北京辦事處). From August 2000 to December 2013, Mr. Zhu held a number of positions including managing director at GE (China) Co., Ltd. (通用電氣(中國)有限公司). Mr. Zhu has served as a director at Hangzhou Nuohui since 2015, a director at Beijing Xincheng, Beijing Nuoan Lab and Hangzhou Nuokang Lab since 2016 and a director at Guangzhou Nuohui Lab since 2019, all four of which are subsidiaries of the Company. He is currently a council member of the Cancer Foundation of China.

Mr. Zhu received his Bachelor's degree in Biochemistry at Peking University in the PRC in July 1992, and obtained his Master's degree in Business Administration from Guanghua School of Management of Peking University in the PRC in July 2001.

**Dr. Yiyou CHEN (陳一友)**, aged 51, is a co-founder of our Group. Dr. Chen founded our Group in 2015 and was appointed as Chief Scientific Officer of the Company on June 7, 2018. Dr. Chen was designated as an executive Director on October 9, 2020. Dr. Chen also served as the Chairman of the Board from June 7, 2018 to June 20, 2022. Dr. Chen ceased to be the chairman of the Nomination Committee since June 20, 2022 and currently acts as a member of the Remuneration Committee.

Dr. Chen began his career at Genencor International Inc., where he served in various positions including drug discovery project leader and research team member from 1998 to 2003. In 2003, Dr. Chen co-founded Starvax Inc., a biotechnology company which is no longer in operation, and served as the chief scientific officer from its inception to 2006 responsible for leading the entire drug discovery portfolio including prophylaxis vaccine for SARS-CoV-1 and immunotherapeutics for cancer. In 2006, Dr. Chen co-founded Crown Bioscience Inc., a drug discovery and development company currently with facilities in North America, Europe and Asia, and served as the chief scientific officer from its inception to 2012 responsible for leading various drug discovery and research projects including a monoclonal antibody for the potential treatment of acute myeloid leukemia. Dr. Chen presently does not hold any shareholding interests in Starvax Inc. or Crown Bioscience Inc., nor is he involved in their management.

Since March 2013, Dr. Chen has served as a board member of Med Data Quest, Inc., a company engaged in the application of artificial intelligence to improve the healthcare system. Since April 2013, Dr. Chen has served as a director at Beijing Percans Oncology Co., Ltd.(北京智康博藥腫瘤醫學研究有限公司), a company engaged in the research and development of tumour-related medication and medical services. In September 2014, Dr. Chen co-founded Rejuven Dermaceutical Co., Ltd. (杭州觀蘇生物技術有限公司), a company engaged in the research, development and application of novel biologics particularly in the area of medical aesthetics, where he successively served as a director and a supervisor until October 2020 and in which he presently holds a less than 10% equity interest through a wholly-owned entity. Dr. Chen's responsibilities as a director included budget approval and engaging in strategic discussions, whereas as a supervisor, he was responsible for ensuring that management operation and board procedures were carried out in compliance with the company charter. Since May 2018, Dr. Chen has served as a director at Cothera Bioscience, Inc., a company engaged in the research and development of combination therapies for treating cancer. To the best knowledge of the Directors, none of the companies co-founded by Dr. Chen listed above engages in any business that compete or is likely to compete, either directly or indirectly, with the business of the Company.

Dr. Chen has served as a director at NHJK Holding Corporation Limited and Hangzhou Nuohui since 2015 and a director at NH Health USA Inc. since 2019, all three of which are subsidiaries of the Company. With his more than 20 years of research and development experience in the oncology space, Dr. Chen is the inventor of six patents in the U.S. and over 20 patent applications globally, and has authored multiple papers published in peer reviewed medical journals. He is also one of the founding members of the BayHelix Group.

Dr. Chen received his Bachelor's degree in Biochemistry from Peking University in the PRC in July 1992, and obtained his Doctoral degree in Experimental Pathology from the University of Utah in the United States in July 1997.

## NON-EXECUTIVE DIRECTOR

**Mr. Naxin YAO (姚納新)**, aged 52, joined our Group on November 19, 2015. Mr. Yao was designated as a non-executive Director on October 9, 2020. Mr. Yao currently acts as a member of the Audit Committee.

Mr. Yao served in various positions at a number of companies in China and the U.S. during the 1990s to early 2000s. Mr. Yao then co-founded Focused Photonics (Hangzhou), Inc. (聚光科技(杭州)股份有限公司), a company listed on the ChiNext board of Shenzhen Stock Exchange (stock code: 300203), where he served as director and general manager between January 2002 and June 2015. Mr. Yao also served as executive director and general manager at Hangzhou Focused Photonics Environmental Technology Co., Ltd. (杭州聚光環保科技有限公司), a company engaged in product and software development of opto-mechatronics, from December 2007 to June 2019.

Since the 2000s, Mr. Yao has served many directorships at companies operating in various industries, including information technology, environmental technology, biotechnology and investment management. The directorships that Mr. Yao currently serves include: executive director and general manager at Zhejiang Pudu Science And Technology Co., Ltd. (浙江普渡科技有限公司) since August 2009, which is an investment company involved in technology development and corporate governance consultancy; executive director at Hangzhou Haibang Yinzhi Investment Management Co., Ltd. (杭州海邦引智投資管理有限公司) since June 2012, which is an investment management company providing investment and corporate governance consultancy; vice-Chairman of the board at Rejuven Dermaceutical Co., Ltd. (杭州觀蘇生物技術有限公司) since September 2014, a company engaged in the research, development and application of novel biologics particularly in the area of medical aesthetics; and director at Hangzhou Yuyuan Life Technology Co., Ltd. (杭州育源生命科技有限公司) since November 2018, a company engaged in biotechnology product development and services.

Mr. Yao received his Bachelor's degree in Cell Biology and Genetic Engineering from Peking University in the PRC in July 1992, and obtained a Master's Degree from the University of California, Berkeley in the United States in Nutrition in May 1998. Mr. Yao also obtained a Master's Degree from Stanford University in the United States in Management in June 2003.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Danke YU (余丹柯)**, aged 53, was appointed as an independent non-executive Director with effect from February 5, 2021. Mr. Yu currently acts as the chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee.

Between July 1995 and June 2007, Mr. Yu served various finance roles within General Electric Company, including acting as finance director for acquisition integration within the Asia Pacific region, finance project manager for global finance at the group's energy business headquarters, and chief financial officer of General Electric Infrastructure China. Between July 2007 and August 2009, Mr. Yu served as chief financial officer at Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a wind turbine technology and energy solutions provider, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002202) and Hong Kong Stock Exchange (stock code: 2208). Between September 2009 and July 2012, Mr. Yu served as a renewable energy consultant in Melbourne, Australia, where he was a senior advisor to a Hong Kong-based private equity firm, and provided consulting services to international investors on the Chinese wind energy industry through the Gerson Lehrman Group Council. Between July 2012 and January 2016, Mr. Yu served as chief financial officer and general manager at Lightway Australia Pty Ltd, based in Melbourne and Beijing, where he led the restructuring of a US$50 million revenue business. Between February 2016 and February 2017, Mr. Yu served as chief financial officer at the downstream business unit of Trina Solar Limited, where he led the finance team of the solar power project development business. Between June 2017 and May 2018, Mr. Yu worked as chief financial officer at the Wison Group in Shanghai, where he undertook overall finance leadership responsibility. Mr. Yu is currently a freelance consultant in the field of international mergers and acquisitions.

Mr. Yu obtained his Bachelor's degree in Economics from Nanjing University in the PRC in July 1991.

**Prof. Hong WU (吳虹)**, aged 65, was appointed as an independent non-executive Director with effect from February 5, 2021. Prof. Wu is a Chair Professor and former Dean of the School of Life Sciences at Peking University. Prof. Wu is also the chairlady of the Remuneration Committee and a member of the Nomination Committee.

Prof. Wu worked at the David Geffen School of Medicine at the University of California, Los Angeles from 1996 to 2013, where she successively held the positions of Assistant Professor, Associate Professor and tenured endowed Full Professor of Molecular and Medical Pharmacology, and was named the inaugural holder of the David Geffen Chair in Medical Research. During her tenure, Prof. Wu also served as the Associate Director of the Genitourinary Oncology Program Area at the Jonsson Comprehensive Cancer Center, as well as the Associate Director for Research and then the Director of the Institute for Molecular Medicine. Prof. Wu served as the Dean of the School of Life Sciences at Peking University between 2013 and 2023.

Prof. Wu first obtained her Bachelor of Medicine degree from the Beijing Medical College, China in July 1983. Prof. Wu then obtained her Doctoral degree in Biological Chemistry and Molecular Pharmacology from Harvard Medical School in the United States in June 1991. Between 1991 and 1996, Prof. Wu was as a postdoctoral fellow at the Whitehead Institute for Biomedical Research, Massachusetts Institute of Technology in the United States.

Prof. Wu holds a number of honorary positions, including Associate Member of the European Molecular Biology Organisation since 2016, and Fellow of the American Association for the Advancement of Science since 2011.

# Biographies of Directors and Senior Management

**Dr. Donald Kwok Tung LI (李國棟)**, *s.b.s., j.p.*, aged 68, was appointed as an independent non-executive Director with effect from February 5, 2021. Dr. Li currently acts as a member of the Audit Committee.

Dr. Li is a specialist in Family Medicine in private practice in Hong Kong.

Dr. Li has been a council member of Hong Kong St. John Ambulance since June 2000, the director of Hong Kong St. John Ambulance Association since June 2017, the president of the World Organisation of Family Physicians (WONCA) from November 2018 to October 2021, and the president of the Hong Kong Academy of Medicine from December 2012 to December 2016. Dr. Li is an honorary steward of the Hong Kong Jockey Club. He is also the chairman of Action Committee Against Narcotics and the chairman of Elderly Commission, which are advisory committees under the Government of Hong Kong. He had served as the chairman of the board of directors of Hong Kong Sheng Kung Hui Welfare Association Limited and is now an advisor of the board and executive committee of such company.

Since November 2015, Dr. Li has served as an independent non-executive director of UMP Healthcare Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 722). Since December 2017, Dr. Li has served as an independent non-executive director of C-MER Eye Care Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3309) and since December 2020, Dr. Li has served as an independent non-executive director of Sino Biopharmaceutical Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1177).

Dr. Li received his Bachelor of Arts degree from Cornell University in the United States in June 1975. In August 1980, Dr. Li obtained his Bachelor of Medicine and Bachelor of Surgery degree from The University of Hong Kong. Dr. Li has been a Fellow of The Hong Kong College of General Practitioners (now known as the Hong Kong College of Family Physicians) since September 1987, Fellow of the Hong Kong Academy of Medicine in the specialty of Family Medicine since December 1993, Honorary Fellow of the College of Dental Surgeons of Hong Kong since 2004, Honorary Fellow of the Royal Australian College of General Practitioners since September 2005, Honorary Fellow of the Hong Kong College of Family Physicians since May 2007, Fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom since February 2010, Registered Mainland China Medical Practitioner since November 2012, Fellow of the American College of Physicians since September 2015, Honorary University Fellow of The University of Hong Kong since September 2015, Honorary Fellow of the Chinese University of Hong Kong since June 2016 and Honorary Fellow of the Hong Kong Academy of Medicine since December 2017.

## SENIOR MANAGEMENT

**Dr. Yiyou CHEN (陳一友)**, aged 51, is a co-founder of our Group. Dr. Chen founded our Group in 2015 and was appointed as Chief Scientific Officer of the Company on June 7, 2018. Dr. Chen was designated as an executive Director on October 9, 2020. Dr. Chen also served as the Chairman of the Board from June 7, 2018 to June 20, 2022. For further details, please see the paragraphs headed "Executive Directors" in this section.

**Mr. YeQing ZHU (朱葉青)**, aged 51, is a co-founder of our Group. Mr. Zhu founded our Group in 2015 and was appointed as the Chief Executive Officer of the Company on June 7, 2018. Mr. Zhu was designated as an executive Director on October 9, 2020. Mr. Zhu was appointed as the Chairman of the Board on June 20, 2022. For further details, please see the paragraphs headed "Executive Directors" in this section.

**Mr. Yu GAO (高煜)**, aged 40, has been the Chief Financial Officer of our Group since June 1, 2020. He is also one of our joint company secretaries since October 9, 2020.

Mr. Gao has over 15 years of healthcare industry experience as a private equity investor, an investment banker, and a management consultant. Prior to joining our Group in 2020, Mr. Gao was a vice-president at FountainVest Partners (方源資本) in Shanghai, focusing on buyout and growth-stage healthcare equity investments globally across medical device, biotechnology, and healthcare service sectors since 2016. From 2014 to 2016, Mr. Gao was an investment banking associate at Bank of America Merrill Lynch in New York, advising healthcare clients on initial public offerings, merger and acquisitions, hostile defense, and other strategic transactions. From 2007 to 2014, Mr. Gao served as a business consultant and various other roles at ZS Associates in New York, advising healthcare clients on commercial strategies, sales operations, and post-merger integrations.

Mr. Gao received his Bachelor's degree in Electrical Engineering from Shanghai Jiao Tong University in the PRC in July 2005, his Master's degree in Science from Purdue University in the United States in December 2006, and his Master's degree in Business Administration from Columbia Business School in the United States in May 2014.

**Dr. Ning LU (呂寧)**, aged 52, has been the Chief Technology Officer of our Group since November 19, 2015. Dr. Lu built up the Company's product development capability and has been instrumental in aiding ColoClear through the clinical validation and regulatory approval process.

Dr. Lu has over 17 years of experience in molecular diagnostics and medical devices, and 11 years of experience in cutting-edge bioscience research at top-tier institutions. Prior to joining our Group in 2015 as chief technology officer of Hangzhou Nuohui, our principal operating subsidiary, Dr. Lu served as a manager at Roche Diagnostics from 2007, developing IVD products for US and European markets. From 2004 to 2007, Dr. Lu worked as a Senior Scientist in the R&D department of Quest Diagnostics. During his over a decade of IVD experience at multiple global companies including Roche Diagnostics and Quest Diagnostics, Dr. Lu has led the development of eight IVD products. Dr. Lu is one of the inventors of two patents, namely "bordetella detection assay" (published in 2009) and "HAV detection" (published in 2014).

Dr. Lu received his Bachelor's degree in Biochemistry in July 1992 from Peking University in the PRC, and then received his Doctoral degree of Philosophy in September 1999 from Duke University in the United States, where he co-authored an article titled "ELAV tumor antigen, Hel-N1, increases translation of neurofilament M mRNA and induces formation of neurites in human teratocarcinoma cells" (published in 1999). Subsequently, Dr. Lu served as a postdoctoral researcher at the Department of Biological Sciences, Stanford University where he co-authored an article titled "Localization of Tec29 to ring canals is mediated by Src64 and PtdIns(3,4,5)P3-dependent mechanisms" (published in 2004).

# Report of Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The Company is the pioneer in China's colorectal cancer screening market. ColoClear, its proprietary, non-invasive, multi-target, FIT-DNA test, is the first and only molecular cancer screening test in China approved by NMPA. ColoClear targets a 120 million high-risk colorectal cancer population in China, and enables users to collect stool sample at home and avoid invasive procedures while delivering high testing sensitivity and specificity. Founded in 2015 by its experienced founders, the Company focuses on the design, development, and commercialization of cancer screening tests, in order to capitalize on market opportunity and to address the unmet cancer screening demands in China. The Company's mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China.

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2022. Please refer to note 35 to the consolidated financial statements for details of the principal activities of the principal subsidiaries of the Group. An analysis of the Group's revenue and operating profit for the year ended December 31, 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the consolidated financial statements.

## BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2022, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended December 31, 2022, events after the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman and CEO's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

## RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on page 101 of this annual report.

The Board does not recommend the payment of a final dividend in respect of the year ended December 31, 2022.

## FINANCIAL SUMMARY

The Company's Shares were listed on the Hong Kong Stock Exchange on February 18, 2021. A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 7 of this annual report.

## PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements on page 143 of this annual report.

## KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, medical experts, patients, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

The Group conducts academic marketing activities to establish and maintain relationships with KOLs in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of Group's products in the medical community and among patients, and provide it with valuable clinical data to improve the Group's products.

For details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in a separate 2022 Environmental, Social and Governance Report of the Company (the "**2022 ESG Report**") which will be published on the same date of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control. During the year ended December 31, 2022, we did not incur any additional costs specifically attributable to environmental compliance.

Further details of the Group's environmental policies and performance are disclosed in the separate 2022 ESG Report of the Company.

## PLEDGE OF SHARES

The Company does not have any controlling shareholder. As at December 31, 2022, we did not have any pledging of shares by our largest shareholder.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements on page 159 of this annual report.

## RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 104 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 37 to the consolidated financial statements on pages 185 to 186 of this annual report.

## DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves, calculated in accordance with relevant rules and regulations, were RMB0 million.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## ISSUE FOR CASH OF EQUITY SECURITIES OR DEBTS

During the Reporting Period, neither the Company nor any of its subsidiaries has made any issue for cash of equity securities (including securities convertible into equity securities) or debts.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or relevant laws and regulations, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on February 18, 2021 and the overallotment 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 December 31, 2022, the Company has utilized HK$$1,197,896 or 54.7% 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 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$'000) (approximate)* | **Net proceeds unutilized as of January 1, 2022** *(in HK$'000) (approximate)* | **Actual use of proceeds during the year ended December 31, 2022** *(in HK$'000) (approximate)* | **Actual use of proceeds up to December 31, 2022** *(in HK$'000) (approximate)* | **Net proceeds unutilized as of December 31, 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 | 578,333 | 330,365 | 628,232 | 247,968 | 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 | 62,444 | 27,542 | 74,623 | 34,902 | 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 | 559,518 | 103,559 | 201,191 | 455,959 | 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 | 247,622 | 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 | 117,884 | 77,816 | 178,982 | 40,068 | The amount is expected to be fully utilized by second half of 2025 |
| Total | 2,190,500 | 1,565,801 | 573,197 | 1,197,896 | 992,604 | |

# Report of Directors

## DIRECTORS

The Board currently consists of the following six Directors:

### Executive Directors

Mr. YeQing ZHU *(Chairman and Chief Executive Officer)*
Dr. Yiyou CHEN

### Non-executive Director

Mr. Naxin YAO

### Independent Non-executive Directors

Mr. Danke YU
Prof. Hong WU
Dr. Donald Kwok Tung LI, *S.B.S., J.P.*

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 29 to 33 in the section headed "Biographies of Directors and Senior Management" of this annual report.

## CHANGE OF INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company under which the initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months prior notice. Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from the date of the Prospectus, being February 5, 2021. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation). Save as disclosed above, none of the Directors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## CONTRACT WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into between the Company or any of its subsidiaries and the substantial shareholders or any of its subsidiaries during the Reporting Period or subsisted on December 31, 2022 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted at December 31, 2022.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Except the Contractual Arrangements as disclosed below in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at December 31, 2022 or at any time during the Reporting Period.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Group receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. The compensation of Directors and senior management of the Group is determined based on each Director and senior management's responsibilities, qualification, position and seniority. Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements on pages 140 to 142 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director, any past Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by our Group to or on behalf of any of the Directors.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

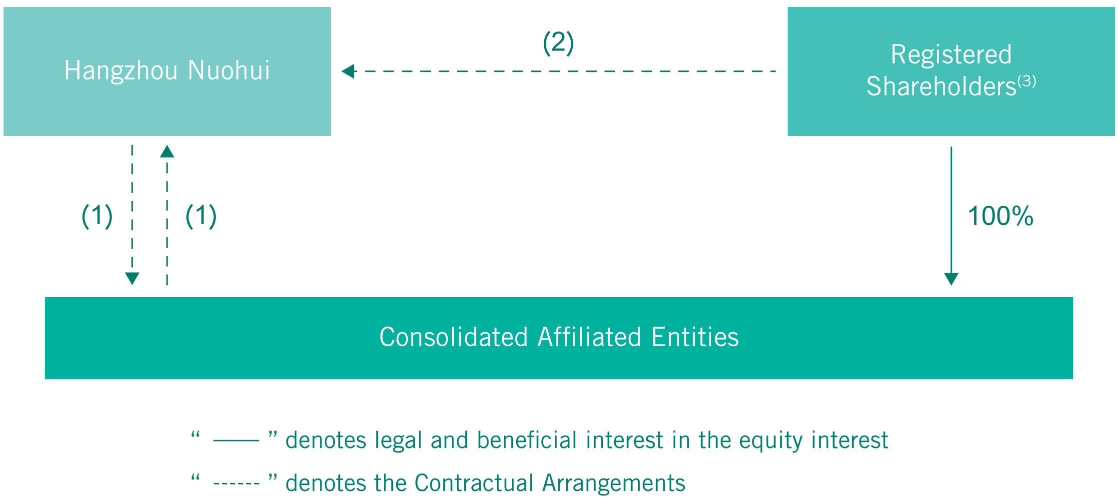
During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director of the Company and/or its subsidiaries.

From time to time, the Company's non-executive Director(s) may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Director(s) is/are neither controlling shareholders of the Company nor members of its executive management team, the Company is of the view that their interests in such companies as directors would not render the Company incapable of carrying on its business independently from the other companies in which he/they may hold directorships from time to time.

## CONTRACTUAL ARRANGEMENTS AND CONTINUING CONNECTED TRANSACTIONS

In order to comply with PRC laws and regulations while maintaining effective control over all of our operations, the Contractual Arrangements have been entered into by Hangzhou Nuohui with Beijing Xincheng and the Registered Shareholders, whereby Hangzhou Nuohui will acquire effective control over the financial and operational policies of Beijing Xincheng and will become entitled to all the economic benefits derived from its operations.

The following simplified diagram illustrates the flow of economic benefits from Beijing Xincheng to our Group stipulated under the Contractual Arrangements:




Notes:

(1) Hangzhou Nuohui provides comprehensive business support, technical services, consultancy in exchange for service fees or charges from Beijing Xincheng. Hangzhou Nuohui further agreed that, when it deems necessary, it could at its sole discretion provide financial assistance to Beijing Xincheng or assist Beijing Xincheng to obtain financial assistance. See "Contractual Arrangements – (a) Exclusive Business Cooperation Agreement" of this annual report for details.

(2) The Registered Shareholders executed option agreements in favour of Hangzhou Nuohui, for the acquisition of 100% of the equity interests in and/or assets in Beijing Xincheng. See "Contractual Arrangements – (b) Exclusive Option Agreement" of this annual report for details.

The Registered Shareholders pledged as first charge all of their respective equity interests in Beijing Xincheng to Hangzhou Nuohui as collateral security to secure performance of their obligations and Beijing Xincheng's obligations under the Contractual Arrangements. See "Contractual Arrangements – (c) Equity Pledge Agreement" of this annual report for details.

The Registered Shareholders executed powers of attorney in favour of Hangzhou Nuohui. See "Contractual Arrangements – (d) Powers of Attorney" of this annual report for details.

(3) The Registered Shareholders are Mr. YeQing ZHU ("**Mr. Zhu**"), our Chairman of the Board, CEO and one of our executive Directors, and Ms. ZHU Lijuan, the sister of Mr. Zhu. Beijing Xincheng is held as to 99% by Mr. Zhu and as to 1% by Ms. ZHU Lijuan.

A brief description of each of the specific agreements that comprise the Contractual Arrangements entered into by Hangzhou Nuohui with Beijing Xincheng and the Registered Shareholders, is set out as follows:

### (a) Exclusive Business Cooperation Agreement

Beijing Xincheng entered into the Exclusive Business Cooperation Agreement with Hangzhou Nuohui on August 12, 2020, pursuant to which Beijing Xincheng agreed to engage Hangzhou Nuohui as its exclusive provider of comprehensive business support, technical services and consultancy, in exchange for service fees or charges. Hangzhou Nuohui further agreed that, when it deems necessary, it could at its sole discretion provide financial assistance to Beijing Xincheng or assist Beijing Xincheng to obtain financial assistance. Under these arrangements, Hangzhou Nuohui will determine the service fees based on the quantity and commercial value of services provided, and may adjust the service fees at its sole discretion. The service fees are payable on a quarterly basis upon receipt of a payment bill issued.

Pursuant to the Exclusive Business Cooperation Agreement, Hangzhou Nuohui has the exclusive and complete proprietary rights to all intellectual properties developed in performance of obligations under the Exclusive Business Cooperation Agreement, whether developed by Beijing Xincheng, Hangzhou Nuohui, or jointly.

The Exclusive Business Cooperation Agreement shall remain effective until (i) the parties agree to terminate in writing; or (ii) Hangzhou Nuohui exercises its unilateral right to terminate following a breach of obligations by Beijing Xincheng in accordance with the terms of the Exclusive Business Cooperation Agreement. Subject to applicable laws and unless stated otherwise in the agreement, Beijing Xincheng does not have the right to unilaterally terminate the contract.

For the year ended December 31, 2022, under the Exclusive Business Cooperation Agreement, Hangzhou Nuohui provided financial assistance to the Consolidated Affiliated Entities (including but not limited to purchase of services and cash advances) amounting to RMB67,315,000 (2021: RMB33,107,000) and as at December 31, 2022, the balance due from the Consolidated Affiliated Entities to Hangzhou Nuohui is RMB69,127,000 (2021: RMB39,886,000).

### (b) Exclusive Option Agreement

Beijing Xincheng and its Registered Shareholders entered into the Exclusive Option Agreement with Hangzhou Nuohui on August 12, 2020, pursuant to which Hangzhou Nuohui (or any designee) was granted an irrevocable, unconditional and exclusive right to purchase all or any of the equity interest in and/or assets of Beijing Xincheng held at present or in the future for a consideration equivalent to the lowest price permitted under PRC laws at the time of purchasing. At Hangzhou Nuohui's request, the Registered Shareholders and/or Beijing Xincheng will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of Beijing Xincheng to Hangzhou Nuohui (or its designee) after Hangzhou Nuohui exercises its purchase right. Subject to relevant PRC laws and regulations, the Registered Shareholders shall compensate Hangzhou Nuohui with an amount equivalent to any purchase price, or profits, distributions, dividends or bonus received from Beijing Xincheng. Pursuant to the Exclusive Option Agreement, Beijing Xincheng and the Registered Shareholders have also entered into covenants imposing certain restrictions on Beijing Xincheng.

The Exclusive Option Agreement will remain effective until (i) all equity interests in and assets of Beijing Xincheng are transferred to Hangzhou Nuohui (and/or its designee) pursuant to the terms of the agreement; (ii) Hangzhou Nuohui agrees to termination of the agreement; or (iii) Hangzhou Nuohui exercises its unilateral right to terminate following a breach of obligations by Beijing Xincheng in accordance with the terms of the Exclusive Option Agreement. Subject to applicable laws and unless stated otherwise in the agreement, Beijing Xincheng and the Registered Shareholders do not have the right to unilaterally terminate the contract.

### (c) Equity Pledge Agreement

Beijing Xincheng and its Registered Shareholders entered into the Equity Pledge Agreement with Hangzhou Nuohui on August 12, 2020, pursuant to which Registered Shareholders pledged as first charge all of their respective equity interests in Beijing Xincheng to Hangzhou Nuohui as collateral security to secure performance of their obligations and Beijing Xincheng's obligations under the Contractual Arrangements. In addition, under the Equity Pledge Agreement, none of the Registered Shareholders nor Beijing Xincheng may transfer or permit the encumbrance of any of the equity interests in Beijing Xincheng without Hangzhou Nuohui's prior written consent.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations. The Equity Pledge Agreement will remain effective until all obligations under the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney have been fully performed.

No dividend or other distribution made by Beijing Xincheng to its Registered Shareholders.

### (d) Powers of Attorney

Pursuant to the Powers of Attorney dated August 12, 2020 each of the Registered Shareholders irrevocably authorized an individual designated by Hangzhou Nuohui to exercise all of their rights as a registered shareholder of Beijing Xincheng pursuant to applicable laws and the memorandum of association of Beijing Xincheng at the time. The Powers of Attorney also provided that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of our Group, the Powers of Attorney are granted in favour of other unrelated officers or Directors of our Group.

The Powers of Attorney remain effective until (i) Hangzhou Nuohui exercises its unilateral right to terminate following a breach of obligations by Beijing Xincheng in accordance with the terms of the Power of Attorney; or (ii) the parties agree to terminate in writing. Subject to applicable laws and unless stated otherwise in the agreement, Beijing Xincheng and the Registered Shareholders do not have the right to unilaterally terminate the contract.

### (e) Spouse Undertakings

Each of the spouses of the Registered Shareholders executed an irrevocable undertaking dated August 12, 2020, whereby he/she expressly acknowledged and undertook that, among others, (i) he/she does not hold any right or interest in any equity interests held by his/her spouse as a registered shareholder in Beijing Xincheng; (ii) he/she will not take any measures that are in conflict with the Contractual Arrangements; and (iii) if regulatory authorities demand him/her to amend the spouse undertakings, he/she will unconditionally cooperate in an overall and timely way.

Each of the spouses of the Registered Shareholders also undertook that should he/she by any reason hold any equity interest in Beijing Xincheng, he/she will be bound by, as amended from time to time, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement and the Powers of Attorney. He/she undertook to comply with the obligations of Beijing Xincheng's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon Hangzhou Nuohui's request.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and our Consolidated Affiliated Entities during the year ended December 31, 2022. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended December 31, 2022.

For the year ended December 31, 2022, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our PRC Operating Entities under the Contractual Arrangements.

The Consolidated Affiliated Entities do not contribute any revenue to the Group for the years ended December 31, 2021 and 2022. The Consolidated Affiliated Entities attributed approximate to 4.1% (2021: 2.8%) of total assets to the Group.

### Reasons for Adopting the Contractual Arrangements

We conduct business operations, including the collection of human genetic information and resources for early stage cancer screening, the research, development and application of such screening technology and test for diagnosis purposes, and the development and application of gene diagnosis and treatment technology (the "**Relevant Businesses**"), through Beijing Xincheng and its subsidiaries. Our products and tests utilize FIT-DNA, FIT, immuno-based or qPCR technologies to analyze human stool or urine samples and therefore process human tissues and specimen, which are considered as human genetic resources.

Since the Relevant Businesses are classified as foreign investment prohibited businesses under applicable PRC laws, regulations or rules, in order to comply with PRC laws and regulations and maintain effective control over our research in the R&D and application field, our Group entered into the Contractual Arrangements with Beijing Xincheng and the Registered Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and our Company's internal control procedures are adequate and effective to ensure that transactions are so conducted. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

## Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government finds that these Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to penalties or be forced to relinquish our interests in those operations.

- Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law (《中華人民共和國外商投資法》), its implementation regulations and how they may impact the viability of our current corporate structure, business, financial condition and results of operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and the Consolidated Affiliated Entity or Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use and enjoy licenses, approvals and assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The Registered Shareholders, directors and executive officers of the Consolidated Affiliated Entity may potentially have a conflict of interest with us, and they may breach their contractual arrangements with us or cause such arrangements to be amended in a manner contrary to our interests.

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

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

Our Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements, including:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the independent non-executive Directors will review the overall performance of and compliance with the Contractual Arrangements annually;
- the Company will disclose the arrangements in place and compliance with the Contractual Arrangements in our annual reports; and
- the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board in reviewing the implementation of the Contractual Arrangements, as well as in reviewing the legal compliance of Hangzhou Nuohui (as a wholly foreign owned enterprise) and the Consolidated Affiliated Entities and to deal with specific issues or matters arising from the Contractual Arrangements.

### Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Mr. Zhu (Chairman of the Board, CEO and executive Director) and Ms. Lijuan Zhu (sister of Mr. Zhu), are connected persons. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable our Group to receive the entire economic benefits derived by Beijing Xincheng;

(d) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and Beijing Xincheng, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements;

(e) we will disclose details relating to the Contractual Arrangements on an on-going basis.

For further details of the waivers granted by the Stock Exchange, please refer to the Prospectus.

### Annual Review by the Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended December 31, 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been in the ordinary and usual course of business of our Group;

(b) no dividends or other distributions have been made by Beijing Xincheng to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group; and

(c) any existing contracts, new contracts entered into, renewed or reproduced between our Group and Beijing Xincheng during the relevant financial period are on normal commercial terms or better and are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

### Confirmation from the Company's Independent Auditor

Deloitte Touche Tohmatsu, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 revised "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Equity Pledge Agreement and the Exclusive Business Cooperation Agreement for the year ended December 31, 2022 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange that nothing has come to his attention that cause him to believe that the Continuing Connected Transactions:(i) have not been approved by the Company's board of directors; (ii) for transactions involving the provision of goods or services by the Group were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) in connection with the equity pledge agreement entered into among Hangzhou Nuohui, Beijing Xincheng and its registered shareholders, was any dividend or other distribution have been made by Beijing Xincheng to the holders of the equity interests of Beijing Xincheng which are not otherwise subsequently assigned or transferred to our Group.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## NON-COMPETITION ARRANGEMENTS

No non-competition agreements or arrangement has been provided by the substantial shareholders as of December 31, 2022 or at any time during the Reporting Period.

## MANAGEMENT CONTRACTS

Other than the Directors and senior managements' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as of December 31, 2022 or at any time during the Reporting Period.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company has not entered into any equity-linked agreement during the Reporting Period.

## MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

## LOAN AND GUARANTEE

Except as set out in notes 21 and 30 to the consolidated financial statements contained herein, during the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors and senior management of the Company, the controlling shareholders of the Company (if any) or their respective connected persons.

## SHARE INCENTIVIZATION SCHEMES

### A. PRE-IPO SHARE INCENTIVE PLAN

The Company adopted the Pre-IPO Share Incentive Plan on October 10, 2018, which was further amended and approved on August 17, 2020. The Pre-IPO Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares upon the Listing. For details, please refer to "Statutory and General Information – D. Pre-IPO Share Incentive Plan" in Appendix IV in the Prospectus.

The Pre-IPO Share Incentive Plan shall be subject to the administration of the Board or one or more committees appointed by the Board (the "**Administrator**"). Each award granted under the Pre-IPO Share Incentive Plan shall be evidenced by an award agreement between the Company and the participant, the form of which shall be approved by the Administrator.

#### Summary of Terms

The following is a summary of the principal terms of the Pre-IPO Share Incentive Plan:

***(a) Purpose***

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of Shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons.

***(b) Scope of Participants***

The participants of Pre-IPO Share Incentive Plan are the Directors, senior management and employees of the Company and its subsidiaries.

***(c) Duration***

Subject to the termination provisions under the Pre-IPO Share Incentive Plan, the Pre-IPO Share Incentive Plan shall be valid and effective for the period of ten years commencing on the adoption date after which period no further options will be granted and has remaining term of approximately five years and six months as at the date of this annual report, but the provisions of the Pre-IPO Share Incentive Plan shall in all other respects remain in full force and effect and the participants may exercise the options in accordance with the terms upon which the options are granted.

### *(d) Type of Awards*

(i) **Options and share appreciation rights**. Subject to the Pre-IPO Share Incentive Plan, the Administrator shall be entitled to make an offer to any eligible participant to take up options or share appreciation rights in respect of such number of Class A Ordinary Shares (which have been converted into Shares on a one-to-one basis by way of re-designation and re-classification before Listing) as the Administrator may determine and at the exercise price determined by the Administrator in its sole discretion and disclosed under the award agreement. In no case will the exercise price of a share option be less than the greatest of: (a) the par value of an ordinary share; in the case of an incentive share option and subject to clause (c) below, 100% of the fair market value of an ordinary share on the date of grant; or (b) in the case of an incentive share option granted to a participant who owns more than 10% of the total combined voting power of all classes of shares of the Company (or any of its affiliates), 110% of the fair market value of an ordinary share on the date of grant. Any exercisable option or share appreciation right will be deemed to be exercised when (a) the applicable exercise procedures in the related award agreement have been satisfied (or, in the absence of any such procedures in the related award agreement, the Company has received written notice of such exercise from the participant), (b) in the case of an option, the Company has received any required payment made in accordance with the Pre-IPO Share Incentive Plan, and (c) the Company has received any written statement required pursuant to the Pre-IPO Share Incentive Plan.

(ii) **Restricted share units**. A restricted share unit ("**RSU**") may be earned in whole or in part upon the attainment of performance criteria, passage of time or other factors or any combination thereof and may be settled by cash, Shares or other securities and/or past services rendered to the Company or any of its affiliates as established by the Administrator.

### *(e) Maximum Number of Shares*

The maximum number of Shares that may be delivered pursuant to share options and RSUs granted under the Pre-IPO Share Incentive Plan shall not exceed 31,686,768 Shares in the aggregate.

As of the Latest Practicable Date, the total number of Shares available for issue under the Pre-IPO Share Incentive Plan is 7,360,356 Shares, representing approximately 1.6% of the total issued share capital of the Company.

No share options will be granted under the Pre-IPO Share Incentive Plan. The number of RSUs available for grant under the Pre-IPO Share Incentive Plan as of January 1, 2022 and December 31, 2022 was 3,573,442 Shares and 1,309,142 Shares, respectively.

***(f) Payment***

The consideration to be paid for the Shares to be issued under the Pre-IPO Share Incentive Plan, including the method of payment, shall be determined by the Administrator subject to the provisions in the Pre-IPO Share Incentive Plan and applicable law. The tax withholding to be paid for the Shares shall be determined according to the provisions in the Pre-IPO Share Incentive Plan and applicable law. No consideration is payable upon the grant of options under the Pre-IPO Share Incentive Plan.

***(g) Maximum Entitlement***

There is no maximum entitlement of each participant under the Pre-IPO Share Incentive Plan.

***(h) Vesting Schedule***

The Administrator will determine the vesting provisions of each option or RSU, which will be set forth in the applicable award agreement.

***(i) Exercise Period***

Each option and RSU shall expire not more than 10 years after its date of grant subject to earlier termination pursuant to the provisions in the Pre-IPO Share Incentive Plan or the applicable award agreement.

Particulars of the movement of the share options under the Pre-IPO Share Incentive Plan were as follows.

| Category[6] | Date of grant | Exercise period | Exercise price per Share (US$) | Vesting period | Number of share options: Outstanding as at January 1, 2022 | Granted during the Reporting Period | Exercised during the Reporting Period | Lapsed/ Forfeited during the Reporting Period | Canceled during the Reporting Period | Outstanding as at December 31, 2022 | Closing price of the Company's shares immediately before the grant date | Weighted average closing price of the Company's shares immediately before the exercise date | Performance targets[4] | Fair value of options at the grant date[5] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | | | | |
| Dr. Yiyou CHEN | May 14, 2019 | From May 14, 2019 to May 14, 2029 | 0.4221 | (Note 1) | 5,521,070 | N/A | 0 | 0 | 0 | 5,521,070 | N/A | N/A | N/A | N/A |
| **Other Employees** | | | | | | | | | | | | | | |
| | October 10, 2018 | From October 10, 2018 to October 10, 2028 | 0.1657 | (Notes 2, 3) | 630,369 | N/A | 35,000 | 0 | 0 | 595,369 | N/A | HK$19.36 | N/A | N/A |
| | April 24, 2020 | From April 24, 2020 to April 24, 2030 | 0.6000 | (Notes 2, 3) | 1,205,955 | N/A | 194,083 | 18,000 | 0 | 993,872 | N/A | HK$21.60 | N/A | N/A |
| | June 10, 2020 | From June 10, 2020 to June 10, 2030 | 0.6000 | (Note 2) | 340,530 | N/A | 32,955 | 54,858 | 0 | 252,717 | N/A | HK$18.00 | N/A | N/A |
| **Total:** | | | | | 7,697,924 | N/A | 262,038 | 72,858 | 0 | 7,363,028 | | | | N/A |

Notes:

(1) The options granted on May 14, 2019 to Dr. Yiyou CHEN shall vest and become exercisable in installments. Upon achievement of the first milestone event, the option shall vest and become exercisable as to 20% of the shares subject to the option. Upon achievement of the second milestone event, namely that the Company has completed a qualified initial public offering before March 31, 2021, the option shall vest and become exercisable as to 20% of the shares subject to the option. The option shall vest and become exercisable as to the remaining 60% of the total number of shares subject to the option (the "**Remaining Option Shares**") in the following manner: the option shall vest and become exercisable as to 25% of the Remaining Option Shares on the first anniversary of the vesting commencement date, and the option shall vest and become exercisable as to the remaining 75% of the Remaining Option Shares in equal monthly installments over the subsequent 36 months thereafter.

(2) The options shall vest and become exercisable as to 25% of the total number of shares subject to the option on the first anniversary of the vesting commencement date, and the option shall vest and become exercisable as to the remaining 75% of the total number of shares subject to the option in equal monthly installments over the subsequent 36 months thereafter.

(3) On August 31, 2020, an aggregate of 6,491,484 share options granted between January 24, 2017 and June 1, 2020 to 13 employees of the Company (the "**Early Exercise Participants**"), including Mr. Yu GAO, were early-exercised and concurrently transferred to the Trustee. As a result, on the same day, an aggregate of 6,491,484 Shares were issued to Ever Thriving Ventures Limited, an entity owned and managed by the Trustee, to be held on trust for the relevant employees as beneficiaries. As the aggregate of 6,491,484 Shares were acquired prior to the time that they would have become vested in accordance with the vesting schedule set out in the relevant option agreements at the time of grant, pursuant to share vesting agreements entered into between the Company and each of the Early Exercise Participants dated August 31, 2020, the Shares held by Ever Thriving Ventures Limited are restricted shares and are subject to a right of repurchase by the Company. The restricted shares will vest, and the repurchase right of the Company will lapse, as of the date(s) that the early-exercised options would have otherwise become vested in accordance with the relevant option agreements entered into.

(4) No performance targets are attached to the outstanding share options under the Pre-IPO Share Incentive Plan.

(5) As there was no grant of share options for the Reporting Period, the fair value of options at the grant date is not applicable.

(6) During the Reporting Period, other than those already disclosed above, there is no grant of share options to any of the following categories under the Pre-IPO Share Incentive Plan which was required to be disclosed under Rule 17.07 of the Listing Rules: (i) chief executive, substantial shareholders and their respective associate(s); (ii) participants with options and awards granted and to be granted exceeding 1% individual limit; (iii) related entity participants or service provider with options or awards granted and to be granted in any 12-month period exceeding 0.1% individual limit; (iv) other related entity participants and (v) other service providers.

Particulars of the movement of the RSUs under the Pre-IPO Share Incentive Plan were as follows.

| | | | | Number of RSUs | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category[5] | Date of grant | Grant price per Share | Vesting period | Outstanding as at January 1, 2022 | Granted during the Reporting Period[2] | Vested during the Reporting Period | Lapsed/ Forfeited during the Reporting Period | Canceled during the Reporting Period | Outstanding as at December 31, 2022 | Closing price of the Company's shares immediately before the grant date | Weighted average closing price of the Company's shares immediately before the vested date | Performance targets[3] | Fair value of RSUs at the grant date[4] |
| **Directors** | | | | | | | | | | | | | |
| Mr. YeQing ZHU | April 14, 2022 | 0 | (Note 1) | 0 | 960,600 | N/A | 0 | 0 | 960,600 | HK$20.7 | N/A | (Note 3) | HK$20,989,110 |
| Dr. Yiyou CHEN | April 14, 2022 | 0 | (Note 1) | 0 | 138,300 | N/A | 0 | 0 | 138,300 | HK$20.7 | N/A | (Note 3) | HK$3,021,855 |
| **Other Employees** | April 14, 2022 | 0 | (Note 1) | 0 | 1,165,400 | N/A | 0 | 0 | 1,165,400 | HK$20.7 | N/A | (Note 3) | HK$25,463,990 |
| **Total:** | | | | 0 | 2,264,300 | N/A | 0 | 0 | 2,264,300 | | | | HK$49,474,955 |

Notes:

(1) 25% of the time-based RSUs will be vested on the first anniversary of the date of grant, and the remaining portion of the Share Options will be vested in the following 36 successive equal monthly instalments thereafter. Performance-based RSUs will be vested in three equal installments in the first, second and third anniversary of the date of grant subject to the achievement of performance indicators of the relevant grantee.

(2) No grant of RSUs under Pre-IPO Share Incentive Plan was made during the Reporting Period which requires review by remuneration committee.

(3) The performance targets (i) for Mr. YeQing ZHU, are key performance indicators of Mr. YeQing ZHU as set out in the relevant grant letter based on the performance indicators at Company level (the "**Company KPI**") with reference to the financial performance of the Company; (ii) for Dr. Yiyou CHEN, are key performance indicators of Dr. Yiyou CHEN as set out in the relevant grant letter based on the Company KPI and and certain individual performance indicators specific to Dr. Yiyou CHEN as the Chief Scientific Officer of the Company, including, but not limited to, the number of business collaboration projects completed, recruitment of team members of the research institute of the Company in Hong Kong, generation of technology advancement, product pipeline strategies and other KPI targets which are relevant to the responsibilities of the Chief Scientific Officer of the Company; (iii) for other employees, include Company KPI and/or certain individual performance indicators specific to the job responsibilities of the relevant grantees (as the case may be).

(4) The basis for fair value measurement is observable market price, which is based on closing price of the Company's shares immediately before the date of the resolutions of the Board considering and approving the relevant grant.

(5) During the Reporting Period, other than those already disclosed above, there is no grant of RSUs to any of the following categories under the Pre-IPO Share Incentive Plan which was required to be disclosed under Rule 17.07 of the Listing Rules: (i) substantial shareholders and their associate(s); (ii) participants with options and awards granted and to be granted exceeding 1% individual limit; (iii) related entity participants or service provider with options or awards granted and to be granted in any 12-month period exceeding 0.1% individual limit; (iv) other related entity participants and (v) other service providers.

## B. POST-IPO RESTRICTED SHARE UNIT(S) SCHEME

The Board has resolved at the meeting of the Board held on March 18, 2022 to propose the adoption of the 2022 RSU Scheme to recognize the contributions by certain Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Company adopted the 2022 RSU Scheme on June 24, 2022.

### Summary of Terms

#### *(a) Purpose*

The purpose of the 2022 RSU Scheme is to recognize the contributions by certain Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

#### *(b) Administration*

The 2022 RSU Scheme shall be subject to the administration of the Board and the trustee in accordance with the RSU Scheme Rules and the Trust Deed. The Board may by resolution delegate any or all of its powers in the administration of the 2022 RSU Scheme to the Administration Committee or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. The Board has proposed to establish and delegate to the Administration Committee the power and authority to administer the 2022 RSU Scheme and deal with the trust and the trustee in all respects in accordance with the RSU Scheme Rules and the Trust Deed subject to the approval of the Shareholders. The decision of the Board with respect to any matter arising under the 2022 RSU Scheme (including the interpretation of any provision) shall be final and binding.

#### *(c) Selected Participants*

The Selected Participants include any Employee (i.e., any individual being an employee, director or officer of any member of the Group) or any Consultant of any member of the Group at any time during the Trust Period selected by the Board for participation in the 2022 RSU Scheme.

### *(d) Scheme Limit*

The maximum number of Awarded Shares underlying the RSUs awarded by the Board under the 2022 RSU Scheme shall not exceed 1% of the total issued share capital of the Company (i.e., 4,297,398 Shares) as of the RSU Scheme Adoption Date throughout the Trust Period. As of the Latest Practicable Date, the total number of shares available for issue under the 2022 RSU Scheme is 4,297,398 Shares, representing approximately 0.9% of the total issued share capital of the Company. The 2022 RSU Scheme was adopted on June 24, 2022, therefore, the number of RSUs available for grant under the 2022 RSU Scheme as of January 1, 2022 is not applicable. The number of RSUs available for grant under the 2022 RSU Scheme as of December 31, 2022 was 4,297,398 Shares. There is no service provider submit under the 2022 RSU Scheme.

The maximum number of Awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2022 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period. Awards lapsed in accordance with the terms of the 2022 RSU Scheme shall not be counted for the purpose of calculating the limit.The maximum number of Awarded Shares underlying the RSUs which may be awarded by the Board under the Scheme and the total number of Shares to be issued under all other schemes of the Company granted and yet to be exercised shall not exceed 30% of the issued share capital of the Company from time to time. No RSUs may be granted under the 2022 RSU Scheme if this will result in the limit being exceeded.

### *(e) Restrictions*

No Award shall be made by the Board and no instructions to acquire any Shares shall be given to the trustee under the 2022 RSU Scheme:

(i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;

(ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;

(iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or

(iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

### (f) Operation

According to the 2022 RSU Scheme, any Awarded Shares shall be new Shares to be allotted and issued to the trustee by the Company pursuant to general mandate or specific mandate granted by Shareholders at general meeting(s) of the Company from time to time.

The Board may from time to time cause to be paid a Contributed Amount to the trust by way of settlement or otherwise which shall constitute part of the Trust Fund, for the subscription of Shares and other purposes set out in the RSU Scheme Rules and the Trust Deed, which shall be funded by internal resources of the Company other than the proceeds from the listing of the Shares on the Stock Exchange. Subject to prior written direction and/or consent of the Board, the trustee may accept Shares transferred, gifted, assigned, or conveyed to the trust from the Company or any party designated by the Company from time to time in such number as such party designated by the Company may at their sole discretion determine, which shall constitute part of the Trust Fund.

Subject to the RSU Scheme Rules, in the event that the Awarded Shares are to be allotted and issued as new Shares for the purpose of the trust, the Board shall cause an amount equal to the total subscription price of such new Shares to be allotted and issued be transferred from the Company's resources to the trustee according to the RSU Scheme Rules and cause to issue and allot to the trustee such number of new Shares corresponding to the aforesaid total subscription price at such issue price per Share as shall be determined by the Board, which shall be held upon trust for the relevant Selected Participant subject to the terms and conditions set out in the RSU Scheme Rules and the Trust Deed. The Company shall issue and allot such new Shares at not less than nominal value to the trustee. The Company shall comply with the relevant Listing Rules and the Articles of Association when allotting and issuing any new Shares and application shall be made to the Stock Exchange for the granting of the listing of, and permission to deal in the new Shares to be issued to the trustee. Such allotment and issue should only be made upon fulfillment of the following conditions: (i) the Company having obtained Shareholders' approval in general meeting under general mandate or specific mandate to authorize the Directors to allot and issue new Shares, provided that the total number of Shares to be allotted and issued to the trustee under the 2022 RSU Scheme shall not exceed the scheme limit; and (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Shares which may be allotted and issued by the Company to the trustee pursuant to the 2022 RSU Scheme.

The Company intends to use the general mandate available at the time of granting of the Award(s), and seek specific mandate from the Shareholders for the issue and allotment of Awarded Shares where (i) the satisfaction of any Awards granted would cause the Company to issue and allot Awarded Shares in excess of the permitted amount in the general mandate available at the time of granting the Awarded Shares, (ii) any grant of Awards is made to connected persons of the Company or (iii) any grant of Awards is otherwise required under the Listing Rules to be made under the specific mandate from the Shareholders. As such, the new Shares to satisfy any Awards will be issued under the available general mandate approved by the Shareholders and in effect at the time of the relevant Award, or a specific mandate approved or to be approved by the Shareholders for the relevant Award. The Company therefore considers that Shareholders would be able to evaluate the relevant diluting effect before they vote in respect of the relevant mandate. In any event, the Company will comply with the announcement, Shareholders' approval and other requirements (if and as applicable) under the Listing Rules if the Awards are to be satisfied by the issue and subscription of new Shares.

### *(g) Grant*

Subject to the provisions of the 2022 RSU Scheme, the Board may, from time to time, at its absolute discretion select any Participant (other than any Excluded Participant) for participation in the 2022 RSU Scheme as a Selected Participant, and grant such number of RSUs to any Selected Participant at no consideration payable on application or acceptance and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine. In the event that a Selected Participant or his/her/its associate(s) is a member of the Board, such person will abstain from voting on any approval by the Board of the Award to such Selected Participant. In determining the number of RSUs to be granted to any Selected Participant (excluding any Excluded Participant), the Board shall take into consideration matters including, but without limitation to:

(i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group;

(ii) the general financial condition of the Group;

(iii) the Group's overall business objectives and future development plan;

(iv) the prevailing market price of the Shares; and

(v) any other matter which the Board considers relevant.

Where any grant of Award is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director) or senior management of the Group, such grant must first be approved by the simple majority of the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Where any grant of Award is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules. The allotment and issue of new Shares in satisfaction of Awards granted to connected persons of the Company, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At this stage, the Company has not decided whether it will grant any Awards to the directors of the Group, or any other connected persons of the Company yet. To the extent the Company determines to do so, the Company will seek independent shareholders' approval for any such grant of Awards to the directors of the Group or any other connected person of the Company as required under the Listing Rules.

Prior to the Vesting Date, any Award made under the RSU Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the RSUs referable to him pursuant to such Award.

### *(h) Vesting and lapse*

The Board is entitled to impose any conditions, as it deems appropriate in its absolute discretion with respect to the vesting of the RSUs on the Selected Participant. Subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions. Shares underlying any RSUs granted under the 2022 RSU Scheme that lapse for any reason without having been exercised and Shares underlying the unexercised portion of any RSUs in case of partial exercise will, to the extent not prohibited by applicable laws and regulations, be available for subsequent Award grants under the 2022 RSU Scheme.

Subject to the terms and condition of the 2022 RSU Scheme and the fulfillment of all vesting conditions to the vesting of the RSUs on such Selected Participant and all requirements applicable to such Selected Participant as specified in the 2022 RSU Scheme and the relevant grant notice (unless waived by the Board), the respective RSUs granted to the Selected Participant pursuant to the provision of the RSU Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule as set out in the grant notice, and the trustee shall cause the Awarded Shares to be transferred to such Selected Participant, or to be sold as soon as practicable from the Vesting Date and the payment of the Actual Selling Price in cash to the Selected Participant within a reasonable time period in satisfaction of the Award pursuant to the instructions given by the Selected Participant in the reply slip.

In the event that the Administration Committee does not receive the required transfer documents from the Selected Participant at least five Business Days prior to the Vesting Date, the RSUs which would have otherwise vested in such Selected Participant shall automatically lapse and remain as part of the Trust Fund unless the Board or the Administration Committee instructs otherwise and such returned RSUs shall be applied by the trustee towards future Awards in accordance with the RSU Scheme Rules.

The Board may at its discretion, with or without further conditions or requirements, grant additional Shares or cash award out of the Trust Fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such Awarded Shares during the period from the date of Award to the Vesting Date to a Selected Participant upon the vesting of any RSUs. In the event that an Award of RSUs becomes lapsed, the Awarded Shares underlying the RSUs and/or the relevant income or distributions shall remain as part of the Trust Fund.

### *(i) Voting Rights*

The RSUs held by the trustee, whether vested or not, and unvested RSUs do not carry any right to vote at general meetings of the Company. Notwithstanding that the trustee is the legal registered holder of the Shares held upon trust pursuant to the Trust Deed, the trustee shall not exercise the voting rights attached to such Shares. Unless otherwise specified by the Board in its entire discretion, the Selected Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Awarded Shares before such Shares are transferred to such Selected Participants.

***(j) Duration***

Unless terminated earlier by the Board pursuant to the RSU Scheme Rules, the 2022 RSU Scheme shall be valid and effective for ten years commencing from the RSU Scheme Adoption Date, after which period no further Awards will be granted. The remaining life of the 2022 RSU Scheme is approximately nine years and three months as at the date of this annual report.

***(k) Alteration***

The 2022 RSU Scheme may be amended in any respect by a resolution of the Board.

### Details of RSUs granted under the 2022 RSU SCHEME

During the period from the RSU Scheme Adoption Date to December 31, 2022, no RSU had been granted pursuant to the 2022 RSU Scheme.

## C. POST-IPO SHARE OPTION SCHEME

The Board has resolved at the meeting of the Board held on March 18, 2022 to propose the adoption of the 2022 Share Option Scheme to provide reward to the Grantees for their past contributions to the success of the Group, and to provide incentives to them to further contribute to the Group. The Company adopted the 2022 Share Option Scheme on June 24, 2022. As the 2022 Share Option Scheme involves the grant of options, the terms of the 2022 Share Option Scheme are subject to the relevant requirements of Chapter 17 of the Listing Rules.

### Summary of Terms

***(a) Purpose***

The purpose of the 2022 Share Option Scheme is to provide reward to the Grantees for their past contributions to the success of the Group, and to provide incentives to them to further contribute to the Group. The reason to include Consultant (as defined below) as the eligible persons in the 2022 Share Option Scheme is the same as the reason so disclosed in the 2022 RSU Scheme in above.

***(b) Eligible persons***

Any employee (i.e., any employee, director or officer of the Company or any other member of the Group) (the "**Employee**") or consultant (i.e., any person (other than an Employee) who is engaged by the Company or any other member of the Group to render consulting or advisory services to the Company or such or any other member of the Group) (the "**Consultant**"), as selected by the Board in its absolute discretion from time to time, taking into account, among others, the contributions or potential contributions of such Employee or Consultant to the development and growth of the Group.

***(c) Duration***

The 2022 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Share Option Scheme Adoption Date and has a remaining term of approximately nine years and three months as at the date of this annual report, after which period no further options will be granted but the provisions of the 2022 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the expiration of the 10-year period or otherwise as may be required in accordance with the terms of the 2022 Share Option Scheme.

***(d) Maximum number of Shares available for subscription***

The maximum number of Shares in respect of which options may be granted under the 2022 Share Option Scheme shall not exceed 25,784,393 Shares, representing 6% of the issued share capital of the Company as of the Share Option Scheme Adoption Date (the "**Limit of the 2022 Share Option Scheme**"), and approximately 6% of the total issued share capital of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the 2022 Share Option Scheme shall not be counted for the purpose of calculating the Limit of the 2022 Share Option Scheme.

The total number of Shares to be issued upon exercise of all outstanding options under the 2022 Share Option Scheme and all other schemes of the Company granted and yet to be exercised shall not exceed 30% of the issued share capital of the Company from time to time. No option may be granted under the Scheme if this will result in the limit being exceeded.

On June 27, 2022, a total of 15,087,600 options were granted to certain eligible participants pursuant to the 2022 Share Option Scheme to subscribe for a total of 15,087,600 Shares. Among the 15,087,600 options granted, a total of 12,032,100 options were conditionally granted to two connected persons, of which 10,835,300 options were granted to Mr. YeQing ZHU, the chairman of the Board and the Chief Executive Officer of the Company, 1,196,800 options were granted to Dr. Yiyou CHEN, an executive Director and Chief Scientific Officer of the Company, and the remaining options were granted to employees of the Company. A general meeting will be convened and held for the independent Shareholders to, among other things, consider and, if thought fit, approve the grant of options to Dr. Yiyou CHEN and Mr. YeQing ZHU respectively. A circular containing, among other things, information of the aforesaid grant, will be despatched to the Shareholders in due course.

As of the Latest Practicable Date, the total number of Shares available for issue under the 2022 Share Option Scheme is 25,784,393 Shares, representing approximately 5.6% of the total issued share capital of the Company.

The 2022 Share Option Scheme was adopted on June 24, 2022, therefore, the number of share options available for grant under the 2022 Share Option Scheme as of January 1, 2022 is not applicable.

The number of share options available for grant under the 2022 Share Option Scheme as of December 31, 2022 was 10,696,793 Shares. There is no service provider submit under the 2022 Share Option Scheme.

### *(e) Maximum Entitlement of each Grantee*

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time, unless:

(a) such grant has been approved by the Shareholders in general meeting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules with the prospective Grantee and his or her associates abstaining from voting;

(b) a circular regarding the grant shall be sent to the Shareholders containing the information required under the Listing Rules; and

(c) the number and terms of the options to be granted to such prospective Grantee shall be fixed before the Shareholders' approval of the grant of such options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the exercise price.

### *(f) Administration*

The 2022 Share Option Scheme is subject to the administration of the Board who may delegate all or part of such administration to a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board. Unless otherwise indicated, if the Board delegates its authority to administer the 2022 Share Option Scheme to a committee of the Board or other authorized agent(s), the committee of the Board or such other authorized agent(s) shall enjoy the same absolute discretion.

### *(g) Grant of Options*

Subject to the terms of the 2022 Share Option Scheme, the Board has the power but not the obligation, at any time and from time to time before and including the 10th anniversary of the Share Option Scheme Adoption Date, to offer to grant to any Employee or Consultant as the Board may in its absolute discretion select an option to subscribe for such number of Shares (being in a Board Lot or an integral multiple thereof) as the Board may determine at the exercise price. Subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the Employee or Consultant, including, without limitation, conditions as to performance criteria to be satisfied by the Employee or Consultant which must be satisfied before an option can be exercised, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the 2022 Share Option Scheme.

An offer of the grant of an option shall be made to any Employee or Consultant by letter in the form of a grant notice (the "**Grant Notice**"), specifying the number of Shares, the exercise price, the Option Period, the vesting conditions, the date by which the grant must be accepted being a date not more than 28 days after the Offer Date and further requiring the Employee or Consultant to hold the option on the terms on which it is to be granted and to be bound by the terms of the Scheme.

An option shall be deemed to have been granted and accepted and to have taken effect when the acceptance form attaching to the Grant Notice has been duly signed by the Grantee together with a payment to the Company and/or any other member of the Group of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the Company and/or any other member of the Group operates, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the option.

Any offer of the grant of an option may be accepted or deemed to have been accepted in respect of any number of Shares up to the number in respect of which the option is offered provided that it is accepted in respect of a Board Lot or an integral multiple thereof. To the extent that the offer of the grant of an option is not accepted within 28 days after the Offer Date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

***(h) Restrictions on the time of grant of Options***

No option shall be offered or granted:

(a) to any Employee or Consultant after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;

(b) to any Employee or Consultant during the period commencing one month immediately before the earlier of:

i. the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

ii. the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option shall be granted during any period of delay in publishing a results announcement.

(c) to any director of the Company (except where the exercise price is to be determined by the Board at the time of exercise of the option):

i. during the period of 60 days immediately preceding the publication of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or

ii. during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

***(i) Vesting period***

25% portion of the time-based option will be vested on the first anniversary of the date of grant, and the remaining portion of the option will be vested in the following 36 successive equal monthly instalments thereafter. Performance-based option will be vested (wholly or partially) in the relevant year to the relevant Grantee based on the achievement of performance indicators of the relevant Grantee.

***(j) Exercise Period***

The period within which the option may be exercised by the grantee under the 2022 Share Option Scheme may commence on any day after the date upon which the option is accepted or deemed to be accepted in accordance with the 2022 Share Option Scheme, and in any event shall end not later than the tenth anniversary of the relevant date of the letter by which an option is offered to an employee or consultant, subject to the provisions for early termination contained in the scheme or the relevant document of grant or other notification issued by the Board.

***(k) Exercise Price***

The exercise price in respect of any option shall be a price determined by the Board at its absolute discretion and notified to any Employee or Consultant which shall be not less than the highest of:

(a) the nominal value of a Share on the Offer Date;

(b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day; and

(c) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date.

***(l) Transferability of Options***

An option (whether vested or not) shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option.

***(m) Value of the Options***

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Details of the movements of the share options granted under the 2022 Share Option Scheme during the Reporting Period are as follows:

| | | | | | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category[6] | Date of grant | Exercise period | Exercise price per Share | Vesting period | Outstanding as at January 1, 2022 | Granted during the Reporting Period[3] | Exercised during the Reporting Period | Lapsed/ Forfeited during the Reporting Period | Canceled during the Reporting Period | Outstanding as at December 31, 2022 | Closing price of the Company's shares immediately before the grant date | Weighted average closing price of the Company's shares immediately before the exercise date | Performance targets | Fair value of options at grant date[5] |
| **Directors** | | | | | | | | | | | | | | |
| Mr. YeQing ZHU | June 27, 2022 | From June 27, 2022 to June 27, 2032 | HK$24.70 | Note[2] | N/A | 10,835,300[1] | 0 | 0 | 0 | 10,835,300 | HK$24.75 | N/A | Note[4] | HK$160,919,218 |
| Dr. Yiyou CHEN | June 27, 2022 | From June 27, 2022 to June 27, 2032 | HK$24.70 | Note[2] | N/A | 1,196,800[1] | 0 | 0 | 0 | 1,196,800 | HK$24.75 | N/A | Note[4] | HK$17,915,192 |
| **Other employees** | June 27, 2022 | From June 27, 2022 to June 27, 2032 | HK$24.70 | Note[2] | N/A | 3,055,500 | 0 | 0 | 0 | 3,055,500 | HK$24.75 | N/A | Note[4] | HK$45,227,986 |
| Total: | | | | | N/A | 15,087,600 | 0 | 0 | 0 | 15,087,600 | | | | HK$224,062,396 |

Notes:

(1) The grant of these share options is subject to approval by Shareholders in general meeting.

(2) 25% of the time-based Option will be vested on the first anniversary of the date of grant, and the remaining portion of the Option will be vested in the following 36 successive equal monthly instalments thereafter. Performance-based Option will be vested in three equal installments in the first, second and third anniversary of the date of grant subject to the achievement of performance indicators of the relevant grantee.

(3) No grant of share options was required to be reviewed by remuneration committee.

(4) The performance targets include (i) for Mr. YeQing ZHU, are key performance indicators of Mr. YeQing ZHU as set out in the relevant grant letter based on the performance indicators at Company level (the "**Company KPI**") with reference to the financial performance of the Company; (ii) for Dr. Yiyou CHEN, are key performance indicators of Dr. Yiyou CHEN as set out in the relevant grant letter based on the Company KPI and and certain individual performance indicators specific to Dr. Yiyou CHEN as the Chief Scientific Officer of the Company, including, but not limited to, the number of business collaboration projects completed, recruitment of team members of the research institute of the Company in Hong Kong, generation of technology advancement, product pipeline strategies and other KPI targets which are relevant to the responsibilities of the Chief Scientific Officer of the Company; (iii) for other employees, include Company KPI and/or certain individual performance indicators specific to the job responsibilities of the relevant grantees (as the case may be).

(5) The basis for fair value measurement is binomial option pricing model. Binomial option pricing model was used to determine the fair value of the share options granted under the 2022 Share Option Scheme. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the Directors with best estimate. The key inputs into the binomial option pricing model were as follows:

(i) Exercise price: HK$24.70

(ii) Expected life: 10 years

(iii) Expected volatility: 60.90%

(iv) Expected dividend yield: 0%

(v) Risk-free rate: 3.07%

The Directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Bonds with a maturity life close to the option life of the 2022 Share Option Scheme. Volatility was estimated at the grant date based on an average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

(6) During the Reporting Period, other than those already disclosed above, there is no grant of Share Options to any of the following categories under the 2022 Share Option Scheme which was required to be disclosed under Rule 17.07 of the Listing Rules: (i) substantial shareholders and their associate(s); (ii) participants with options and awards granted and to be granted exceeding 1% individual limit; (iii) related entity participants or service provider with options or awards granted and to be granted in any 12-month period exceeding 0.1% individual limit; (iv) other related entity participants and (v) other service providers.

(7) During the Reporting Period, an aggregate of 17,351,900 share options and RSUs under the Pre-IPO Share Incentive Plan and 2022 Share Option Scheme were granted, which represent 4.1% of the weighted average number of the Company's shares in issue for the Reporting period (i.e. 422,928,938 Shares).

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, interests or short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

### Interests of Directors in the Shares or Underlying Shares of the Company

***Long Position in the Shares***

| Name of Director | Nature of Interest | Number of Shares | Approximate percentage of shareholding in the total Shares in issue of the Company* |
|---|---|---|---|
| Dr. Yiyou CHEN | Beneficial Interest(1) | 39,042,925 | 9.08% |
| | Trustee(2) | 9,840,981 | 2.29% |
| Mr. YeQing ZHU | Beneficial Interest(3) | 960,600 | 0.22% |
| | Settlor and beneficiary of a discretionary trust(4) | 28,146,010 | 6.55% |
| Mr. Naxin YAO | Settlor and beneficiary of a discretionary trust(5) | 37,850,893 | 8.80% |

Notes:

* The calculation is based on the total number of 430,001,936 Shares issued as at December 31, 2022.

(1) Dr. Yiyou CHEN, an executive Director, directly holds 33,383,555 Shares as beneficial owner. He is also entitled to receive up to 5,659,370 Shares pursuant to the options and RSUs granted to him, subject to the conditions (including vesting conditions) of those options and RSUs.

(2) Dr. Yiyou CHEN is the trustee of the Yiyou Chen Grantor Retained Annuity Trust, with certain of his family members as beneficiaries. Under the SFO, he is therefore deemed to be interested in the Shares held by the Yiyou Chen Grantor Retained Annuity Trust.

(3) Mr. YeQing ZHU, an executive Director, the chairman of the Board and our Chief Executive Officer, is entitled to receive up to 960,600 Shares pursuant to the RSUs granted to him, subject to the conditions (including vesting conditions) of those RSUs.

(4) NHYJ Holdings Ltd. directly holds 15,092,940 Shares as beneficial owner. NHXT Holdings Ltd. directly holds 13,053,070 Shares as beneficial owner. NHYJ Holdings Ltd. is held as to 100% by NH Trinity Limited, an entity managed by Trident Trust Company (HK) Limited, and NHXT Holdings Ltd. is also owned and managed by Trident Trust Company (HK) Limited. Both NHYJ Holdings Ltd. and NHXT Holdings Ltd. hold Shares on trust for the benefit of Mr. YeQing ZHU and certain of his family members. Mr. YeQing ZHU is able to direct Trident Trust Company (HK) Limited as to its exercise of voting rights in NHYJ Holdings Ltd. and NHXT Holdings Ltd.. Under the SFO, as settlor and beneficiary of such trust, Mr. YeQing ZHU is deemed to be interested in the Shares held by NHYJ Holdings Ltd. and NHXT Holdings Ltd..

(5) NHXC Holdings directly holds 14,806,275 Shares as beneficial owner, and is held as to 46.91% by MST Development Limited. MST Development Limited itself directly holds 23,044,618 Shares as beneficial owner. MST Development Limited is held as to 100% by Bancasa Holding Limited and ultimately owned by Trident Trust Company (HK) Limited, and holds Shares on trust for the benefit of Mr. Naxin YAO, a non-executive Director, and certain of his family members as beneficiaries. Under the SFO, as settlor and beneficiary of such trust, Mr. Naxin YAO is deemed to be interested in the Shares held through MST Development Limited.

## Interests of Directors in the Shares or Underlying Shares of Associated Corporations

### *Beijing New Horizon Xincheng Health Technology Co., Ltd.*

*Long Position in the Shares*

| Name of Director | Nature of Interest | Number of Shares | Approximate percentage of shareholding as at December 31, 2022 |
|---|---|---|---|
| Mr. YeQing ZHU | Beneficial Interest | 11,880,000 | 99% |

Save as disclosed above, so far as the Directors are aware, as at December 31, 2022, none of the Directors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors or chief executive of the Company are aware, as at December 31, 2022, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long Position in the Shares

| Name of Shareholder | Nature of Interest | Number of Shares | Approximate percentage of |
|---|---|---|---|
| Legend Capital Co., Ltd. (君聯資本管理股份有限公司) | Interest in controlled corporation[1] | 22,989,746 | 5.35% |
| SBCVC Fund V, L.P. | Interest in controlled corporation[2] | 22,559,012 | 5.25% |
| Qiming Corporate GP V, Ltd | Interest in controlled corporation[3] | 35,891,538 | 8.35% |
| Trident Trust Company (HK) Limited | Trustee[4] | 76,014,829 | 17.68% |

Notes:

* The calculation is based on the total number of 430,001,936 Shares issued as at December 31, 2022.

(1) High Diamond Limited directly holds 13,801,688 Shares and Good Rise Holdings Limited directly holds 9,188,058 Shares.

To the best knowledge of the Company, High Diamond Limited is wholly-owned by LC Healthcare Fund I, L.P., which is controlled by its general partner, LC Healthcare Fund I GP, L.P.. LC Healthcare Fund I GP, L.P. is controlled by its general partner LC Fund GP Limited, which is in turn wholly-owned by Union Season Holdings Limited. Union Season Holdings Limited is wholly-owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which is held as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and 20% by Legend Holdings Corporation (stock code: 3396). The general partner of Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) is Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司). As such, under the SFO, each of LC Healthcare Fund I, L.P., LC Healthcare Fund I GP, L.P., LC Fund GP Limited, Union Season Holdings Limited, Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 13,801,688 Shares held by High Diamond Limited.

To the best knowledge of the Company, Good Rise Holdings Limited is wholly-owned by Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)), which is in turn held as to 100% by Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)). The general partner of Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)) and of Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)) is Lasa Junqi Business Management Limited (拉薩君祺企業管理有限公司), which is wholly-owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司). As such, under the SFO, each of Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)), Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)), Lasa Junqi Business Management Limited (拉薩君祺企業管理有限公司), Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 9,188,058 Shares held by Good Rise Holdings Limited.

Based on the above, under the SFO, Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in controlled corporations) are deemed to be interested in the 22,989,746 Shares collectively held by High Diamond Limited and Good Rise Holdings Limited.

(2) SBCVC V PH Company Limited directly holds 22,559,012 Shares. To the best knowledge of the Company, SBCVC V PH Company Limited is a wholly-owned subsidiary of SBCVC Fund V Pte. Ltd, which is in turn a wholly-owned subsidiary of SBCVC Fund V, L.P.. SBCVC Management V, L.P. is the general partner of SBCVC Fund V, L.P., and in turn SBCVC Limited is the general partner of SBCVC Management V, L.P.. SBCVC Limited is held as to 90.1% by Star Pioneer Investment Holdings Limited, which is in turn held as to 100% by Lin Ye Song. As such, under the SFO, each of SBCVC Fund V Pte. Ltd, SBCVC Fund V, L.P., SBCVC Management V, L.P., SBCVC Limited, Star Pioneer Investment Holdings Limited and Lin Ye Song (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 22,559,012 Shares held by SBCVC V PH Company Limited.

(3) Qiming Venture Partners V, L.P. directly holds 34,805,418 Shares and Qiming Managing Directors Fund V, L.P. directly holds 1,086,120 Shares. Under the SFO, (i) as the general partner of Qiming Venture Partners V, L.P., Qiming GP V, L.P. (through its interest in a controlled corporation) is deemed to have an interest in the 34,805,418 Shares; and (ii) as the general partner of both Qiming GP V, L.P. and Qiming Managing Directors Fund V, L.P., Qiming Corporate GP V, Ltd. (through its interest in controlled corporations) is deemed to be interested in an aggregate of 35,891,538 Shares held by Qiming Venture Partners V, L.P. and Qiming Managing Directors Fund V, L.P..

(4) NH Trinity Limited indirectly holds 15,092,940 Shares, through NHYJ Holdings Ltd., on trust for Mr. YeQing ZHU and certain of his family members as beneficiaries. MST Development Limited directly holds 23,044,618 Shares and a 46.91% interest in NHXC Holdings on trust for Mr. Naxin YAO and certain of his family members as beneficiaries. NHXC Holdings directly holds 14,806,275 Shares. NHXT Holdings Ltd. and Ever Thriving Ventures Limited each hold 13,053,070 and 10,017,926 Shares, respectively, underlying awards under the Pre-IPO Share Incentive Plan on trust for the benefit of participants under the Pre-IPO Share Incentive Plan. Each of NH Trinity Limited, MST Development Limited, NHXT Holdings Ltd. and Ever Thriving Ventures Limited are owned and managed by the trustee, Trident Trust Company (HK) Limited. As such, Trident Trust Company (HK) Limited is deemed to be interested in the aggregate of 76,014,829 Shares (as trustee) held through NH Trinity Limited, MST Development Limited, NHXT Holdings Ltd. and Ever Thriving Ventures Limited. The exercise of voting rights in the Shares by Trident Trust Company (HK) Limited is nevertheless subject to the directions of (i) Mr. YeQing ZHU, in relation to the Shares held through NH Trinity Limited, (ii) Mr. Naxin YAO, in relation to the Shares held through MST Development Limited, (iii) Mr. YeQing ZHU and Dr. Ning LU, in relation to the Shares held through NHXT Holdings Ltd. and (iv) any person appointed by the Board to administrate the Pre-IPO Share Incentive Plan, in relation to the Shares held through Ever Thriving Ventures Limited.

Except as disclosed in this section, as far as the Directors are aware, as at December 31, 2022, no person owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## MAJOR SUPPLIERS AND CUSTOMERS

The main target customers of the Group are hospitals and other medical institutions, as well as doctors and end users, in China.

During the Reporting Period, the Group's largest customer accounted for 7.4% of the Group's total revenue. The Group's five largest customers accounted for 23.5% of the Group's total revenue. The Group's length of relationship with its five largest customers was on average approximately two years. A limited number of customers accounted for a substantial portion of our revenue during the Reporting Period, and any decreases in our future sales to them could adversely affect our results of operations. However, the Company would continue to explore business opportunities with other potential customers.

In the Reporting Period, the Group's largest supplier accounted for 13.5% of the Group's total purchase. The Group's five largest suppliers accounted for 39.2% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

As at the date of this annual report, the Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

## HUMAN RESOURCES

The Group had 878 employees as at December 31, 2022. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

Remuneration of the Group's employees includes salary, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentivization Schemes".

## RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions.

During the Reporting Period, there is no forfeited contributions may be used by the employer to reduce the existing level of contributions.

Details of the pension obligations of the Company are set out in note 34 to the consolidated financial statements in this annual report.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 30 to the consolidated financial statements contained herein.

The related party transactions disclosed in note 30 were not regarded as connected transactions or continuing connected transactions in Chapter 14A to the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

## INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

## CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies and enhance its transparency and accountability. The Company has adopted the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period, save and except for the deviation from code provision C.2.1 of the CG Code (for details, please refer to the Corporate Governance Report contained in this annual report).

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report contained in this annual report.

## DONATIONS

During the Reporting Period, the Company made donations of RMB4.6 million.

## AUDITOR

The Shares were listed on the Stock Exchange on February 18, 2021, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2022 annual general meeting.

## COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

## KEY RISKS AND UNCERTAINTIES

There are certain key risks and uncertainties involved in our operations, some of which are beyond our control. Set out below are the material risks and uncertainties that we face:

- our ability to develop and commercialize our cancer screening solutions candidates, including the commercialization of ColoClear and Pupu Tube for high-risk and average-risk colorectal cancer population in China;
- our financial position;
- our ability to obtain additional financing to fund our operations;
- our ability to identify additional cancer screening solutions candidates;
- our success in demonstrating safety and efficacy of our cancer screening solutions candidates to the satisfaction of regulatory authorities or produce positive results in our clinical trials;
- material aspects of the research, development and commercialization of our products being heavily regulated;

- in conducting cancer screening solutions discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for our cancer screening solutions candidates;
- changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;
- our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations;
- competition in the cancer screening market where the Group serves; and
- our ability to obtain and maintain patent protection for our cancer screening solutions candidates.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM will be held on Friday, June 9, 2023. The notice of the AGM will be published and despatched in due course in the manner as required by the Listing Rules.

The register of members of the Company will be closed from Tuesday, June 6, 2023 to Friday, June 9, 2023 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the AGM to be held on Friday, June 9, 2023. The holder of shares whose names appear on the share register of members of the Company on Friday, June 9, 2023 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, June 5, 2023.

On behalf of the Board
**Mr. YeQing ZHU**
*Chairman*

Hong Kong, March 13, 2023

# Corporate Governance Report

The Board is pleased to present this corporate governance report in this annual report (the "**Corporate Governance Report**") for the Reporting Period.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles as set out in the CG Code.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, save and except for the deviation from code provision C.2.1 of the CG Code as disclosed below.

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.

### Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately; and
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for the trading of securities by its Directors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Company or its subsidiaries) on terms that no less exacting than the required standard set out in the Model Code. Having made specific enquiry by the Company, all Directors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code throughout the Reporting Period. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

As at the Latest Practicable Date, the Board comprised 6 Directors, consisting of 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors as follows:

***Executive Directors***
Mr. YeQing ZHU *(Chairman and Chief Executive Officer)*
Dr. Yiyou CHEN

***Non-executive Director***
Mr. Naxin YAO

***Independent Non-executive Directors***
Mr. Danke YU
Prof. Hong WU
Dr. Donald Kwok Tung LI, *S.B.S, J.P*

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Biographies of Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

### Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. YeQing ZHU currently holds both positions.

The Board believes that in light of Company's recent successful transition from clinical stage to commercial stage, it is in the interests of the Group for Mr. YeQing ZHU to take up both roles as it helps to ensure operational focus within the Group and enables more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with its relevant committees, which comprise experienced and high calibre individuals, with three independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

### Independent Non-executive Directors

Throughout the Reporting Period, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association.

According to the Articles of Association, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office. Without violating the relevant laws, regulations and regulatory rules of the locality where the Company's shares are listed, a person newly appointed as Director by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

### Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

### Board Independence

The Company recognizes the importance of Board independence to corporate governance. In particular, the following mechanisms are in place in order to ensure that there is a strong independent element on the Board which is key to the Board's effectiveness:

- In assessing whether a potential candidate is qualified to become an independent non-executive director of the Company, the Nomination Committee and the Board will consider, among others, whether the candidate is able to devote sufficient time on performing his/her duties as an independent non-executive director of the Company, and the background and qualification of the candidate, in order to assess whether such candidates are able to bring independent views to the Board.

- In considering whether an independent non-executive director should be proposed for re-election, the Nomination Committee and the Board will assess and evaluate the independent non-executive director's contribution to the Board during the term, in particular, whether the independent non-executive director was able to bring independent views to the Board.

- The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties.

The Board reviewed the implementation and effectiveness of the mechanism in respect of the independence of the Board and the results were satisfactory.

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors throughout the Reporting Period is summarized as follows:

| Directors | Type of Training[Note] |
|---|---|
| *Executive Directors* | |
| Mr. YeQing ZHU | B |
| Dr. Yiyou CHEN | B |
| *Non-executive Director* | |
| Mr. Naxin YAO | B |
| *Independent Non-executive Directors* | |
| Mr. Danke YU | B |
| Prof. Hong WU | B |
| Dr. Donald Kwok Tung LI | B |

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board, in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has a balanced mixed of knowledge and skills, including but not limited to business management, finance, investment and accounting, as well as professional experiences in the biotechnology, clinical research and life sciences industries.

The Board is of the view that the Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

## Gender Diversity

The Company values gender diversity across all levels of the Group and fully respected individual differences of talents, and prohibited discrimination against gender in the recruitment process. The Company will continue to implement measures to support employee gender diversity during recruitment. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as of December 31, 2022:

| | Female | Male |
|---|---|---|
| **Board** | 16.7%<br>(1) | 83.3%<br>(5) |
| **Senior Management** | 41.7%<br>(10) | 58.3%<br>(14) |
| **Other employees** | 51.1%<br>(436) | 48.9%<br>(418) |
| **Overall workforce** | 50.8%<br>(446) | 49.2%<br>(432) |

The Board had targeted to achieve and had achieved at least 10% or 1 of female Directors, 30% of female senior management and 40% of female employees of the Group and considers that the above current gender diversity is satisfactory. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

## Director Nomination Policy

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Company has adopted Director Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Directors.

The nomination procedures set out in the Director Nomination Policy are as follows:

- the Nomination Committee shall convene committee meetings and invite the Board members to nominate candidates (if any) for the Nomination Committee to consider before convening the meeting. The Nomination Committee may also nominate candidates who have not been nominated by the Board members.
- for the appointment of any Director candidate, the Nomination Committee shall conduct adequate due diligence in respect of such candidate and make recommendations to the Board for consideration.
- for the re-appointment of any existing members of the Board, the Nomination Committee shall make recommendations to the Board for consideration.
- for the procedures for Shareholders to nominate any director candidates, please refer to the Procedures for Shareholders to Propose a Person for Election as a Director of the Company on the Company's website.
- the Board shall have the right of final decision on all matters relating to the election of recommended candidates or re-appointed directors at a general meeting.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- whether or not they have appropriate qualifications in in accordance with the provisions under the Listing Rules, the Articles of Association and applicable laws and regulations;
- integrity and reputation;
- educational background, professional qualifications and work experience (including part-time jobs);
- whether or not they have the necessary skills and experience;
- whether or not they are able to spend sufficient time and energy to handle the Company's affairs;
- whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- whether or not the candidates for independent non-executive directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- any other relevant factors as determined by the Nomination Committee or the Board from time to time.

The Nomination Committee shall consider the following factors to ensure that the Board has access to independent opinions:

- when assessing a candidate for appointment as an independent non-executive Director, the Nomination Committee shall assess whether the candidate is able to give independent opinion to the Board, taking into account whether the candidate has sufficient time to perform his/her duty as an independent non-executive Director, whether the candidate has relevant experience and/or appropriate qualifications in order to give independent opinion to the Board; and
- when assessing whether an independent non-executive Director should be re-elected, the Nomination Committee shall consider the independent non-executive Director's overall contributions to the Board during his/her tenure, in order to assess whether the independent non-executive Director is able to give independent opinion to the Board.

During the Reporting Period, the Nomination Committee recommended to the Board the re-appointments of Mr. YeQing ZHU and Mr. Naxin YAO as Directors. The re-appointments were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

### Audit Committee

The Audit Committee currently consists of two independent non-executive Directors, namely Mr. Danke YU and Dr. Donald Kwok Tung LI, and one non-executive Director, namely Mr. Naxin YAO. Mr. Danke YU is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee include but are not limited to:

- assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process;
- handling relationship with the external auditor of the Company;
- reviewing the financial information of the Company; and
- other matters as authorized by the Board.

During the Reporting Period, the Audit Committee held two meetings to review material controls including the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the draft interim results announcement, the draft interim report, the effectiveness and sufficiency of the risk management and internal control systems, the standard of resources, staff qualifications and experience in the internal audit function, the sufficiency of training courses received by employees and the relevant budgets, and the appointment of external auditors.

The Audit Committee also met the external auditors once without the presence of the Executive Directors.

The attendance records of the Audit Committee during the Reporting Period are set out under "Attendance Records of Directors and Committee Members".

## Remuneration Committee

The Remuneration Committee currently consists of one executive Director, namely Mr. Dr. Yiyou CHEN and two independent non-executive Directors, namely Prof. Hong WU and Mr. Danke YU. Prof. Hong WU is the chairperson of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board, including assessing performance of executive Directors and approving the terms of executive Directors' service contracts;
- reviewing the appraisal and remuneration management system which includes but is not limited to performance appraisal criteria and procedures, the main appraisal system, and the principal plan and system regarding incentive and penalty;
- making recommendations to the Board for the remuneration package of individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- reviewing and approving the compensation due to executive Directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair and not excessive;
- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in the determination of his remuneration;
- operating the Company's share option or awards scheme or other incentives schemes as they apply to, and recommend to the general meeting of shareholders grants of options or awards to be made to Directors and/or senior management;
- reviewing and/or approving matters relating to shares schemes under Chapter 17 of the Listing Rules;
- reviewing the Group's policy on expense reimbursements for Directors and senior management; and
- other matters as authorized by the Board.

During the Reporting Period, the Remuneration Committee held one meeting and passed by written resolutions to review and make recommendations to the Board for the remuneration package and service contracts of the Directors and senior management of the Company, assessment of executive Directors' performance, the Company's remuneration policies, practices and related matters and the arrangement of share compensations and share schemes under Chapter 17 of the Listing Rules.

The attendance records of the Remuneration Committee during the Reporting Period are set out under "Attendance Records of Directors and Committee Members".

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

| | **2022 Number of Individual(s)** | 2021 Number of Individual(s) |
|---|---|---|
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| HK$7,000,001 to HK$7,500,000 | **–** | 1 |
| HK$8,000,001 to HK$8,500,000 | **1** | – |
| HK$12,000,001 to HK$12,500,000 | **1** | – |
| | **2** | 2 |

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2022 are set out in note 11 to the Consolidated Financial Statements in this report.

### Nomination Committee

The Nomination Committee currently consists of one executive Director, namely Mr. YeQing ZHU, and two independent non-executive Directors, namely Prof. Hong WU and Mr. Danke YU. Mr. YeQing ZHU is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, as well as formulating, or assisting the Board to formulate, a board diversity policy for the Company;

- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;

- assessing the independence of independent non-executive Directors on an annual basis;

- reviewing annually the time required from non-executive Directors to assess whether the non-executive Directors are spending enough time in fulfilling their duties;

- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- formulating plans for succession for both executive and non-executive Directors; and
- other matters as authorized by the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held one meeting and passed by written resolutions to consider and make recommendation to the Board for the re-election of Directors at the Company's annual general meeting, to review the Board Diversity Policy and Director Nomination Policy and to nominate the Chairman of the Board and the chairmen and members of the Board committees. The attendance records of the Nomination Committee during the Reporting Period are set out under "Attendance Records of Directors and Committee Members".

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2.1 of the CG Code, including (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board had reviewed and determined the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board Committee meetings and the general meeting of the Company held during the Reporting Period is set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| Name of Director | Board | Audit Committee | Remuneration Committee | Nomination Committee | Annual General Meeting |
| Mr. YeQing ZHU(Note 1) | 4/4 | N/A | N/A | 1/1 | 1/1 |
| Dr. Yiyou CHEN(Note 2) | 4/4 | N/A | 1/1 | N/A | 1/1 |
| Mr. Naxin YAO(Note 3) | 4/4 | 2/2 | N/A | N/A | 1/1 |
| Ms. Nisa Bernice Wing-Yu LEUNG *(resigned on February 28, 2022)* | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Danke YU | 4/4 | 2/2 | 1/1 | 1/1 | 1/1 |
| Prof. Hong WU | 4/4 | N/A | 1/1 | 1/1 | 0/1 |
| Dr. Donald Kwok Tung LI | 4/4 | 2/2 | N/A | N/A | 1/1 |

Notes:

1. Mr. YeQing ZHU was appointed as the Chairman of the Board and the chairman of the Nomination Committee and ceased to be a member of the Remuneration Committee with effect from June 20, 2022.

2. Dr. Yiyou CHEN was appointed as a member of the Remuneration Committee and ceased to be the Chairman of the Board and the chairman of the Nomination Committee with effect from June 20, 2022.

3. Mr. Naxin YAO was appointed as a member of the Audit Committee with effect from February 28, 2022.

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Risk Management

The Company recognizes that risk management is critical to the success of its business. The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an on-going basis. The Audit Committee and ultimately the Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Group and reported to the Directors.

The following key principles outline the Group's approach to risk management and internal control:

- The senior management oversees and manages the overall risks associated with the Group's business operations, including (i) reviewing and approving its risk management policy to ensure that it is consistent with the Group's corporate objectives; (ii) monitoring the most significant risks associated with the Group's business operations and its management's handling of such risks; and (iii) ensuring the appropriate application of the risk management framework across the Group.

- The legal and internal control personnel are responsible for developing and implementing the risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of the Group's risk management framework.

- For the purpose of intellectual property rights risk management, the legal department is responsible for approving contracts, monitoring any changes in the applicable laws and regulations and ensuring the ongoing compliance of the Group's operations with the applicable law and regulations. The intellectual property department assists in conducting searches to help ensure that all of the Group's intellectual property is under the protection of relevant laws and regulations, and also helps ensure the application for trademark, copyright or patent registrations for, as well as filing with relevant authorities of, all of the products. The intellectual property department shall then administer the execution process of obtaining the necessary filings, approvals, and/or licenses. Other than some standard contracts which have been reviewed and adopted by the legal department, all the contracts of the Company are required to be reviewed and approved by the legal department prior to execution. In addition, policies for intellectual property infringement notices to help ensure timely monitoring of the infringement incidents have been established.

The Company consider that its Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

### Internal Control

The Board is responsible for establishing the internal control system and reviewing its effectiveness. During the Reporting Period, the Company has regularly reviewed and enhanced it internal control system.

The Group has adopted various measures and procedures regarding each aspect of its operations, such as protection of intellectual property, environmental protection and occupational health and safety. The Group provides periodic training on these measures and procedures for employees as part of the employee-training program. It also regularly monitors the implementation of those measures and procedures through its on-site internal control team for each stage of the produce development process. The Directors, with assistance from legal advisors, periodically review the Group's compliance status with all relevant laws and regulations.

The Audit Committee shall (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of the Group.

The Company has engaged a compliance adviser to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The compliance adviser is expected to provide support and advice regarding the requirements of relevant regulatory authorities, including those relating to corporate governance, on a timely basis. The Company has also engaged a PRC legal advisor to advise it on, and keep it abreast with, PRC laws and regulations. The Company will continue to arrange various training to be provided by external legal advisors.

The Group maintains strict anti-corruption policies among its sales personnel and distributors in our sales and marketing activities, which clearly define the key areas and key steps of its anti-fraud function and the responsibilities and authorities of relevant departments in carrying out the anti-fraud function, and set up the internal protocols for reporting, investigation and remedy procedures, reporting channels and whistle-blower protection mechanisms. The Group also monitors its sales and marketing personnel to ensure their compliance with applicable promotion and advertising requirements, and limitations on industry-sponsored scientific and educational activities. Further, the Group maintains a comprehensive treasury policy, detailing specific functions and internal control measures for capital use.

The Group has adopted internal protocols governing both the confidentiality and privacy for patient sample and data. There is standard operation procedure in place for sample/data collection, test procedures, data storage as well as data access. Such data access is on an as-needed basis for internal employees, and external access is not allowed and requires written approvals from the head of the quality control/compliance department.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board confirms its responsibilities for risk management and internal control systems which covers all material controls including financial, operational and compliance controls, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed annually the effectiveness of the internal audit function and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting function, and the adequacy of their training programs and budget.

During the Reporting Period, the Board, through a review, considered that the risk management and internal control system of the Group was effective and adequate.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

## AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

| **Service Category** | **Fees Paid/Payable** *RMB'000* |
|---|---|
| Audit Services | 2,280 |
| Non-audit Services | |
| – Interim review service | 1,000 |
| – Other assurance services | 88 |
| Total | 3,368 |

## JOINT COMPANY SECRETARIES

Mr. Yu GAO ("**Mr. Gao**") and Ms. Ming Wai MOK ("**Ms. Mok**") have been appointed as the joint company secretaries of the Company. Mr. Gao, who is also the Chief Financial Officer, is the primary corporate contact person at the Company who will work and communicate with Ms. Mok, the Head of Listed Company Corporate Services of Tricor Services Limited, on the Company's corporate governance and secretarial matters.

Each of Mr. Gao and Ms. Mok has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the Reporting Period.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Convening Shareholders' General Meetings and Putting Forward Proposals at General Meetings

A shareholders' annual general meeting is required to be held once every year within six months following the end of the previous financial year.

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting (on a one vote per share basis) at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For proposal of a person for election as Director, pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

For procedures of nomination of candidates for directorship by Shareholders, please refer to the website of the Company.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

### Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (ir.newhorizonbio.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

## Changes to the Articles of Association

During the Reporting Period, the Company has amended its Articles of Association.

The major areas of the amendments are summarized below:

(a) an annual general meeting of the Company shall be held in each financial year other than the financial year of the Company's adoption of the new Articles of Association and such annual general meeting must be held within six (6) months after the end of Company's financial year (unless a longer period would not infringe the Listing Rules, if any) in alignment with Paragraph 14(1) of Appendix 3;

(b) an annual general meeting must be called by written notice of not less than 21 clear days and all other general meetings must be called by written notice of not less than 14 clear days (unless otherwise permitted by the applicable laws and subject to the new Articles of Association) in alignment with Paragraph 14(2) of Appendix 3;

(c) members must have the right to speak at a general meeting and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration in alignment with Paragraph 14(3) of Appendix 3;

(d) the remuneration of the auditor shall be fixed by the Company by ordinary resolution in general meeting or in such manner as the members may determine by a body that is independent of the Board in alignment with Paragraph 17 of Appendix 3;

(e) allow all general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) to be held as a physical meeting in any part of the world and at one or more locations as provided in the new Articles of Association as a hybrid meeting or as an electronic meeting, as may be determined by the Board in its absolute discretion;

(f) insert the definitions of "electronic meeting", "hybrid meeting", "Meeting Location", "physical meeting" and "Principal Meeting Place", and make corresponding changes to the relevant provisions of the Articles of association;

(g) insert the definition of "electronic communication" and making consequential amendments to the relevant provisions of the Articles of Association;

(h) two members entitled to vote and present in person or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy shall form a quorum for all purposes;

(i) include additional details to be specified in a notice of general meeting in light of allowing general meetings to be held at one or more meeting locations, or as a hybrid meeting or an electronic meeting;

(j) votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine;

(k) the chairman of the general meeting may, with the consent of the meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time (or indefinitely) and/or from place to place(s) and/or from one form to another (a physical meeting, a hybrid meeting or an electronic meeting);

(l) for the proceedings of general meetings which are held at one or more locations, or as a hybrid meeting or an electronic meeting, and the powers of the Board and the chairman of the meeting in relation thereto;

(m) set out the related powers of the Board and the chairman of the general meetings, including but not limited to making any arrangement as appropriate to ensure the security and orderly conduct of a meeting;

(n) where the Directors, in their absolute discretion, consider that it is inappropriate, impracticable, unreasonable or undesirable for any reason to hold a general meeting on the date or at the time or place or by means of electronic facilities specified in the notice calling for such meeting, they may change or postpone the meeting to another date, time and/or place, change the electronic facilities and/or change the form of the meeting (a physical meeting, a hybrid meeting or an electronic meeting) without approval from the members;

(o) subject to the new Articles of Association, an auditor appointed under such Article shall hold office until the next following annual general meeting of the Company and shall then be subject to appointment by the members under the new Articles of Association at such remuneration to be determined by the members or other body that is independent of the Board;

(p) subject to the new Articles of Association, to allow for the Company to send notices by electronic communication;

(q) unless otherwise determined by the Directors, the financial year end of the Company shall be December 31 in each year; and

(r) made other housekeeping amendments in line with the Proposed Amendments to better align with the wordings in the applicable laws of the Cayman Islands and the Listing Rules and to reflect certain updates in relation to the applicable laws of Cayman Islands and the Listing Rules.

Details of the amendments are set out in the circular of the Company dated April 28, 2022.

An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

### Shareholders Communication Policy

The Company has in place a Shareholders' communication policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

### *Corporate Communication*

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form.

Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules.

Corporate Communication will be provided to the Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

### *Announcements and Other Documents pursuant to the Listing Rules*

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

### *Corporate Website*

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.newhorizonbio.com).

### *Shareholders' Meetings*

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders.

The Company shall provide the Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable the Shareholders to make an informed decision on the proposed resolution(s).

The Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings.

Where appropriate or required, the Chairperson of the Board and other Board members, the chairpersons of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer the Shareholders' questions (if any).

***Shareholders' Enquiries***

Shareholders may send their enquiries about Shareholdings to the following:

| | |
|---|---|
| Address: | 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (For the attention of the Board) |
| Hotline: | +852 2980 1333 |
| Email: | is-enquiries@hk.tricorglobal.com |

Shareholders may also send their enquiries about corporate governance or other matters to be put to the Board and the Company to the following:

| | |
|---|---|
| Address: | 13/F, T1 Bldg, 400 Jiang'er Rd, Hangzhou, Zhejiang, the PRC (For the attention of the Board) |
| Email: | IR@nhbio.com.cn |

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

## Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by the Board, and will be subject to Shareholders' approval.

Deloitte. 德勤

To the Shareholders of New Horizon Health Limited
(incorporated in Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of New Horizon Health Limited (the "**Company**") and its subsidiaries and consolidated affiliated entities (collectively referred to as the "**Group**") set out on pages 101 to 186, which comprise the consolidated statement of financial position at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| ***Impairment assessment of trade receivables*** | |
| We identified impairment assessment of trade receivables as a key audit matter due to the involvement of management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables at the end of the reporting period.<br><br>At December 31, 2022, the Group's net trade receivables amounting to RMB554,045,000 represented 21.5% of the total assets of the Group, and out of these trade receivables of RMB67,004,000 were past due 90 days or more.<br><br>As disclosed in note 33b to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors, after considering the shared credit-risk characteristics by references to debtors' aging of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant balances or credit-impaired balances are assessed for ECL individually. As disclosed in note 20 to the consolidated financial statements, the Group's lifetime ECL recognised on trade receivables at December 31, 2022 amounted to RMB30,059,000. | Our procedures in relation to impairment assessment of trade receivables included:<br><br>• Understanding key controls on how the management estimates the impairment assessment of trade receivables;<br><br>• Testing the integrity of information used by the management to develop the provision matrix, including trade receivables aging analysis at December 31, 2022, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents;<br><br>• Challenging the management's basis and judgements in determining credit loss allowance on trade receivables at December 31, 2022, including their identification of significant outstanding balances or credit-impaired balances, the reasonableness of the management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and are adjusted for forward-looking information); and<br><br>• Evaluating the disclosures regarding the impairment assessment of trade receivables in notes 20 and 33b to the consolidated financial statements. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Chun Kit Tommy.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

March 13, 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

| | Notes | Year ended December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **764,960** | 212,761 |
| Cost of sales | | **(118,790)** | (58,116) |
| Gross profits | | **646,170** | 154,645 |
| Other income | 6 | **16,019** | 22,731 |
| Other gains and losses | 7 | **96,213** | (2,789,513) |
| Impairment losses on trade and other receivables | | **(21,426)** | (6,632) |
| Selling and marketing expenses | | **(555,080)** | (271,378) |
| Research and development expenses | | **(94,600)** | (58,903) |
| Administrative expenses | | **(159,593)** | (109,310) |
| Listing expenses | | **–** | (19,217) |
| Finance costs | 8 | **(7,361)** | (7,759) |
| Loss before tax | 9 | **(79,658)** | (3,085,336) |
| Income tax expense | 10 | **(655)** | – |
| Loss for the year | | **(80,313)** | (3,085,336) |
| Other comprehensive income (expense) for the year, net of income tax | | **4,525** | (594) |
| Total comprehensive expenses for the year | | **(75,788)** | (3,085,930) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(79,238)** | (3,085,336) |
| Non-controlling interests | | **(1,075)** | – |
| | | **(80,313)** | (3,085,336) |
| Total comprehensive expenses for the year attributable to: | | | |
| Owners of the Company | | **(74,713)** | (3,085,930) |
| Non-controlling interests | | **(1,075)** | – |
| | | **(75,788)** | (3,085,930) |
| Loss per share | 12 | | |
| – Basic (RMB) | | **(0.19)** | (8.15) |
| – Diluted (RMB) | | **(0.19)** | (8.15) |

# Consolidated Statement of Financial Position

At December 31, 2022

| | Notes | At December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 14 | **81,784** | 61,056 |
| Intangible assets | 15 | **22,420** | 18,006 |
| Right-of-use assets | 16 | **57,082** | 38,890 |
| Deposits paid for acquisition of property and equipment and intangible assets | 17 | **5,771** | 2,160 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 18A | **79,960** | 55,468 |
| Investments in associates measured at FVTPL | 18B | **10,215** | 9,351 |
| Other receivables and deposits | 20 | **20,272** | 12,697 |
| Amounts due from related parties | 21 | **64,330** | 57,108 |
| Time deposits over three months | 23 | **40,000** | 40,000 |
| Pledged bank deposits | 23 | **192,416** | – |
| | | **574,250** | 294,736 |
| **Current assets** | | | |
| Inventories non-research and development related | 19 | **26,925** | 14,646 |
| Inventories research and development related | 19 | **43,611** | 44,318 |
| Trade and other receivables | 20 | **584,095** | 133,715 |
| Amounts due from related parties | 21 | **–** | 510 |
| Financial assets at FVTPL | 18A | **–** | 10,000 |
| Contract costs | 22 | **5,634** | 13,891 |
| Time deposits over three months | 23 | **208,938** | 1,045,235 |
| Pledged bank deposits | 23 | **–** | 110,000 |
| Cash and cash equivalents | 23 | **1,131,373** | 686,817 |
| | | **2,000,576** | 2,059,132 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **108,628** | 38,680 |
| Accrued payroll and welfare expenses | | **51,693** | 39,466 |
| Contract liabilities | 25A | **41,538** | 21,943 |
| Refund liabilities | 25B | **5,727** | 2,639 |
| Bank borrowings | 26 | **–** | 79,498 |
| Lease liabilities | 27 | **19,847** | 11,132 |
| | | **227,433** | 193,358 |
| **Net current assets** | | **1,773,143** | 1,865,774 |
| **Total assets less current liabilities** | | **2,347,393** | 2,160,510 |

| | Notes | At December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings | 26 | **180,000** | – |
| Other payables | 24 | **601** | 1,543 |
| Lease liabilities | 27 | **45,142** | 32,307 |
| | | **225,743** | 33,850 |
| **Net assets** | | **2,121,650** | 2,126,660 |
| **Capital and reserves** | | | |
| Share capital | 28 | **141** | 141 |
| Treasury shares | | **(1)** | (1) |
| Share premium | | **6,419,522** | 6,413,365 |
| Reserves | | **(4,298,012)** | (4,286,845) |
| **Total equity** | | **2,121,650** | 2,126,660 |

The consolidated financial statements on page 101 to 186 were approved and authorised for issue by the board of directors of the Company on March 13, 2023 and are signed on its behalf by:

**MR. YEQING ZHU**
*Director*

**DR. YIYOU CHEN**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Translation reserve RMB'000 | Share-based payments reserve RMB'000 | Accumulated losses RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity (deficit) RMB'000 |
| **At January 1, 2021** | 48 | (1) | 118,865 | (72,297) | – | 5,834 | (1,142,363) | (1,089,914) | – | (1,089,914) |
| Loss for the year | – | – | – | – | – | – | (3,085,336) | (3,085,336) | – | (3,085,336) |
| Other comprehensive expense for the year, net of income tax | – | – | – | – | (594) | – | – | (594) | – | (594) |
| Total comprehensive expenses for the year | – | – | – | – | (594) | – | (3,085,336) | (3,085,930) | – | (3,085,930) |
| Recognition of equity-settled share-based payments (note 29) | – | – | – | – | – | 23,849 | – | 23,849 | – | 23,849 |
| Automatic conversion of preferred shares upon the listing | 65 | – | 4,437,319 | – | – | – | – | 4,437,384 | – | 4,437,384 |
| Exercise of share options | - * | – | 1,044 | – | – | (534) | – | 510 | – | 510 |
| Vesting of restricted shares | – | – | 15,404 | – | – | (15,404) | – | – | – | – |
| Issue of new shares of the Company (note 28) | 28 | – | 1,956,204 | – | – | – | – | 1,956,232 | – | 1,956,232 |
| Cost of issuing new shares | – | – | (115,471) | – | – | – | – | (115,471) | – | (115,471) |
| **At December 31, 2021** | 141 | (1) | 6,413,365 | (72,297) | (594) | 13,745 | (4,227,699) | 2,126,660 | – | 2,126,660 |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(79,238)** | **(79,238)** | **(1,075)** | **(80,313)** |
| Other comprehensive income for the year, net of income tax | **–** | **–** | **–** | **–** | **4,525** | **–** | **–** | **4,525** | **–** | **4,525** |
| Total comprehensive income (expenses) for the year | **–** | **–** | **–** | **–** | **4,525** | **–** | **(79,238)** | **(74,713)** | **(1,075)** | **(75,788)** |
| Recognition of equity-settled share-based payments (note 29) | **–** | **–** | **–** | **–** | **–** | **68,727** | **–** | **68,727** | **–** | **68,727** |
| Net contribution from non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,075** | **1,075** |
| Exercise of share options | **- *** | **–** | **1,409** | **–** | **–** | **(433)** | **–** | **976** | **–** | **976** |
| Forfeiture of share options | **–** | **–** | **–** | **–** | **–** | **(306)** | **306** | **–** | **–** | **–** |
| Vesting of restricted shares | **–** | **–** | **4,748** | **–** | **–** | **(4,748)** | **–** | **–** | **–** | **–** |
| **At December 31, 2022** | **141** | **(1)** | **6,419,522** | **(72,297)** | **3,931** | **76,985** | **(4,306,631)** | **2,121,650** | **–** | **2,121,650** |

* Amount less than RMB1,000.

# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **OPERATING ACTIVITIES** | | |
| Loss before tax | **(79,658)** | (3,085,336) |
| Adjustments for: | | |
| Write-down of inventories | **3,684** | 1,456 |
| Write-down of contract costs | **15,139** | 1,814 |
| Impairment loss on trade and other receivables | **21,426** | 6,632 |
| Bank interest income | **(11,193)** | (15,100) |
| Interest income from subscription receivables | **(1,326)** | (1,255) |
| Net loss on disposal of property and equipment | **55** | 32 |
| Net gain on early termination of lease | **(64)** | – |
| Depreciation of property and equipment | **13,547** | 9,900 |
| Depreciation of right-of-use assets | **11,813** | 8,488 |
| Amortisation of intangible assets | **966** | 886 |
| Amortisation of contract costs | **44,463** | 23,695 |
| Fair value loss on preferred shares | **–** | 2,757,028 |
| Net investment (gain)/loss on structured deposits | **(2,323)** | 319 |
| Fair value (gain)/loss on early exercise promissory notes | **(5,375)** | 5,587 |
| Loss on fair value changes of financial assets at FVTPL | **4,351** | 375 |
| Net unrealised foreign exchange (gain)/loss | **(87,042)** | 36,290 |
| Finance costs | **7,361** | 7,759 |
| Share-based payment expenses | **68,727** | 23,849 |
| Operating cash flow before movements in working capital | **4,551** | (217,581) |
| Increase in trade and other receivables | **(475,616)** | (93,884) |
| Increase in inventories | **(37,018)** | (62,459) |
| Increase in contract costs | **(6,882)** | (10,144) |
| Increase in trade and other payables | **79,522** | 18,358 |
| Increase in contract liabilities | **19,595** | 11,071 |
| Increase in refund liabilities | **3,088** | 45 |
| Cash used in operations | **(412,760)** | (354,594) |
| Income tax paid | **222** | – |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(412,538)** | (354,594) |

# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

| | Year ended December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Bank interest received | **13,067** | 13,226 |
| Placement of time deposits over three months | **(1,575,335)** | (4,015,497) |
| Withdrawal of time deposits over three months | **2,417,989** | 3,031,761 |
| Placement of structured deposits | **(348,267)** | (124,926) |
| Disposal of structured deposits | **360,590** | 114,607 |
| Payments for rental deposits | **(4,045)** | (785) |
| Purchase of and deposits paid for intangible assets | **(6,366)** | (1,734) |
| Purchase of and deposits paid for property and equipment | **(47,472)** | (35,354) |
| Proceed from disposal of property and equipment | **6** | 14 |
| Placement of pledged bank deposits | **(198,282)** | (110,000) |
| Withdrawal of pledged bank deposits | **110,000** | – |
| Investments in financial assets and associate at FVTPL | **(29,925)** | (65,777) |
| Repayments from related parties | **–** | 7,156 |
| **NET CASH FROM/(USED IN) INVESTING ACTIVITIES** | **691,960** | (1,187,309) |
| **FINANCING ACTIVITIES** | | |
| New bank borrowing raised | **180,000** | – |
| Repayments of bank borrowings | **(79,498)** | (36,736) |
| Repayments of lease liabilities | **(21,894)** | (14,808) |
| Interest paid | **(4,337)** | (8,195) |
| Proceeds from exercise of share options | **1,207** | – |
| Proceeds from issuance of shares | **–** | 1,956,232 |
| Issue cost paid | **–** | (112,672) |
| **NET CASH FROM FINANCING ACTIVITIES** | **75,478** | 1,783,821 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **354,900** | 241,918 |
| Effects of exchange rate changes | **89,656** | (6,897) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **686,817** | 451,796 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH** | **1,131,373** | 686,817 |

## 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 respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

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 consolidated financial statements are represented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (**the "IASB"**) for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### New and amendments to IFRSs in issue but not yet effective

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

| | |
|---|---|
| IFRS 17 | Insurance Contracts[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendment to IFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to IAS 8 | Definition of Accounting Estimates[1] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2024

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including consolidated affiliated entities) controlled by the Company and its subsidiaries and consolidated affiliated entities. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary or consolidated affiliated entity begins when the Group obtains control over the subsidiary or consolidated affiliated entity and ceases when the Group loses control of the subsidiary or consolidated affiliated entity. Specifically, income and expenses of a subsidiary or consolidated affiliated entity acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary or consolidated affiliated entity.

When necessary, adjustments are made to the financial statements of subsidiaries and consolidated affiliated entities to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Investments in associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group has invested in certain equity interests in private entities as a preferred shareholder. As the Group has the right to appoint a director of the private entities, the Group exercises significant influence, but not control, over the private entities. The Group records such investment as investments in associates. In accordance with IAS 28 *Investments in Associates and Joint Ventures*, as the preferred shares of the private entities in-substance is not the same as the ordinary shares of the private entities, such investments in associates are accounted for in accordance with IFRS 9 and measured at FVTPL.

*Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the Group expects to be entitled to a breakage amount in contract liabilities, that amount is recognised as revenue in proportion to the pattern of service treatments utilised by the customers, if it is able to be estimated reliably. If the Group does not expect to be entitled to a breakage amount, revenue for the expected breakage amount should be recognised when the likelihood of the customer exercising its remaining rights becomes remote.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Refund liabilities*

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

*Sale with a right of return/exchange*

For a sale of products with a right of return/exchange, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

*Contract costs*

*Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

*Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its sales of ColoClear. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Leases*

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*The Group as a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Leases (Continued)*

*The Group as a lessee (Continued)*

Right-of-use assets *(Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Leases (Continued)*

*The Group as a lessee (Continued)*

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent reviews in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

*Borrowing costs*

All borrowing costs except for directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

*Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

*Employee benefits*

*Retirement benefit costs*

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

*Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Share-based payments*

*Equity-settled share-based payment transactions*

Shares/share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

*Modification to the terms and conditions of the share-based payment arrangements*

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, consolidated affiliated entities and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Taxation (Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

*Property and equipment*

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under installation for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such assets under installation are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

*Intangible assets*

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Intangible assets (Continued)*

*Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

*Impairment on property and equipment, intangible assets, right-of-use assets and contract costs*

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, intangible assets with finite useful lives, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Impairment on property and equipment, intangible assets, right-of-use assets and contract costs (Continued)*

The recoverable amount of property and equipment, intangible assets and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Impairment on property and equipment, intangible assets, right-of-use assets and contract costs (Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

*Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

*Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial assets (Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related parties, time deposits over three months, pledged bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or credit-impaired, and/or collectively using a provision matrix with appropriate groupings.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit rating where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial assets (Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

*Financial instruments (Continued)*

*Financial liabilities and equity (Continued)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of financial liabilities

When the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these consolidated financial statements.

*Research and development expenses*

Development expenses incurred on the Group's product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determine that certain of the Group's product pipelines met the above said capitalisation criteria. During the years ended December 31, 2021 and 2022, all development costs are expensed when incurred.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Provision of impairment loss allowance for trade receivables*

Trade receivables with significant balances or credit-impaired balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the remaining trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors. The provision matrix is based on the Group's historical default rates and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. At the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 33b.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES *(Continued)*

**Key sources of estimation uncertainty** *(Continued)*

*Estimation on refund liabilities arising from sales of Pupu tube*

In estimating the amount of refund liabilities arising from sales of Pupu tube, the management of the Group has to make estimation based on its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. The estimation involves high degree of estimation and uncertainty. When the actual return rates are less than expected or more than expected, a material reversal or a material provision of refund liabilities may arise accordingly. At December 31, 2022, the carrying amount of refund liabilities is RMB5,727,000 (2021: RMB2,639,000).

*Fair value of financial instruments*

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The management of the Group is responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 33c provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various types of financial instruments.

## 5. REVENUE AND SEGMENT INFORMATION

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

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | | |
| – ColoClear | **356,003** | 97,216 |
| – Pupu tube | **200,607** | 115,466 |
| – UU tube | **207,771** | – |
| – Others | **15** | 79 |
| | **764,396** | 212,761 |
| International* | **564** | – |
| | **764,960** | 212,761 |

* Amount represents sales of ColoClear.

For sale through internet sales, the Group receives payment of the transaction price prior to delivery of product to customer. For sale through other sale channels, the Group normally grants a credit period of 0 to 90 days upon issuance of invoice and may grant a credit term up to 365 days to certain customers. The Group may request advances from certain customers upon signing sales agreements or placing orders.

Based on the Group's sales contract with customers, selected customers can request for an one-time exchange of products within 3 months upon expiry of ColoClear products and 1 to 3 months prior to expiry of Pupu tube and UU tube products; whereas the other customers can only return or request for refund if the product delivered to the customer does not meet the pre-specified quality requirement.

### ColoClear

The transaction price received by the Group is recognised as a contract liability until when revenue is recognised at a point in time at the earlier of (i) the Group completed the testing service and delivered the screening report to the customer/end user; or (ii) the later of ColoClear product delivered to the customers are expired or the expiry of product exchange period granted to selected customers.

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### ColoClear *(Continued)*

Since the transaction price received is generally non-refundable and customers/end users may not utilise all of their contracted rights within the services period which is referred to as breakage, the Group recognised the breakage amount when the likelihood of customer exercising its remaining rights become remote. The directors of the Company have referenced to the past years historical utilisation pattern of customers/end users and noted a stable redemption rate for certain sales channels. For sales under those channels, the Group recognised revenue in proportion to the pattern of service utilised by the customers/end users over the balance of contract liabilities (on individual customer basis) and true up any difference between contracted amount and the expected breakage amount. For other sales, breakage in contract liabilities is recognised upon the later of the expiry of product or the product exchange period granted.

The Group sells ColoClear IVD as a standalone product to hospitals and other medical institutions. The revenue is recognised at a point in time when the Group delivers the products to the customers.

### Pupu tube, UU tube and others

Revenue is recognised at a point in time when the Group delivers the products to the customers and/or service are rendered to its customers.

### Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of Pupu tube, UU tube and others as the Group's contract has an original expected duration of less than one year.

Occasionally, customers enter into framework agreements with the Group and place orders when they require delivery. Advances received from customers with no orders have been placed are recognised as contract liabilities. The expected timing of revenue recognition is uncertain as it is based on the request by them.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in respect of sale of ColoClear as at the end of each reporting period and the expected timing of recognising revenue that orders have been placed.

| | **At December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **8,566** | 7,193 |

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

### Geographical information

Substantially all of the Group's operations and non-current assets are located in the People's Republic of China ("**PRC**"). The Group's revenue from external customers is presented based on the location of the operation.

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **764,396** | 212,761 |
| International | **564** | – |
| | **764,960** | 212,761 |

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Customer A | **N/A *** | 40,343 |
| Customer B | **N/A *** | 22,942 |

* not disclosed as amount less than 10% of total revenue.

There was no revenue from any individual customer which contributed over 10% of the total revenue of the Group during the year ended December 31, 2022.

## 6. OTHER INCOME

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **11,193** | 15,100 |
| Government subsidies (note) | **3,490** | 6,125 |
| Interest income from subscription receivables (note 21) | **1,326** | 1,255 |
| Others | **10** | 251 |
| | **16,019** | 22,731 |

Note: The amount represents government grants received from various PRC government authorities in connection with the enterprise development support and fiscal subsidies which had no conditions imposed by the respective PRC government authorities.

## 7. OTHER GAINS AND LOSSES

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Net investment gain/(loss) on structured deposits | **2,323** | (319) |
| Net foreign exchange gain/(loss) | **92,857** | (26,172) |
| Fair value loss of preferred shares (note) | **–** | (2,757,028) |
| Fair value gain/(loss) of early exercise promissory notes | **5,375** | (5,587) |
| Net loss on disposal of property and equipment | **(55)** | (32) |
| Net gain on early termination of lease | **64** | – |
| Loss on fair value changes of financial assets at FVTPL (note 18A) | **(4,351)** | (375) |
| | **96,213** | (2,789,513) |

Note: Details of the key terms, presentation and classification were set out in note 26A to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2020.

## 8. FINANCE COSTS

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings | **4,017** | 5,100 |
| Interest on lease liabilities | **3,344** | 2,659 |
| | **7,361** | 7,759 |

## 9. LOSS BEFORE TAX

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss before tax for the year has been arrived at after charging (crediting): | | |
| Depreciation of property and equipment | **24,858** | 16,460 |
| Depreciation of right-of-use assets | **22,019** | 16,160 |
| Amortisation of intangible assets | **2,150** | 2,017 |
| | **49,027** | 34,637 |
| Capitalised in inventories | **(22,701)** | (15,363) |
| | **26,326** | 19,274 |
| Analysed as: | | |
| Charged in administrative expenses | **15,494** | 11,987 |
| Charged in selling and marketing expenses | **853** | 454 |
| Charged in research and development expenses | **9,979** | 6,833 |
| | **26,326** | 19,274 |
| Auditors' remuneration | **2,280** | 2,080 |
| Cost of inventories recognised as cost of sales | **94,403** | 50,796 |
| Write-down of inventories (included in cost of sales) | **3,684** | 1,456 |
| Write-down of contract costs on finished goods delivered (included in cost of sales) | **15,139** | 1,814 |
| Directors' remuneration (note 11) | **60,665** | 24,987 |
| Other staff cost | | |
| Salaries and other benefits | **177,751** | 123,485 |
| Retirement benefit scheme contributions | **16,026** | 11,348 |
| Discretionary bonus (note) | **34,221** | 20,554 |
| Share-based payments | **24,178** | 5,663 |
| | **312,841** | 186,037 |
| Capitalised in inventories | **(18,907)** | (13,033) |
| | **293,934** | 173,004 |

## 9. LOSS BEFORE TAX *(Continued)*

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Analysed as: | | |
| Charged in administrative expenses | **109,851** | 63,712 |
| Charged in selling and marketing expenses | **139,398** | 86,593 |
| Charged in research and development expenses | **44,685** | 22,699 |
| | **293,934** | 173,004 |
| Research and development expenses | | |
| Staff cost | **44,685** | 22,699 |
| Depreciation and amortisation | **9,979** | 6,833 |
| Clinic test expenses | **8,343** | 3,074 |
| Materials consumed | **23,932** | 19,047 |
| Consultancy fee | **3,373** | 2,918 |
| Travel expenses | **458** | 388 |
| Others | **3,830** | 3,944 |
| | **94,600** | 58,903 |

Note: Discretionary bonus is determined at the end of the reporting period based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

## 10. INCOME TAX EXPENSE

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **655** | – |

The Company is tax exempt under the laws of the Cayman Islands.

Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first Hong Kong dollar ("**HK$**") 2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the entities comprising the Group had no assessable profit subject to Hong Kong Profits Tax during the reporting period.

Under the US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21%.

## 10. INCOME TAX EXPENSE *(Continued)*

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries and consolidated affiliated entities is 25%.

A subsidiary of the Company, Hangzhou New Horizon Health Technology Co., Ltd# (杭州諾輝健康科技有限公司) ("Hangzhou Nuohui") has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Hangzhou City and relevant authorities, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate from 2021 to 2023.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive expenses as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(79,658)** | (3,085,336) |
| Tax charge at the PRC EIT rate of 25% | **(19,915)** | (771,334) |
| Tax effect of expenses not deductible for tax purpose | **55,536** | 741,827 |
| Tax effect of income not taxable for tax purpose | **(2,108)** | (3,456) |
| Tax effect of research and development expenses that are additionally deducted (note) | **(21,124)** | (9,571) |
| Tax effect of tax losses not recognised | **3,621** | 40,608 |
| Utilisation of tax losses previously not recognised | **(30,259)** | – |
| Tax effect of deductible temporary differences not recognised | **15,266** | 3,726 |
| Utilisation of deductible temporary differences previously not recognised | **–** | (1,800) |
| Tax effect of concessionary rates | **(677)** | – |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **315** | – |
| | **655** | – |

Note: Pursuant to Announcement No. 13 promulgated by the State Administration of Taxation of the PRC in March 2021, Hangzhou Nuohui enjoys super deduction of 200% on qualifying research and development expenditures throughout both years.

# English name is for identification purpose only

## 10. INCOME TAX EXPENSE *(Continued)*

At December 31, 2022, the Group has unrecognised deductible temporary differences of RMB103,810,000 (2021: RMB42,747,000). The unrecognised deductible temporary difference mainly consists of expenses accrual and provision of impairment loss allowance for trade receivables. At December 31, 2022, the Group has tax losses of RMB411,956,000 (2021: RMB524,789,000) and taxable temporary difference on capitalisation of development expenses of RMB14,401,000 (2021: RMB15,518,000). At December 31, 2022, deferred tax assets and liabilities on tax losses and development expense capitalisation of RMB2,160,000 (2021: RMB2,328,000) have been recognised and offset for presentation purpose. No deferred tax asset has been recognised in respect of the remaining deductible temporary differences or tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will be carried forward and expire in years as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| 2022 | **–** | 7,542 |
| 2023 | **9** | 9 |
| 2024 | **1,761** | 1,761 |
| 2025 | **6,114** | 6,776 |
| 2026 | **4,117** | 20,300 |
| 2027 | **7,869** | 33,606 |
| 2028 | **8,656** | 79,244 |
| 2029 | **110,515** | 110,515 |
| 2030 | **102,719** | 102,719 |
| 2031 | **152,859** | 152,859 |
| Indefinite | **17,337** | 9,458 |
| | **411,956** | 524,789 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable by the entities comprising the Group to the directors and Chief Executive Officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) for their services during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

| | Date of appointment as director of the Company | Fees *RMB'000* | Salaries and other benefits *RMB'000* | Retirement benefit scheme contributions *RMB'000* | Share-based payments *RMB'000* | Discretionary bonus (note) *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| **For the year ended December 31, 2022** | | | | | | | |
| *Chairman, Chief Executive Officer and executive director* | | | | | | | |
| Mr. YeQing Zhu ("Mr. Zhu") | June 7, 2018 | **–** | **4,055** | **58** | **38,716** | **6,000** | **48,829** |
| *Executive director* | | | | | | | |
| Dr. Yiyou Chen ("Dr. Chen") | June 7, 2018 | **–** | **3,188** | **37** | **5,833** | **1,980** | **11,038** |
| *Non-executive directors* | | | | | | | |
| Mr. Naxin Yao ("Mr. Yao") | July 26, 2018 | **–** | **–** | **–** | **–** | **–** | **–** |
| Leung Nisa Bernice Wing-Yu (resigned on February 28, 2022) | July 26, 2018 | **–** | **–** | **–** | **–** | **–** | **–** |
| *Independent non-executive directors* | | | | | | | |
| Mr. Danke YU | February 5, 2021 | **266** | **–** | **–** | **–** | **–** | **266** |
| Prof. Hong WU | February 5, 2021 | **266** | **–** | **–** | **–** | **–** | **266** |
| Dr. Kwok Tung LI, Donald | February 5, 2021 | **266** | **–** | **–** | **–** | **–** | **266** |
| | | **798** | **7,243** | **95** | **44,549** | **7,980** | **60,665** |
| **For the year ended December 31, 2021** | | | | | | | |
| *Chief Executive Officer and executive director* | | | | | | | |
| Mr. YeQing Zhu ("Mr. Zhu") | June 7, 2018 | – | 3,238 | 53 | 10,310 | 660 | 14,261 |
| *Chairman and executive director* | | | | | | | |
| Dr. Yiyou Chen ("Dr. Chen") | June 7, 2018 | – | 1,973 | 31 | 7,876 | 144 | 10,024 |
| *Non-executive directors* | | | | | | | |
| Mr. Naxin Yao ("Mr. Yao") | July 26, 2018 | – | – | – | – | – | – |
| Leung Nisa Bernice Wing-Yu | July 26, 2018 | – | – | – | – | – | – |
| Zhou Quan (retired on June 18, 2021) | July 26, 2018 | – | – | – | – | – | – |
| Ng Siu Wai (retired on June 18, 2021) | May 14, 2019 | – | – | – | – | – | – |
| *Independent non-executive directors* | | | | | | | |
| Mr. Danke YU | February 5, 2021 | 234 | – | – | – | – | 234 |
| Prof. Hong WU | February 5, 2021 | 234 | – | – | – | – | 234 |
| Dr. Kwok Tung LI, Donald | February 5, 2021 | 234 | – | – | – | – | 234 |
| | | 702 | 5,211 | 84 | 18,186 | 804 | 24,987 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company and its subsidiaries and consolidated affiliated entities, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Except for those disclosed in note 21, during the year ended December 31, 2021 and 2022, there are no other loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities. Also, there are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of both reporting periods or at any time during both years.

In addition, no director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2021 and 2022. There are also no consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the year ended December 31, 2021 and 2022.

### Five highest paid employees

The five highest paid employees of the Group included 2 (2021: 2) directors of the Company for the year ended December 31, 2022, details of whose remuneration are set out above. Details of the remuneration for the remaining 3 (2021: 3) highest paid employees for the year ended December 31, 2022 are as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Salary and other benefits | **5,784** | 4,907 |
| Retirement benefit scheme contribution | **162** | 165 |
| Share-based payments | **10,607** | 4,385 |
| Discretionary bonus (note) | **5,681** | 1,320 |
| | **22,234** | 10,777 |

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

## 11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

### Five highest paid employees *(Continued)*

The emoluments of these employees (excluding the directors) are within the following bands:

| | Number of individual | |
|---|---|---|
| | Year ended December 31, | |
| | **2022** | 2021 |
| HK$2,500,001 to HK$3,000,000 | **–** | 1 |
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| HK$4,000,001 to HK$4,500,000 | **1** | – |
| HK$7,000,001 to HK$7,500,000 | **–** | 1 |
| HK$8,000,001 to HK$8,500,000 | **1** | – |
| HK$12,000,001 to HK$12,500,000 | **1** | – |
| | **3** | 3 |

During the year ended December 31, 2021 and 2022, no emoluments were paid by the Group to the management of the Group or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the management of the Group and five highest paid employees of the Group has waived any emoluments during the both years.

## 12. LOSS PER SHARE

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

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000) | **(79,238)** | (3,085,336) |
| Weighted average number of ordinary share for the purpose of basic and diluted loss per share ('000) | **422,929** | 378,499 |

The computation of basic loss per share for both years excluded the unvested share options (note 29a), unvested restricted shares (note 29b) and unvested restricted share units (note 29c) of the Company.

For the year ended December 31, 2022, the computation of diluted loss per share did not assume the exercise of share options and the vesting of unvested restricted shares and unvested restricted share units since their assumed exercise and vesting would result in a decrease in loss per share.

For the year ended December 31, 2021, the computation of diluted loss per share did not assume the exercise of share options and over-allotment option, and the vesting of unvested restricted shares since their assumed exercise and vesting would result in a decrease in loss per share.

## 13. DIVIDENDS

No dividend was paid or declared by the Company for the year ended December 31, 2021 and 2022.

## 14. PROPERTY AND EQUIPMENT

| | Leasehold improvement *RMB'000* | Machinery *RMB'000* | Motor vehicle *RMB'000* | Furniture and fixture *RMB'000* | Assets under installation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At January 1, 2021 | 43,372 | 21,364 | 82 | 4,345 | 7,679 | 76,842 |
| Additions | 1,163 | 18,985 | 78 | 1,773 | 15,502 | 37,501 |
| Disposals | – | (70) | – | (137) | – | (207) |
| Transfers | 8,874 | 14,304 | – | 3 | (23,181) | – |
| At December 31, 2021 | 53,409 | 54,583 | 160 | 5,984 | – | 114,136 |
| Additions | 2,637 | 13,236 | – | 1,357 | 28,417 | 45,647 |
| Disposals | – | (99) | – | (217) | – | (316) |
| Transfers | 15,773 | 373 | – | – | (16,146) | – |
| At December 31, 2022 | **71,819** | **68,093** | **160** | **7,124** | **12,271** | **159,467** |
| **DEPRECIATION** | | | | | | |
| At January 1, 2021 | 25,148 | 8,867 | 40 | 2,726 | – | 36,781 |
| Provided for the year | 9,998 | 5,684 | 24 | 754 | – | 16,460 |
| Eliminated on disposals | – | (43) | – | (118) | – | (161) |
| At December 31, 2021 | 35,146 | 14,508 | 64 | 3,362 | – | 53,080 |
| Provided for the year | 12,932 | 10,636 | 37 | 1,253 | – | 24,858 |
| Eliminated on disposals | – | (67) | – | (188) | – | (255) |
| At December 31, 2022 | **48,078** | **25,077** | **101** | **4,427** | **–** | **77,683** |
| **CARRYING AMOUNT** | | | | | | |
| At December 31, 2022 | **23,741** | **43,016** | **59** | **2,697** | **12,271** | **81,784** |
| At December 31, 2021 | 18,263 | 40,075 | 96 | 2,622 | – | 61,056 |

The above items of property and equipment, other than assets under installation, are depreciated on a straight-line basis, after taking into account of the residual value, at the rate per annum as follows:

| | |
|---|---|
| Leasehold improvement | Shorter of the lease term or 20% per annum |
| Machinery | 19% per annum |
| Motor vehicle | 23.75% per annum |
| Furniture and fixture | 19%-31.67% per annum |

## 15. INTANGIBLE ASSETS

| | Patent right *RMB'000* | Trademarks *RMB'000* | Development costs *RMB'000* | Computer software *RMB'000* | Software under development *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At January 1, 2021 | 350 | 120 | 16,759 | 4,239 | 323 | 21,791 |
| Additions | – | – | – | 323 | (323) | – |
| At December 31, 2021 | 350 | 120 | 16,759 | 4,562 | – | 21,791 |
| Additions | 5,776 | – | – | 81 | 707 | 6,564 |
| At December 31, 2022 | **6,126** | **120** | **16,759** | **4,643** | **707** | **28,355** |
| **DEPRECIATION** | | | | | | |
| At January 1, 2021 | 149 | 37 | 177 | 1,405 | – | 1,768 |
| Provided for the year | 35 | 13 | 1,064 | 905 | – | 2,017 |
| At December 31, 2021 | 184 | 50 | 1,241 | 2,310 | – | 3,785 |
| Provided for the year | 113 | 13 | 1,117 | 907 | – | 2,150 |
| At December 31, 2022 | **297** | **63** | **2,358** | **3,217** | **–** | **5,935** |
| **CARRYING AMOUNT** | | | | | | |
| At December 31, 2022 | **5,829** | **57** | **14,401** | **1,426** | **707** | **22,420** |
| At December 31, 2021 | 166 | 70 | 15,518 | 2,252 | – | 18,006 |

Patent right and trademarks consist of registration costs incurred for Pupu tube and development costs represent costs capitalised on developing ColoClear.

The above intangible assets, other than software under development, have finite useful lives, which are determined based on estimated economic lives of the relevant assets, and are amortised on a straight-line basis as follows:

| | |
|---|---|
| Patent right | 10% per annum |
| Trademarks | 10% per annum |
| Development costs | 6.70% per annum |
| Computer software | 20% per annum |

The management of the Group conducted impairment assessment on the Group's capitalised development costs. The recoverable amounts have been determined based on a value in use calculation using cash flow projection which is based on financial forecasts approved by the directors of the Company at December 31, 2021 and 2022. The growth rate used to extrapolate the cash flows subsequent to the forecast period is 3%, which is closed to long-term inflation rate. The pre-tax discount rate applied to the cash flow projections is 26.7% (2021: 26.7%) and reference to the average discount rate with similar business risk and after taking into account the risk premium in connection with the related research and development efforts. Apart from the discount rate as stated above, the estimation of cash inflows/outflows include budgeted sales and gross margin which are based on management's expectation for the market development.

## 16. RIGHT-OF-USE ASSETS

| | Office premises *RMB'000* | Machinery *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **CARRYING AMOUNT** | | | |
| At January 1, 2021 | 15,101 | 15,022 | 30,123 |
| Additions | 24,927 | – | 24,927 |
| Depreciation charge for the year | (12,154) | (4,006) | (16,160) |
| At December 31, 2021 | 27,874 | 11,016 | 38,890 |
| Additions | 41,771 | – | 41,771 |
| Early termination of lease | (1,560) | – | (1,560) |
| Depreciation charge for the year | (18,013) | (4,006) | (22,019) |
| At December 31, 2022 | **50,072** | **7,010** | **57,082** |

| | Year ended December 31, | |
|---|---|---|
| | **2022** ***RMB'000*** | 2021 *RMB'000* |
| Total cash outflow for leases | **23,437** | 17,467 |

For both years, the Group leased various offices and machinery for its operations. Lease contracts are entered into for fixed term of 1 to 5 (2021: 1 to 5) years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the period for which the contract is enforceable.

To optimise lease costs during the contract period, the Group leased a machinery in which the monthly lease payment is based on the actual number of production of the previous month and a minimum lease payment guarantee at the end of the lease term. The Group initially estimates and recognises amounts expected to be payable under minimum lease payment guarantees as part of the lease liability.

### Restrictions or covenants on leases

At December 31, 2022, lease liabilities of RMB64,989,000 (2021: RMB43,439,000) are recognised with related right-of-use assets of RMB57,082,000 (2021: RMB38,890,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 17. DEPOSITS PAID FOR ACQUISITION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

In 2021, the Group entered into a patent transfer agreement with an university and its cancer research center pursuant to which the university and its cancer research center agreed to transfer its patent of nasopharynx cancer screening to the Group for an aggregate consideration of RMB10 million. Furthermore, pursuant to the patent transfer agreement, the Group and the university and its cancer research center agreed to collaborate on the research of nasopharynx cancer screening. The consideration of RMB10 million is to be settled in 9 milestone payments. In 2022, Group paid the milestone payment of RMB1.3 million (2021: RMB1.3 million) to the university and its cancer research center.

## 18A. FINANCIAL ASSETS AT FVTPL

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Investment in a private equity fund (note a) | **57,330** | 34,535 |
| Investment in a convertible loan (note b) | **22,630** | 20,933 |
| Investment in a structured deposit (note c) | **–** | 10,000 |
| | **79,960** | 65,468 |
| Analysed as: | | |
| Non-current | **79,960** | 55,468 |
| Current | **–** | 10,000 |
| | **79,960** | 65,468 |

Notes:

(a) On August 20, 2021, the Group entered into a limited partnership agreement with an independent third party, being a limited partnership fund (the "Fund"), and subscribed for an aggregate of US$30 million (equivalent to RMB194,952,000) as a limited partner of the Fund. The Fund has a total fund size of US$100 million with a primary focus of investing in the areas of molecular diagnostic technology used for disease screening and early detection in the field of cancer and other major disease categories. During the year ended December 31, 2022, the Group paid US$3.7 million (equivalent to RMB24,915,000) (2021: US$5.4 million (equivalent to RMB35,091,000)) to the Fund.

(b) On July 19, 2021, the Group entered into a convertible loan agreement pursuant to which the Group subscribed for a convertible loan of a private entity established in Switzerland amounting to Swiss Franc ("CHF") 3,000,000 (equivalent to RMB21,308,000). Pursuant to the convertible loan agreement, the convertible loan carries at a fixed coupon rate of 0.5% per annum and shall be convertible into shares of the private entity at a conversion price of the latest round of financing price per share. If there are no early conversion, the convertible loan will mature on September 30, 2023.

(c) At December 31, 2021, the Group invested in a structure deposit managed by a financial institution. The principal is guaranteed by the relevant financial institution while the return of the financial products was linked to the exchange rate of EUR to USD. The structure deposit is fully redeemed in the current year.

## 18B. INVESTMENTS IN ASSOCIATES MEASURED AT FVTPL

On September 10, 2021 and December 16, 2021, the Group subscribed 332,121 and 1,001,063 preferred shares of two private entities incorporated in Israel and USA for consideration of US$467,000 (equivalent to RMB2,975,000) and US$1,000,000 (equivalent to RMB6,376,000). Pursuant to the preferred shares subscription agreements, the Group is entitled to appoint a director to the investees and therefore the Group has significant influence but not control over the investees. As the preferred shares of the investees in-substance is not the same as the ordinary shares of the investees, the Group measures such investments in associates at FVTPL in accordance with IFRS 9. Details of the investments are summarised as follows:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Cost of investments | **9,351** | 9,351 |
| Exchange alignment | **864** | – |
| | **10,215** | 9,351 |

| | Place of incorporation | Ownership interests held At December 31, | |
|---|---|---|---|
| | | **2022** | 2021 |
| Arion Bio, Inc. | Israel | **7.04%** | 7.41% |
| Orbit Genomic, Inc. | USA | **8.81%** | 9.03% |

## 19. INVENTORIES

### Inventories non-research and development related

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Raw material | **14,798** | 9,343 |
| Work in process | **473** | 403 |
| Finished goods | **10,387** | 4,138 |
| Goods in transit to customers | **1,267** | 762 |
| | **26,925** | 14,646 |

## 19. INVENTORIES *(Continued)*

### Inventories research and development related

| | At December 31, | |
|---|---|---|
| | **2022** **RMB'000** | 2021 RMB'000 |
| Blood samples (note) | **43,511** | 43,511 |
| Others | **100** | 807 |
| | **43,611** | 44,318 |

Note: On August 17, 2021, the Group entered into a purchase agreement with an independent third party, a molecular diagnostics company whose common shares are listed in the Frankfurt Stock Exchange focused on blood-based test for colorectal cancer, pursuant to which the Group acquired certain non-essential blood samples for an aggregate consideration of US$6.7 million (equivalent to RMB43,511,000). These blood samples will be used mainly for research and development purpose.

## 20. TRADE AND OTHER RECEIVABLES

| | At December 31, | |
|---|---|---|
| | **2022** **RMB'000** | 2021 RMB'000 |
| Trade receivables | **584,104** | 114,628 |
| Less: Impairment loss allowance | **(30,059)** | (8,633) |
| | **554,045** | 105,995 |
| Rental deposits | **7,513** | 3,468 |
| Prepaid expenses | **17,628** | 16,792 |
| Staff advance | **1,258** | 1,143 |
| Advances to suppliers | **2,627** | 513 |
| Value added tax recoverables | **5,195** | 5,209 |
| Bank interest receivables | **–** | 1,874 |
| Loan receivables from employees (note i) | **3,050** | 2,916 |
| Early exercise promissory notes (note ii) | **7,989** | 7,017 |
| Other deposits | **2,673** | 1,225 |
| Others | **2,389** | 260 |
| | **50,322** | 40,417 |
| | **604,367** | 146,412 |
| Analysed as: | | |
| Non-current | **20,272** | 12,697 |
| Current | **584,095** | 133,715 |
| | **604,367** | 146,412 |

## 20. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

i. The amounts represent loans to certain employees in respect of withholding tax for employees' individual income tax arising from the exercise of their respective share options. These loans are unsecured and carried interest at 4.35% per annum if the loan is repaid within 1 year, 4.75% per annum if the loan is repaid between 1 to 5 years, or 4.90% per annum if the loan is repaid after 5 years. Furthermore, under the mutual agreement between the Group and each of the individual borrower, the loan can be further extended or repaid any time before the expiry of the loan. At December 31, 2022, RMB3,050,000 (2021: RMB2,916,000) is expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets.

ii. Details of the early exercise promissory notes are set out in note 29a. These balances are measured by using a discount rate of 4.75% per annum for the balances. The fair value gain after initial recognition for the year ended December 31, 2022 amounted to RMB972,000 (2021: fair value loss amounted to RMB1,102,000) is included in other gains and losses. At December 31, 2022, RMB7,989,000 (2021: RMB7,017,000) is expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets.

At January 1, 2021, trade receivables amounted to RMB32,419,000 (net of impairment loss allowance of RMB3,791,000). For sale through other sale channels, the Group normally grants a credit period of 0 to 90 days upon issuance of invoice and may grant a credit term up to 365 days to certain 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 December 31,** | |
|---|---|---|
| | **2022**<br>***RMB'000*** | 2021<br>*RMB'000* |
| 0 – 90 days | **300,625** | 92,128 |
| 91 – 180 days | **156,269** | 4,763 |
| 181 – 365 days | **80,132** | 4,886 |
| Over 1 year | **17,019** | 4,218 |
| | **554,045** | 105,995 |

At December 31, 2022, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB67,004,000 (2021: RMB16,344,000), which are past due 90 days or more as at reporting date. RMB44,031,000 (2021: RMB8,897,000) of such receivables are not considered as in default as they are due from counterparties with good reputation and lower risk of default.

Details of impairment assessment of trade and other receivables are set out in note 33.

## 20. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group's trade and other receivables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| US$ | **7,989** | 7,017 |
| HK$ | **2,250** | – |

## 21. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are disclosed as follows:

| | Relationship and details | At December 31, **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|---|
| Mr. Zhu | (note i) | | |
| – subscription receivables for issuance of restricted shares | (note ii) | **14,012** | 12,292 |
| – loan receivables | (note iii) | **7,964** | 7,614 |
| – early exercise promissory note | (note iv) | **28,797** | 25,296 |
| Dr. Ning Lu ("Dr. Lu") | (note i) | | |
| – subscription receivables for issuance of restricted shares | (note ii) | **6,080** | 5,334 |
| – receivables for exercise of share options | (note v) | **–** | 510 |
| Mr. Yu Gao ("Mr. Gao") | (note i) | | |
| – loan receivables | (note iii) | **60** | 57 |
| – early exercise promissory note | (note iv) | **7,417** | 6,515 |
| | | **64,330** | 57,618 |
| Analysed as: | | | |
| Non-current | | **64,330** | 57,108 |
| Current | | **–** | 510 |
| | | **64,330** | 57,618 |

## 21. AMOUNTS DUE FROM RELATED PARTIES *(Continued)*

Notes:

i. Being directors of the Company or key management personnel of the Group.

ii. The balances represent subscription receivables for issuance of restricted shares to Mr. Zhu and Dr. Lu and the amounts are unsecured, carried fixed interest rate at 5% per annum and will be due for payment upon transfer of interest in the restricted shares from restricted shares holders to other investors after vesting in accordance with the Share Incentive Plan (as defined in note 29).

In the opinion of the directors of the Company, the terms of the promissory notes are fair and on normal commercial terms. At December 31, 2021 and 2022, the directors of the Company considered that the balance is expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets.

iii. These amounts represent the loans to Mr. Zhu and Mr. Gao in respect of withholding tax for individual income tax arising from the exercise of their respective share options. The amounts are unsecured and carried interest at 4.35% per annum if the loan is repaid within 1 year, 4.75% per annum if the loan is repaid between 1 to 5 years, or 4.90% per annum if the loan is repaid after 5 years. Furthermore, under the mutual agreement between the Group and each of the individual borrower, the loan can be further extended or repaid any time before the expiry of the loan. In the opinion of the directors of the Company, the terms of the loan are fair and on normal commercial terms, and these amounts are expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets.

iv. Details of the early exercise promissory notes are set out in note 29a. At December 31, 2021 and 2022, these balances due from Mr. Zhu and Mr. Gao are expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets. These balances were measured by using a discount rate of 4.75% for the balances. The fair value gain after initial recognition for the year ended December 31, 2022 amounted to RMB4,403,000 (2021: fair value loss amounted to RMB4,485,000) is included in other gains and losses.

v. The balance represents the amounts due from Dr. Lu in respect of exercise of his fully vested share options. Such amount is unsecured, interest-free and repayable on demand. The balance was fully settled in 2022.

## 21. AMOUNTS DUE FROM RELATED PARTIES *(Continued)*

The Group's amounts due from related parties that are denominated in currency other than the functional currency of the relevant group entities are set out below:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| US$ | **56,306** | 49,947 |

For amounts due from related parties of non-trade nature, the maximum amount outstanding during the reporting period is as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Mr. Zhu | **50,773** | 53,889 |
| Dr. Lu | **6,080** | 6,683 |
| Mr. Gao | **7,477** | 7,461 |

## 22. CONTRACT COSTS

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Costs to fulfill contracts | | |
| – Finished goods delivered | **5,634** | 13,891 |

During the year ended December 31, 2022, capitalised costs of finished goods delivered to customers recognised in cost of sales amounting to RMB44,201,000 (2021: RMB23,532,000). During the year ended December 31, 2022, contract costs relating to capitalised costs of finished goods delivered to customers amounted to RMB15,139,000 (2021: RMB1,814,000) have been impaired and included in cost of sales due to the termination of the relevant contracts under mutual agreement by the Group and the customers.

## 23. CASH AND CASH EQUIVALENTS/TIME DEPOSITS OVER THREE MONTHS/PLEDGED BANK DEPOSITS

### Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rates ranging from 0.01% to 3.8% (2021: 0.01% to 3%) per annum at December 31, 2022.

### Time deposits over three months

At December 31, 2022, the Group held time deposits of US$30,000,000.00 (equivalent to RMB208,938,000.00) (2021: US$59,917,000 (equivalent to RMB382,013,000), HK$682,429,000 (equivalent to RMB557,954,000) and RMB105,268,000) with original maturity of more than 3 months which carried effective interest rates ranging from 3.25% to 3.35% (2021: 0.15% to 3.79%) per annum. At December 31, 2021 and 2022, these time deposits will mature within 12 months.

The Group held time deposits of RMB40,000,000 (2021: RMB40,000,000) with original maturity of more than 3 months which carried effective interest rates ranging from 3.25% to 3.35% (2021: 3.30% to 3.36%) per annum. At December 31, 2021 and 2022, these time deposits will mature over 12 months.

### Pledged bank deposits

At December 31, 2022, the Group placed pledged bank deposits of US$27,628,000 (equivalent to RMB192,416,000) (2021: RMB110,000,000) which carries a fixed interest of 4.09% (2021: 2%) per annum. The pledged bank deposit at December 31, 2022 is pledged for the Group's non-current bank borrowings and will mature over 12 months.

The Group's cash and cash equivalents that are denominated in currency other than the functional currency of the relevant group entities are set out below:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| US$ | **196,342** | 124,379 |
| HK$ | **395,146** | 431,943 |

## 24. TRADE AND OTHER PAYABLES

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **42,960** | 23,592 |
| Payables for: | | |
| – acquisition of property and equipment | **1,904** | 617 |
| – others | **2,809** | 2,989 |
| Accruals for: | | |
| – legal and professional fees | **2,496** | 3,471 |
| – selling and promotion expenses | **18,953** | 4,288 |
| – others | **1,798** | 3,425 |
| Retention monies payable to constructors | **2,144** | 1,598 |
| Other tax payables | **36,165** | 243 |
| | **66,269** | 16,631 |
| | **109,229** | 40,223 |
| Analysed as: | | |
| Non-current | **601** | 1,543 |
| Current | **108,628** | 38,680 |
| | **109,229** | 40,223 |

The credit period on purchases of goods/services of the Group is ranging from 0 to 90 days.

## 24. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| 0 – 60 days | **27,356** | 21,171 |
| 61 – 90 days | **3,848** | 2,385 |
| Over 90 days | **11,756** | 36 |
| | **42,960** | 23,592 |

The Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| US$ | **139** | 356 |

## 25A. CONTRACT LIABILITIES

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Amounts received in advance prior to the performance of services or delivery of products | **41,538** | 21,943 |

The significant increase in contract liabilities for the year ended December 31, 2022 was mainly due to the advances received from online channel which the performance obligations were not yet satisfied.

At 1 January 2021, contract liabilities amounted to RMB10,872,000.

## 25A. CONTRACT LIABILITIES *(Continued)*

The amount of revenue recognised related to carried-forward contract liabilities:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| ColoClear | **12,983** | 6,261 |

There were no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

## 25B. REFUND LIABILITIES

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Refund liabilities arising from Pupu tube | **3,551** | 2,639 |
| Refund liabilities arising from UU tube | **2,176** | – |
| | **5,727** | 2,639 |

The refund liabilities relate to customers' right to exchange products within 3 months prior to expiry of Pupu tube and UU tube products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be exchanged. The Group based on accumulated historical experiences to estimate the number of exchanges on a portfolio level using the expected value method.

## 26. BANK BORROWINGS

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Secured (note i) | **180,000** | 79,498 |

## 26. BANK BORROWINGS *(Continued)*

| | At December 31, | |
|---|---|---|
| | **2022** **RMB'000** | 2021 *RMB'000* |
| The carrying amounts of the above bank borrowing are repayable*: | | |
| Within one year | – | 79,498 |
| Within a period of more than one year but not exceeding two years | **180,000** | – |
| | **180,000** | 79,498 |
| Less: Amounts due within 12 months shown under current liabilities | – | (79,498) |
| Amounts shown under non-current liabilities | **180,000** | – |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Note:

i. In 2021, the Group entered into a supplementary agreement with a bank to modify the terms and conditions of the Group's existing bank borrowings with the bank. Pursuant to the supplementary agreement, the Group was required to place pledged bank deposits amounting to RMB110,000,000, which carried a fixed interest rate of 2% per annum, as security to the existing bank borrowings with carrying amount of RMB79,498,000 and the original security of the Group's trade receivables and the Group's future trade receivables was released at the date of modification of the bank borrowings. Furthermore, the interest rate of the bank borrowings 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 was modified from monthly instalment to full repayment at the maturity date of the bank borrowings on November 1, 2022. Furthermore, upon the Listing, the Group was required to pay a 2% fee calculated based on the maximum amount of the borrowing drawdown by the Group during the loan period ("Success Fee"). For the year ended December 31, 2022, the Group recognised RMB555,000 (2021: RMB730,000) success fee in finance costs. During the year ended December 31, 2022, the Group had fully repaid the borrowing at its maturity date.

   In 2022, the Group entered into a new loan agreement pursuant to which the bank borrowing carries a fixed interest rate of 3.9% per annum and is secured by the Group's pledged bank deposits of US$27,628,000 (equivalent to RMB192,416,000).

## 27. LEASE LIABILITIES

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Lease liabilities payables:** | | |
| Within one year | **19,847** | 11,132 |
| Within a period of more than one year but not exceeding two years | **30,818** | 7,763 |
| Within a period of more than two years but not exceeding five years | **14,324** | 24,544 |
| | **64,989** | 43,439 |
| Less: Amounts due for settlement within 12 months shown under current liabilities | **(19,847)** | (11,132) |
| Amounts due for settlement after 12 months shown under non-current liabilities | **45,142** | 32,307 |

The weighted average incremental borrowing rates applied to lease liabilities was 5.43% (2021: 6.12%) per annum.

The Group's lease obligation that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| US$ | **171** | 28 |
| HK$ | **9,238** | – |

## 28. SHARE CAPITAL

| | Number of class A shares (note i) | Number of class B shares (note i) | Share capital *US$'000* |
|---|---|---|---|
| **Ordinary shares** | | | |
| Ordinary shares of US$0.00005 each | | | |
| **Authorised** | | | |
| At January 1, 2021 | 731,721,320 | 68,334,536 | 40 |
| Automatic conversion of preferred shares to class A shares of the Company upon the Listing | 199,944,144 | – | 10 |
| At December 31, 2021 and 2022 | **931,665,464** | **68,334,536** | **50** |

| | Number of class A shares (note i) | Number of class B shares (note i) | Total Amount *US$'000* | Equivalent amount of ordinary shares *RMB'000* |
|---|---|---|---|---|
| **Issue and fully paid** | | | | |
| At January 1, 2021 | 78,311,566 | 63,097,474 | 7 | 48 |
| Issuance of new shares upon the Listing (note ii) | 88,087,500 | – | 4 | 28 |
| Issuance of ordinary shares in relation to exercise of share options (note 29) | 299,212 | – | –* | –* |
| Automatic conversion of preferred shares upon the Listing | 199,944,144 | – | 10 | 65 |
| At December 31, 2021 | 366,642,422 | 63,097,474 | 21 | 141 |
| Issuance of ordinary shares in relation to exercise of share options (note 29) | 262,038 | – | –* | –* |
| At December 31, 2022 | **366,904,460** | **63,097,474** | **21** | **141** |

* Amount less than US$1,000 or RMB1,000.

Notes:

(i) Class B ordinary shares are held by the founder parties, i.e. Mr. Zhu and Dr. Chen. The holder with each class A Ordinary Share shall have one vote for each share held while the holder with each class B Ordinary Share shall have 1.14052169 vote for each share held.

(ii) In connection with the Listing, 76,598,000 and 11,489,500 ordinary shares of US$0.00005 par value each were issued at HK$26.66 per share for the Company's global offering and the over-allotment of shares, on February 18, 2021 and March 17, 2021, for gross cash proceeds of HK$2,042,103,000 and HK$306,310,000 (equivalent to RMB1,699,948,000 and RMB256,284,000), respectively.

## 29. SHARE-BASED PAYMENT TRANSACTIONS

### Hangzhou Nuohui Share Incentive Plan and Pre-IPO Share Incentive Plan

On January 24, 2017, the board of directors of Hangzhou Nuohui resolved to grant to certain of its employees with options to purchase equity interests in NHXC Holdings Limited ("**NHXC Holdings**"), ("**Hangzhou Nuohui Share Incentive Plan**"). Further on November 7, 2017, the Hangzhou Nuohui Share Incentive Plan was revised and the board of directors of Hangzhou Nuohui resolved to grant 187,236 restricted shares to a director and an employee through NHXC Holdings and Hangzhou New Horizon Zhihui Investment Management Partnership ("**Nuohui Zhihui**"). A portion of the ordinary shares of NHXC holdings and the entire ordinary shares of Nuohui Zhihui are set up to hold the equity interest on behalf of Hangzhou Nuohui for future issuance of employees shares.

Upon completion of the group reorganisation and on October 10, 2018, the board of directors of the Company approved the Pre-IPO Share Incentive Plan (the "**Plan**"). The purpose of the Plan is to promote the success of the Company and to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons. For shares options, pursuant to a board resolution of the Company on October 10, 2018, the options granted to certain employees of Hangzhou Nuohui under the Hangzhou Nuohui Share Incentive Plan were replaced and exchanged for options to purchase the Company's ordinary shares under the Plan. For restricted shares, upon the group reorganisation, the restricted shares under Hangzhou Nuohui through NHXC Holdings and Nuohui Zhuhai was replaced by the restricted shares under the Company through NHXC Holdings and NHYJ Holding Ltd. The Hangzhou Nuohui Share Incentive Plan was then terminated. The overall limit on the number of the underlying shares which may be delivered pursuant to all awards granted under the Plan is 15,843,384 shares of the Company.

### 2022 Share Option Scheme

Pursuant to a resolution passed on June 24, 2022, the directors of the Company further adopted an employee equity plan (the "**2022 Share Option Scheme**") to grant option awards to senior management, key management and key employees of the Group by reason of his or her contribution to the Group. The maximum number of Shares in respect of which Options may be granted under the 2022 Share Option Scheme shall not exceed 6% of the issued share capital of the Company as of June 24, 2022.

## (a) Share options

Except as provided otherwise in the grant letter or offer in any other form by the board of directors, the option shall vest and become exercisable as to 25% of the total number of option granted on the first anniversary of the vesting commencement date, and the option shall vest and become exercisable as to the remaining 75% of the total number of options granted in equal monthly instalments over the subsequent thirty-six months thereafter.

On August 31, 2020, 9,772,277 share options granted to certain participants (the "**Early Exercise Participants**") under the Plan were early-exercised and concurrently transferred to the Trident Trust Company (HK) Limited (the "**Trustee**"). The exercise price of the share options was paid by delivering a promissory note to the Company payable by each of the Early Exercise Participants (the "**Early Exercise Promissory Notes**"). As a result, on the same day, an aggregate of 9,772,277 Class A Ordinary Shares underlying the early-exercised share options were issued to NHXT Holdings Ltd. and Ever Thriving Ventures Limited, both being entities owned by the Trustee, to be held on trust for the benefit of the Early Exercise Participants.

## 29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) Share options (Continued)

Pursuant to share vesting agreements entered into between the Company and each of the Early Exercise Participants on August 31, 2020, it was agreed that the shares held by NHXT Holdings Ltd. and Ever Thriving Ventures Limited would be subject to the same vesting schedule as that set out in the relevant option agreements at the time of grant. The Early Exercise Promissory Notes are not interest bearing and will mature on the earlier of (i) the severance date of the Early Exercise Participant's employment or consulting relationship with the Group, whereby the note will be due and payable with respect to the exercise price of the restricted shares that have not become vested, and (ii) the date on which the restricted shares are transferred, assigned, encumbered or disposed of, whereby the note will be due and payable with respect to the restricted shares transferred, assigned, encumbered or disposed of. The Early Exercise Participant shall pay the amounts due under the Early Exercise Promissory Note in full to the Company within 90 days after the maturity date.

Further, in the event of termination of the employment or consulting relationship between the Early Exercise Participant and the Group, the Company shall upon the severance date have an irrevocable, exclusive option at any time from such date to (i) in the event of a termination without cause, to repurchase all or any portion of the restricted shares that have not yet vested at a price per restricted share equal to the exercise price (adjusted for any share subdivision, share dividends and the like), or (ii) in the event of a termination with cause, unless otherwise approved by the board, to repurchase all or any portion of the restricted shares, whether such restricted shares have vested or not, at an aggregate repurchase price of US$1.00 (the "**Early Exercise Repurchase Option**"). As such, the shares issued upon the early exercise is considered as restricted shares and shall vest in accordance with the original vesting schedules as set out in the relevant option agreements at the time of grant. In the opinion of the directors of the Company, the above said early exercise arrangement did not modify the underlying terms and conditions of the equity instruments granted, and do not expect to have material impact to fair value of the original options.

On September 23, 2021, Dr. Lu exercised 299,212 fully vested share options and the Company allotted and issued 299,212 Class A ordinary shares to Dr. Lu for a total consideration of US$80,000 (equivalent to RMB510,000).

During the year ended December 31, 2022, an aggregate amount of RMB433,000 (2021: RMB534,000) was transferred from share-based payments reserve to share premium upon the exercise of fully vested options.

## 29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Share options *(Continued)*

Set out below are details of the movements of the outstanding options granted under the Hangzhou Nuohui Share Incentive Plan and the Plan during the reporting period:

**For the year ended December 31, 2022**

| Option | Name of grantee | Date of grant | Exercise price | Outstanding at 1.1.2022 | Forfeited during the year | Exercised during the year | Outstanding at 31.12.2022 |
|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | |
| Option C | Director | May 14, 2019 | US$0.42 | 5,521,070 | – | – | 5,521,070 |
| **Employees** | | | | | | | |
| Option B | Employees | October 10, 2018 | US$0.165 | 630,369 | – | (35,000) | 595,369 |
| Option D | Employees | April 24, 2020 | US$0.6 | 1,205,955 | (18,000) | (194,083) | 993,872 |
| Option F | Employees | June 10, 2020 | US$0.6 | 340,530 | (54,858) | (32,955) | 252,717 |
| | | | | 2,176,854 | (72,858) | (262,038) | 1,841,958 |
| | | | | 7,697,924 | (72,858) | (262,038) | 7,363,028 |
| | Exercisable at the end of the year | | | | | | 5,134,230 |
| | Weighted average exercise price | | | US$0.435 | US$0.600 | US$0.542 | US$0.430 |

## 29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Share options *(Continued)*

**For the year ended December 31, 2021**

| Option | Name of grantee | Date of grant | Exercise price | Outstanding at 1.1.2021 | Forfeited during the year | Exercised during the year | Outstanding at 31.12.2021 |
|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | |
| Option C | Director | May 14, 2019 | US$0.42 | 5,521,070 | – | – | 5,521,070 |
| **Employees** | | | | | | | |
| Option B | Employees | October 10, 2018 | US$0.165 | 859,536 | – | (229,167) | 630,369 |
| Option D | Employees | April 24, 2020 | US$0.6 | 1,309,000 | (33,000) | (70,045) | 1,205,955 |
| Option F | Employees | June 10, 2020 | US$0.6 | 388,250 | (47,720) | – | 340,530 |
| | | | | 2,556,786 | (80,720) | (299,212) | 2,176,854 |
| | | | | 8,077,856 | (80,720) | (299,212) | 7,697,924 |
| | Exercisable at the end of the year | | | | | | 3,964,275 |
| | Weighted average exercise price | | | US$0.433 | US$0.600 | US$0.267 | US$0.435 |

The shares issued upon the Early Exercise Participants exercised their share options were converted to restricted shares subject to the original vesting terms and the following table summarised the Group's unvested restricted shares movement:

| | Numbers of unvested restricted shares |
|---|---|
| Unvested at January 1, 2021 | 13,791,468 |
| Vested | (6,617,243) |
| Unvested at December 31, 2021 | 7,174,225 |
| Vested | (3,792,598) |
| Unvested at December 31, 2022 | **3,381,627** |

## 29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Share options *(Continued)*

On June 27, 2022, the Company legally granted 15,087,600 options to the directors of the Company and employees in accordance with the terms of the 2022 Share Option Scheme. The validity period of the options shall be 10 years from the date of grant and the options shall lapse at the expiry of the validity period. Out of the options granted, 4,854,600 options are time-based options, 25% of which shall vest and become exercisable on the first anniversary of the vesting commencement date, and 75% of which shall vest and become exercisable in equal monthly instalments over the subsequent thirty-six months thereafter. The remaining 10,233,000 options are performance-based options, which will be vested (wholly or partially) on the first anniversary of the date of grant for each year through 2022 to 2024 based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company at the beginning of each year. Since the performance targets for the year ending December 31, 2023 and 2024 have not set by the board of directors of the Company, 6,822,000 performance-based options are considered as not yet granted at December 31, 2022.

The table below discloses movements of the share options held by grantees under 2022 Share Option Scheme:

| Name of grantee | Date of grant | Exercise price | Outstanding at 1.1.2022 | Granted during the year | Outstanding at 31.12.2022 |
|---|---|---|---|---|---|
| Directors | June 27, 2022 | HK$24.70 | – | 6,136,500 | 6,136,500 |
| Employees | June 27, 2022 | HK$24.70 | – | 2,129,100 | 2,129,100 |
| | | | – | 8,265,600 | 8,265,600 |
| Exercisable at the end of the period | | | | | – |
| Weighted average exercise price | | | N/A | HK$24.70 | HK$24.70 |

*Fair value of share options granted*

Binomial option pricing model was used to determine the fair value of the share options granted under the 2022 Share Option Scheme. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

| | |
|---|---|
| Exercise price | HK$24.70 |
| Expected life | 10 years |
| Expected volatility | 60.90% |
| Expected dividend yield | 0% |
| Risk-free rate | 3.07% |

## 29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Share options *(Continued)*

*Fair value of share options granted (Continued)*

The weighted average fair value of the 2022 Share Option Scheme options granted during the year ended December 31, 2022 is HK$14.96 per share option.

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Bonds with a maturity life close to the option life of the 2022 Share Option Scheme. Volatility was estimated at the grant date based on an average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

### (b) Restricted shares

On November 7, 2017, the directors of Hangzhou Nuohui resolved to issue restricted shares that are equivalent to RMB187,236 paid-in capital of Hangzhou Nuohui to a director and an employee for an aggregate subscription price of RMB17,487,000 under the Hangzhou Nuohui Share Incentive Plan (the "**2017 Restricted Shares Plan**").

The following table summarised the Group's unvested restricted shares movement under the 2017 Restricted Shares Plan:

| | **Numbers of unvested restricted shares** *RMB* | **Weighted average value grant date fair per paid-in capital/share** *RMB* |
|---|---|---|
| Unvested at January 1, 2021 | 531,350 | 1.06 |
| Vested | (531,350) | 1.06 |
| Unvested at December 31, 2021 and 2022 | – | – |

### (c) Restricted share units ("RSUs")

On April 8, 2022, the Company granted 2,264,300 RSUs at nil consideration to the directors of the Company and employees in accordance with the Plan (the "**Pre-IPO RSUs**"). Out of the RSUs granted, 1,664,900 RSUs are time-based RSUs, 25% of which shall vest and become exercisable on the first anniversary of the vesting commencement date, and 75% of which shall vest and become exercisable in equal monthly instalments over the subsequent thirty-six months thereafter. The remaining 599,400 RSUs are performance-based RSUs, which will be vested (wholly or partially) on the first anniversary of the date of grant based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company at the grant date.

The grantees may not have any interest or right in the RSUs granted until such Pre-IPO RSUs have been vested.

## 29. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (c) Restricted share units ("RSUs") *(Continued)*

The following table discloses movements of the Company's Pre-IPO RSUs held by grantees for the current year:

| | Number of RSUs held by | |
|---|---|---|
| | **Directors** | **Employees** |
| At January 1, 2022 | – | – |
| Granted | **1,098,900** | **1,165,400** |
| At December 31, 2022 | **1,098,900** | **1,165,400** |

The fair value of the RSUs is measured on the basis of an observable market price.

## 30. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of these consolidated financial statements, the Group has the following transactions and balances with its related parties during the reporting period.

### (a) Related party transactions

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Interest income on subscription receivables and loan receivables (note 21) | | |
| – Mr. Zhu | **935** | 886 |
| – Dr. Lu | **254** | 233 |
| – Mr. Gao | **3** | 2 |
| | **1,192** | 1,121 |

### (b) Related party balances

Details of the outstanding balances with related parties are set out in note 21.

## 30. RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Salary and other benefits | **11,971** | 8,851 |
| Retirement benefit scheme contribution | **200** | 196 |
| Share-based payments | **54,636** | 22,394 |
| Discretionary bonus (note) | **11,430** | 1,464 |
| | **78,237** | 32,905 |

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

## 31. CAPITAL COMMITMENT

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Capital expenditure contracted for but not provided in these consolidated financial statements: | | |
| – Property and equipment | **25,396** | 328 |

On November 1, 2022, the Group entered into a collaboration agreement with a health science center of a university. Pursuant to the collaboration agreement, the Group agreed to pay RMB100 million to the health science center on the research of pan-cancer early detection in China, which will be settled in 4 milestones. At December 31, 2022, no payment was made to the health science center by the Group as the first milestone is not yet reach at the end of the reporting period.

## 32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of net debts, representing bank borrowings, and net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt and redemption of existing debts.

## 33. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Financial assets** | | |
| Amortised cost | **2,169,438** | 2,023,597 |
| FVTPL | **134,378** | 113,647 |
| | **2,303,816** | 2,137,244 |
| **Financial liabilities** | | |
| Amortised cost | **229,817** | 108,294 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, financial assets at FVTPL, investments in associates measured at FVTPL, time deposits over three months, pledged bank deposits, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings. Details of these financial assets and liabilities are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Market risk*

*(i) Currency risk*

Certain time deposits, pledged bank deposits, cash and cash equivalents, other receivables, amounts due from related parties, other payables, financial assets at FVTPL and investments in associates measured at FVTPL are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

| | At December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Assets** | | |
| US$ | **537,120** | 607,242 |
| HK$ | **395,146** | 989,897 |
| CHF$ | **22,630** | 20,933 |
| **Liabilities** | | |
| US$ | **139** | 356 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Market risk (Continued)*

*(i) Currency risk (Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, HK$ or CHF$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive (negative) number below indicates a decrease (increase) in loss where RMB strengthens 5% against US$, HK$ or CHF$. For a 5% weakening of RMB against US$, HK$ or CHF$, there would be an equal and opposite impact on loss for the year.

| | **For the year ended December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| *Impact on profit or loss* | | |
| US$ | **(26,849)** | (30,344) |
| HK$ | **(19,757)** | (49,495) |
| CHF$ | **(1,132)** | (1,047) |

The directors of the Company considered the sensitivity analysis is unrepresentative of the foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the relevant periods.

*(ii) Interest rate risk*

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate time deposits, pledged bank deposits, financial assets at FVTPL, loan receivables and subscription receivables due from related parties, loan receivables from employees, fixed-rate bank borrowings, and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

*(iii) Other price risk*

The Group is exposed to other price risk arising from its investments in a private equity fund, investments in associates measured at FVTPL and a convertible loan which were classified as financial assets at FVTPL.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment*

The Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

*Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group grants a credit period of 0-90 days and grants credit term up to 365 days for certain long term customers. The Group may request advances from new or certain customers upon signing sales agreements or placing orders to minimise the credit risks.

The Group has concentration of credit risk as 10% (2021: 33%) of the total trade receivables was due from the Group's largest customer and 26% (2021: 71%) of the total trade receivables was due from the five largest customers at December 31, 2022, respectively.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for debtors with significant balances or credit-impaired balances, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit-risk characteristics by reference to debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Assessment is performed based on the Group's historical default rates over the expected life of the debtors and are adjusted for forward-looking information including factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. Details of the quantitative disclosures are set out below in this note.

*Bank balances, time deposits over three months and pledged bank deposits*

The credit risks on bank balances, time deposits over three months and pledged bank deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assesses 12m ECL for bank balances, time deposits over three months and pledged bank deposits by reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the ECL on bank balances, time deposits over three months and pledged bank deposits is considered insignificant.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

*Other receivables and refundable deposits*

The management of the Group makes periodic individual assessment on the recoverability of other receivables and refundable deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9. The Group writes off other receivables and refundable deposits when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

*Amounts due from related parties*

For the purpose of impairment assessment of amounts due from related parties, the loss allowance is measured at an amount equals to 12m ECL. In assessing the probability of defaults of amounts due from related parties, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. Management considered the ECL provision of amounts due from related parties is insignificant.

The Group's credit risk grading assessment comprises the following categories:

| **Internal credit rating** | **Description** | **Trade receivables** | **Other financial assets/items** |
|---|---|---|---|
| Low | Low risk types customers represent the counterparty with good reputation and repayment history (refer to as Stage 1) | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2) | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | Financial assets are assessed as credit – impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

**December 31, 2022**

| | Notes | External credit ratings | Internal credit ratings | 12m or lifetime ECL | Gross carrying amount |
|---|---|---|---|---|---|
| Trade receivables | 20 | N/A | Note | Lifetime ECL (provision matrix) | 533,372 |
| | | | Low | Lifetime ECL | 23,655 |
| | | | Loss | Lifetime ECL – credit-impaired | 27,077 |
| | | | | | 584,104 |
| Other receivables | 20 | N/A | Low | 12m ECL | 14,550 |
| Amounts due from related parties | 21 | N/A | Low | 12m ECL | 28,116 |
| Time deposits over three months | 23 | AAA | N/A | 12m ECL | 248,938 |
| Pledged bank deposits | 23 | AAA | N/A | 12m ECL | 192,416 |
| Cash and cash equivalents | 23 | AA to AAA | N/A | 12m ECL | 1,131,373 |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

**December 31, 2021**

| | Notes | External credit ratings | Internal credit ratings | 12m or lifetime ECL | Gross carrying amount |
|---|---|---|---|---|---|
| Trade receivables | 20 | N/A | Note | Lifetime ECL (provision matrix) | 66,949 |
| | | | Low | Lifetime ECL | 38,256 |
| | | | Loss | Lifetime ECL – credit-impaired | 9,423 |
| | | | | | 114,628 |
| Other receivables | 20 | N/A | Low | 12m ECL | 9,743 |
| Amounts due from related parties | 21 | N/A | Low | 12m ECL | 25,807 |
| Time deposits over three months | 23 | AAA | N/A | 12m ECL | 1,085,235 |
| Pledged bank deposits | 23 | AAA | N/A | 12m ECL | 110,000 |
| Bank balances | 23 | AA to AAA | N/A | 12m ECL | 686,817 |

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit-impaired balances, the Group determines the ECL on these items by using a provision matrix for debtors grouped by the shared credit-risk characteristics by references to debtors' aging. As part of the Group's credit risk management, the Group applies internal credit rating for its customers.

At December 31, 2022, trade receivables with significant outstanding balances with gross carrying amount of RMB23,655,000 (2021: RMB38,256,000) are assessed individually. These balances are from counterparties which have low risk of default as the counterparties with good reputation. The exposure to credit risk for these balances are assessed within lifetime ECL with an average loss rate of approximately 10.97% (2021: 4.24%) at December 31, 2022 and impairment allowance of RMB2,594,000 (2021: RMB1,622,000) was provided by the Group at December 31, 2022.

Trade receivables that are credit-impaired with gross carrying amount of RMB27,077,000 (2021: RMB9,423,000) at December 31, 2022. The exposure to credit risk for these balances is assessed within lifetime ECL (credit-impaired) with an average loss rate of approximately 48.65% (2021: 70.24%) at December 31, 2022 and impairment allowance of RMB13,174,000 (2021: RMB6,619,000) was provided by the Group at December 31, 2022.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

As part of the assessment of the lifetime ECL for each credit-impaired trade receivables, the management of the Group has obtained an analysis on the counterparties' credit risk characteristics by reviewing the trading history and historical settlement pattern with the Group. The management of the Group estimates the amount of lifetime ECL based on expectation on cash flows that take into account the historical default rates over the expected life of the debtors and are adjusted by forward-looking information that is reasonably and supportably available to directors of the Company without undue cost or effort, and are updated at each reporting date if considered to be required.

The remaining trade receivables with gross carrying amount of RMB533,372,000 (2021: RMB66,949,000) at December 31, 2022 are assessed based on debtors' aging. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired):

**Gross carrying amount at December 31, 2022**

| | **Average loss rate** *(%)* | **Trade receivables** ***RMB'000*** |
|---|---|---|
| 0 – 90 days past due | **1.94** | **302,920** |
| 91 – 180 days past due | **2.50** | **153,936** |
| 181 – 365 days past due | **4.22** | **74,356** |
| 1 – 2 years past due | **65.74** | **2,160** |
| | | **533,372** |

**Gross carrying amount at December 31, 2021**

| | Average loss rate *(%)* | Trade receivables *RMB'000* |
|---|---|---|
| 0 – 90 days past due | 0.37 | 64,950 |
| 91 – 180 days past due | 1.41 | 1,131 |
| 181 – 365 days past due | 10.48 | 821 |
| 1 – 2 years past due | 100.00 | 47 |
| | | 66,949 |

During the year ended December 31, 2022, the Group recognised net loss allowance based on the provision matrix for trade receivables of RMB13,899,000 (2021: RMB63,000). Net loss allowance of RMB7,527,000 (2021: RMB4,779,000) were made on trade receivables with significant balances or credit-impaired debtors during the year ended December 31, 2022.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Credit risk and impairment assessment (Continued)*

The following table shows the movement in impairment loss allowance for trade and other receivables:

| | Lifetime ECL (not credit-impaired) *RMB'000* | Lifetime ECL (credit-impaired) *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| At January 1, 2021 | 1,448 | 2,343 | 3,791 |
| Impairment loss allowance recognised | 2,426 | 4,206 | 6,632 |
| Transfer to credit-impaired | (1,860) | 1,860 | – |
| Write-offs | – | (1,790) | (1,790) |
| At December 31, 2021 | 2,014 | 6,619 | 8,633 |
| Impairment loss allowance recognised | 19,344 | 2,082 | 21,426 |
| Transfer to credit-impaired | (4,473) | 4,473 | – |
| At December 31, 2022 | **16,885** | **13,174** | **30,059** |

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings and ensures compliance with loan covenants, if any.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

*Liquidity risk (Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | **Weighted average effective interest rate** | **Within 1 year and on demand** | **1 to 2 years** | **2 to 5 years** | **Total undiscounted cash flows** | **Total carrying amount** |
|---|---|---|---|---|---|---|
| | **%** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **At December 31, 2022** | | | | | | |
| Trade and other payables | **–** | **49,817** | **–** | **–** | **49,817** | **49,817** |
| Bank borrowings | **3.90%** | **7,118** | **186,591** | **–** | **193,709** | **180,000** |
| Lease liabilities | **5.43%** | **21,849** | **42,131** | **14,612** | **78,592** | **64,989** |
| | | **78,784** | **228,722** | **14,612** | **322,118** | **294,806** |

| | Weighted average effective interest rate | Within 1 year and on demand | 1 to 2 years | 2 to 5 years | Total undiscounted cash flows | Total carrying amount |
|---|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At December 31, 2021** | | | | | | |
| Trade and other payables | – | 28,796 | – | – | 28,796 | 28,796 |
| Bank borrowings | 4.00% | 82,413 | – | – | 82,413 | 79,498 |
| Lease liabilities | 6.12% | 12,944 | 8,481 | 32,364 | 53,789 | 43,439 |
| | | 124,153 | 8,481 | 32,364 | 164,998 | 151,733 |

### (c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports any findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value.

## 33. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements of financial instruments (Continued)

*(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| | Fair value as at December 31, | | Fair value hierarchy | Valuation technique and key input | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | | | | |
| | ***RMB'000*** | *RMB'000* | | | | |
| Structured deposit | **–** | 10,000 | Level 2 | Discounted cash flow method – the key inputs are forward exchange rates of EUR/USD | N/A | N/A |
| Early exercise promissory notes receivables | **44,203** | 38,828 | Level 3 | Discounted cash flow – the key inputs are time to repayment and discount rate | Time to repay: Based on the vesting term of the options of each Early Exercise Participants | The longer the time to repay, the lower the fair value |
| Investment in a convertible loan | **22,630** | 20,933 | Level 2 | Recent transaction price | N/A | N/A |
| Investment in a private equity fund | **57,330** | 34,535 | Level 3 (2021: Level2) | Fair value of the underlying assets of the private equity fund (2021: Recent transaction Price) | Fair value of the underlying assets (2021: N/A) | The higher the fair value of the underlying assets, the higher the fair value (2021: N/A) |
| Investments in associates measured at FVTPL | **10,215** | 9,351 | Level 2 | Recent transaction price | N/A | N/A |

There were no transfers between Level 1 and 2 during the year.

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

#### *(ii) Reconciliation of Level 3 fair value measurements*

The reconciliation of Level 3 measurements of Preferred Shares is set out as follows:

| | **Preferred Shares** *RMB'000* |
|---|---|
| At January 1, 2021 | 1,680,356 |
| Change in fair value | 2,757,028 |
| Automatic conversion of Preferred Shares upon the Listing (note 7) | (4,437,384) |
| At December 31, 2021 and 2022 | – |

The reconciliation of Level 3 measurements of early exercise promissory notes receivables is set out as follows:

| | **Other receivables** *RMB'000* | **Amounts due from related parties** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| At December 31, 2020 | 8,119 | 36,296 | 44,415 |
| Fair value loss on early exercise promissory notes (included in other gains and losses) | (1,102) | (4,485) | (5,587) |
| At December 31, 2021 | 7,017 | 31,811 | 38,828 |
| Fair value loss on early exercise promissory notes (included in other gains and losses) | 972 | 4,403 | 5,375 |
| At December 31, 2022 | **7,989** | **36,214** | **44,203** |

## 33. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

#### *(iii) Fair value of financial assets and financial liabilities that are not measured at fair value*

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

## 34. RETIREMENT BENEFIT PLANS

The total amount provided by the Group to the schemes and charged to profit or loss are RMB16,121,000 (2021: RMB11,432,000) for the year ended December 31, 2022.

The employees of the Group's subsidiaries and consolidated affiliated entities in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. Subsidiaries and consolidated affiliated entities are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

## 35. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in laboratory testing of medical diagnostics technology for cancer screening business, Hangzhou Nuohui entered into various contractual arrangements with Beijing Xincheng (the "**Contractual Arrangement**") which held equity interest in Beijing Nuoan Medical Examination Lab Co., Ltd. ("**Beijing Nuoan Lab**"), Hangzhou Nuokang Medical Examination Lab Co., Ltd ("**Hangzhou Nuokang Lab**") and Guangzhou Nuohui Medical Examination Lab Co., Ltd ("**Guangzhou Nuohui Lab**") (collectively referred to as "**Consolidated Affiliated Entities**") and Mr. Zhu and his sister, collectively being the registered shareholders of Beijing Xincheng, through which Hangzhou Nuohui is entitled to all economic benefits generated by the business operated by Beijing Xincheng.

## 35. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES *(Continued)*

Hangzhou Nuohui does not have any equity interest in these Consolidated Affiliated Entities. However, the directors of the Company considered that the Contractual Arrangements enable Hangzhou Nuohui to have the power over these Consolidated Affiliated Entities, rights to variable returns from its involvement with these Consolidated Affiliated Entities and the ability to affect those returns through its power over these Consolidated Affiliated Entities and is therefore considered to have control over these Consolidated Affiliated Entities. Consequently, these Consolidated Affiliated Entities are regarded as indirect subsidiaries of the Company.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of the legal counsel, consider that the Contractual Arrangements among the Consolidated Affiliated Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

At December 31, 2022, the Consolidated Affiliated Entities attributed approximate to 4.1% (2021: 2.8%) and 8.0% (2021: 7.9%) of total assets and total liabilities, respectively. In addition, according to the Contractual Arrangement, Hangzhou Nuohui further agreed that, when it deems necessary, it could at its sole discretion provide financial assistance to Beijing Xincheng or assist Beijing Xincheng to obtain financial assistance. During the year ended December 31, 2022, Hangzhou Nuohui provides financial assistance to Consolidated Affiliated Entities (including but not limited to purchase of services and cash advances) amounting to RMB67,315,000 (2021: RMB33,107,000) and at December 31, 2022, the balance due from the Consolidated Affiliated Entities to Hangzhou Nuohui is RMB69,127,000 (2021: RMB39,886,000).

At December 31, 2021 and 2022, the Group's subsidiaries/consolidated affiliated entities are as follows:

| Name of subsidiary/Consolidated Affiliated Entities | Place and date of establishment/ incorporation | Issued and fully paid share/registered capital | Equity interest attributable to the Group at December 31, | | Principal activities |
|---|---|---|---|---|---|
| | | | **2022** % | 2021 % | |
| NHJK Holding | Hong Kong<br>May 29, 2015 | 1 issued share and paid-in capital of HK$1; 59,283,357 issued shares and paid-in capital of US$59,283,357 | **100** | 100 | Investment holding company |
| NH Health USA Inc. | USA<br>June 26, 2019 | 3,000,000 issued shares and paid-in capital of US$3,250,001 | **100** | 100 | Research & Development |

## 35. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES *(Continued)*

| Name of subsidiary/Consolidated Affiliated Entities | Place and date of establishment/ incorporation | Issued and fully paid share/registered capital | Equity interest attributable to the Group at December 31, 2022 % | 2021 % | Principal activities |
|---|---|---|---|---|---|
| Hangzhou Nuohui | The PRC November 19, 2015 (note i) | Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000 as of December 31, 2022<br><br>Registered capital of RMB44,222,000 and paid-up capital of RMB44,222,000 as of December 31, 2021 | **100** | 100 | Research and development of medical diagnostic technology, technical service, technical transfer, technical consultation, manufacturing and sales of medical and laboratory equipment, technological import and export |
| Beijing Xincheng | The PRC February 29, 2016 (note i) | Registered capital of RMB12,000,000 and paid-up capital of RMB12,000,000 | **100** | 100 | Investment holding company |
| Beijing Nuoan Lab | The PRC March 9, 2016 (note i) | Registered capital of RMB6,000,000 and paid-up capital of RMB6,000,000 | **100** | 100 | Development of medical diagnostics technology, technical service, technical consultation, medical service |
| Hangzhou Nuokang Lab | The PRC June 3, 2016 (note i) | Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000 | **100** | 100 | Development of medical diagnostics technology, technical service, technical consultation, manufacturing of fecal occult blood test kit |
| Guangzhou Nuohui Lab | The PRC May 28, 2019 (note i) | Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000 | **100** | 100 | Laboratory medical research and development |
| Shanghai Linnuo Biotechnology Limited | The PRC December 11, 2020 (note i) | Registered capital of RMB5,000,000 and paid-up capital of Nil | **100** | 100 | Financing company |
| NHH Ventures Holding Limited | Cayman Islands August 3, 2021 | 8,000,000 issued shares and paid-in capital of US$8,000 | **100** | 100 | Investment company |

## 35. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES *(Continued)*

| Name of subsidiary/Consolidated Affiliated Entities | Place and date of establishment/incorporation | Issued and fully paid share/registered capital | Equity interest attributable to the Group at December 31, | | Principal activities |
|---|---|---|---|---|---|
| | | | **2022 %** | 2021 % | |
| Hangzhou Neohalo Biotechnology Limited | The PRC April 20, 2022 (note i) | Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000 | **100** | 100 | Research and development of medical diagnostic technology, technical service, technical transfer, consultation, manufacturing and sales of medical and laboratory equipment |
| Prenetics Coloclear Limited ("Prenetics ColoClear") | Hong Kong (note ii) | Not applicable | **50** | 50 | Coloclear business out of Mainland China |

None of the subsidiaries and consolidated affiliated entities has issued any debt securities at December 31, 2021 and 2022.

Notes:

(i) Hangzhou Nuohui, Beijing Xincheng, Beijing Nuoan Lab, Hangzhou Nuokang Lab, Guangzhou Nuohui Lab, Shanghai Linnuo Biotechnology Limited, Hangzhou Neohalo Biotechnology Limited are domestic limited liability companies incorporated in PRC.

(ii) An independent third party ("Independent Third Party") incorporated Prenetics ColoClear and the Group entered into a collaboration agreement ("Collaboration Agreement") with the Independent Third Party pursuant to which the Group granting the exclusive rights to Prenetics ColoClear to market and distribute, and provide testing services using the products developed by the Group based on, derived from or otherwise in relation to the proprietary technical of ColoClear for diagnostic use for colorectal cancer and adenoma in the designated areas as defined in the Collaboration Agreement. Prenetics ColoClear had setup a joint steering committee that is responsible for governing the financial and operating policies of Prenetics ColoClear. According to the Collaboration Agreement, the joint steering committee of Prenetics ColoClear consists of 6 members amongst which the Group and the Independent Third Party is entitled to appoint 3 members each. In the event of equality voting in the joint steering committee, one of the joint steering committee members appointed by the Group will have a second vote at such matter. Further, the Group and the Independent Third Party each shall bear equally the gross margin generated from the collaboration arrangement as defined in the Collaboration Agreement.

## 36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank Borrowings *RMB'000* | Accrued interest expense *RMB'000* | Preferred Shares *RMB'000* | Lease liabilities *RMB'000* | Accruals for issue costs *RMB'000* | Subscription receivables from other preferred shares and ordinary shareholders *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| At January 1, 2021 | 116,234 | 968 | 1,680,356 | 33,320 | 2,821 | – | 1,833,699 |
| Financing cash flows | (36,736) | (8,195) | – | (14,808) | (112,672) | – | (172,411) |
| Interest expenses | – | 7,759 | – | – | – | – | 7,759 |
| New leases entered | – | – | – | 24,927 | – | – | 24,927 |
| Converted into ordinary shares | – | – | (1,680,356) | – | – | – | (1,680,356) |
| Accrued issue costs | – | – | – | – | 109,851 | – | 109,851 |
| At December 31, 2021 | 79,498 | 532 | – | 43,439 | – | – | 123,469 |
| Financing cash flows | 100,502 | (4,337) | – | (21,894) | – | 1,207 | 75,478 |
| Interest expenses | – | 4,017 | – | 3,344 | – | – | 7,361 |
| New leases entered | – | – | – | 41,769 | – | – | 41,769 |
| Early termination of lease | – | – | – | (1,669) | – | – | (1,669) |
| At December 31, 2022 | **180,000** | **212** | **–** | **64,989** | **–** | **1,207** | **246,408** |

## 37. STATEMENTS OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

| | Note | At December 31, 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **3,176** | – |
| Investments in subsidiaries | | **875,667** | 806,940 |
| Financial assets at FVTPL | | **22,630** | 20,933 |
| Other receivables | | **7,989** | 7,017 |
| Amounts due from related parties | | **56,307** | 49,437 |
| | | **965,769** | 884,327 |
| **Current assets** | | | |
| Inventories research and development related | | **43,511** | 43,511 |
| Other receivables | | **284** | 518 |
| Amounts due from related parties | | **–** | 510 |
| Amounts due from subsidiaries | | **1,729,516** | 510,000 |
| Time deposits over three months | | **208,938** | 1,035,235 |
| Cash and cash equivalents | | **259,717** | 545,587 |
| | | **2,241,966** | 2,135,361 |
| **Current liabilities** | | | |
| Other payables | | **75** | 100 |
| Amount due to a subsidiary | | **3,312** | 5,050 |
| | | **3,387** | 5,150 |
| **Net current assets** | | **2,238,579** | 2,130,211 |
| **Net assets** | | **3,204,348** | 3,014,538 |
| **Capital and reserves** | | | |
| Share capital | 28 | **141** | 141 |
| Treasury shares | | **(1)** | (1) |
| Share premium | | **6,419,522** | 6,413,365 |
| Reserves | | **(3,215,314)** | (3,398,967) |
| **Total equity** | | **3,204,348** | 3,014,538 |

## 37. STATEMENTS OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

| | Share premium *RMB'000* | Treasury shares *RMB'000* | Share-based payments reserve *RMB'000* | Accumulated losses *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| At January 1, 2021 | 118,865 | (1) | 5,834 | (609,320) | (484,622) |
| Loss and total comprehensive expenses for the year | – | – | – | (2,803,392) | (2,803,392) |
| Recognition of equity-settled share-based payments (note 29) | – | – | 23,849 | – | 23,849 |
| Automatic conversion of Preferred Shares upon the Listing | 4,437,319 | – | – | – | 4,437,319 |
| Exercise of share options (note 29a) | 1,044 | – | (534) | – | 510 |
| Vesting of restricted shares | 15,404 | – | (15,404) | – | – |
| Issue of new shares of the Company | 1,956,204 | – | – | – | 1,956,204 |
| Cost of issue new shares | (115,471) | – | – | – | (115,471) |
| At December 31, 2021 | 6,413,365 | (1) | 13,745 | (3,412,712) | 3,014,397 |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **120,107** | **120,107** |
| Recognition of equity-settled share-based payments (note 29) | **–** | **–** | **68,727** | **–** | **68,727** |
| Exercise of share options (note 29a) | **1,409** | **–** | **(433)** | **–** | **976** |
| Forfeiture of share options | **–** | **–** | **(306)** | **306** | **–** |
| Vesting of restricted shares | **4,748** | **–** | **(4,748)** | **–** | **–** |
| At December 31, 2022 | **6,419,522** | **(1)** | **76,985** | **(3,292,299)** | **3,204,207** |

## 38. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere of the consolidated financial statements, the Group has the following subsequent events entered into subsequent to December 31, 2022:

In January 2023, the Company conducted a top-up placing with 27,543,000 shares of the Company held by Dr. Chen placed to no less than six placees under the general mandate at the placing price of HK$28.38 per share on January 20, 2023 and top-up subscription of 27,543,000 new shares by Dr. Chen at the subscription price of HK$28.38 per share on January 30, 2023. The Company received total net proceeds of HK$775 million (equivalent to RMB670 million) from the subscription.