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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of New Horizon Health Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company, its subsidiaries and consolidated affiliated entities (the "**Group**", "**we**", "**our**" or "**us**") for the six months ended June 30, 2023 (the "**Reporting Period**"), together with comparative figures for the six months ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- Revenue was RMB822.7 million for the six months ended June 30, 2023, representing a 264.6% increase from RMB225.7 million for the same period in 2022.

- Gross profit and gross profit margin were RMB747.5 million and 90.9%, respectively, for the six months ended June 30, 2023, as compared to RMB185.1 million and 82.0%, respectively, for the same period in 2022.

- Adjusted net profit was RMB61.3 million for the six months ended June 30, 2023, as compared to adjusted net loss of RMB106.2 million for the same period in 2022.This is the first time for the Company to achieve 12-month adjusted net profits (i.e. from July 1, 2022 to June 30, 2023).

- For ColoClear, revenue in Mainland China was RMB490.5 million for the six months ended June 30, 2023, representing a 566.2% increase from RMB73.6 million for the same period in 2022. The revenue-recognized volume of ColoClear was approximately 428,700 units for the six months ended June 30, 2023, representing a 354.1% increase over the same period in 2022. The shipment volume of ColoClear was approximately 538,500 units for the six months ended June 30, 2023, compared to 294,600 units for the same period in 2022, representing a 82.8% increase. The gross profit margin of ColoClear was 91.5% for the six months ended June 30, 2023, as compared to 75.7% for the same period in 2022. The increase in the revenue and gross profit from sales of ColoClear is due 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[1]). Specifically, for the six months ended June 30, 2023, hospital channel was 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, revenue was RMB124.0 million for the six months ended June 30, 2023, representing a 80.9% increase from RMB68.5 million for the same period in 2022. The revenue-recognized volume of Pupu Tube was approximately 4,096,600 units for the six months ended June 30, 2023, representing a 39.8% increase over the same period in 2022. The gross profit margin of Pupu Tube was 87.2% for the six months ended June 30, 2023, as compared to 80.0% for the same period in 2022. The increase in revenue and gross profit from sales of Pupu Tube is due 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 RMB206.5 million for the six months ended June 30, 2023, representing a 147.4% increase from RMB83.5 million for the same period in 2022. The revenue-recognized volume of UU Tube was approximately 2,912,100 units for the six months ended June 30, 2023, representing a 110.9% increase over the same period in 2022. The gross profit margin of UU Tube was 94.2% for the six months ended June 30, 2023, as compared to 90.0% for the same period in 2022. The increase in revenue and gross profit from sales of UU Tube is due 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.

[1] Direct-to-consumer channels include e-business and offline orders, such as insurance company, health management company, etc.

(RMB in millions, except for percentage)	**For the six months ended June 30, 2023** ***(Unaudited)***	**For the six months ended June 30, 2022** ***(Unaudited)***	**Period-to-period change**	**For the year ended December 31, 2022** ***(Audited)***
Revenue	**822.7**	**225.7**	**264.6%**	**765.0**
Mainland China	*821.2*	*225.7*	*263.9%*	*764.4*
ColoClear	490.5	73.6	566.2%	356.0
Pupu Tube	124.0	68.5	80.9%	200.6
UU Tube	206.5	83.5	147.4%	207.8
International	*1.5*	–	–	*0.6*
Gross Profit Margin	**90.9%**	**82.0%**	**8.9%**	**84.5%**
Mainland China	*90.9%*	*82.0%*	*8.9%*	*84.5%*
ColoClear	91.5%	75.7%	15.8%	83.4%
Pupu Tube	87.2%	80.0%	7.2%	82.1%
UU Tube	94.2%	90.0%	4.2%	90.7%
International	*69.7%*	*–%*	*n/m*[5]	*49.1%*
Selling and Marketing Expenses[1]	**571.2**	**194.5**	**193.7%**	**539.4**
% of Revenue	69.4%	86%	–	70.5%
Research and Development Expenses[1]	**63.6**	**39.4**	**61.4%**	**87.9**
% of Revenue	7.7%	17%	–	11.5%
Administrative Expenses[1]	**76.6**	**51.7**	**48.2%**	**113.4**
% of Revenue	9.3%	23%	–	14.8%
Adjusted Net Profit (Loss)[2]	**61.3**	**(106.2)**	**n/m**[5]	**(104.6)**
Minus: Share-based payment expenses[3]				
Selling and Marketing Expenses	2.9	2.5		15.7
Research and Development Expenses	11.2	1.5		6.7
Administrative Expenses	54.1	7.5		46.2
Plus: Deferred Tax Credit From Future Deductible Promotion Expenses	84.0	–		–
Add: Net Foreign Exchange Gain	48.2	52.4		92.9
IFRS Net Profit (Loss)	**125.3**	**(65.3)**		**(80.3)**
Cash and Selected Financial Assets[4]	**2,047.0**	**1,648.9**	**24.1%**	**1,572.7**

Notes:

1. Items exclude share-based payment expenses.
2. We consider share-based payment expenses, net foreign exchange gain and deferred tax credit from future deductible promotion 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, restricted bank deposits and pledged bank deposits in financial statement.
5. "n/m" denotes "not meaningful".

BUSINESS HIGHLIGHTS

Significant progress in commercial operations and research developments have been made during the first six months of 2023. Some of the key milestones are summarized below:

- 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, the Company established strategic partnership with EC Healthcare for registration, marketing and distribution of CerviClear in Hong Kong.

- In May 2023, CerviClear has commercially launched in Hong Kong.

EVENTS AFTER THE REPORTING PERIOD

- Save as disclosed under the Business Review section to this results announcement in relation to the products and business development of the Company, there were no other significant events occurred subsequent to June 30, 2023 and up to the date of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	Notes	For the six months period ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	4	**822,675**	225,652
Cost of sales		**(75,174)**	(40,564)
Gross profits		**747,501**	185,088
Other income		**11,211**	4,876
Other gains and losses	5	**60,252**	52,978
Impairment losses on trade and other receivables		**(21,750)**	(7,629)
Selling and marketing expenses		**(574,070)**	(196,988)
Research and development expenses		**(74,753)**	(40,912)
Administrative expenses		**(130,739)**	(59,156)
Finance costs		**(5,687)**	(3,509)
Profit (loss) before tax	6	**11,965**	(65,252)
Income tax credit (expense)	7	**113,378**	(30)
Profit (loss) for the period		**125,343**	(65,282)
Other comprehensive income for the period, net of income tax		**1,865**	2,549
Total comprehensive income (expense) for the period		**127,208**	(62,733)
Profit (loss) for the period attributable to:			
Owners of the Company		**125,654**	(65,282)
Non-controlling interests		**(311)**	–
		125,343	(65,282)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**127,519**	(62,733)
Non-controlling interests		**(311)**	–
		127,208	(62,733)
Earning (loss) per share	8		
– Basic (RMB)		**0.26**	(0.15)
– Diluted (RMB)		**0.26**	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2023

	Notes	**At June 30, 2023** ***RMB'000*** ***(unaudited)***	At December 31, 2022 *RMB'000* *(audited)*
Non-current assets			
Property and equipment		**122,166**	81,784
Intangible assets		**25,017**	22,420
Right-of-use assets		**58,177**	57,082
Deposits paid for acquisition of property and equipment and intangible assets		**19,533**	5,771
Financial assets at fair value through profit or loss ("**FVTPL**")		**108,666**	79,960
Investments in associates measured at FVTPL		**3,372**	10,215
Other receivables and deposits		**19,289**	20,272
Deferred tax assets		**113,692**	–
Amounts due from related parties		**67,791**	64,330
Time deposits over three months		**80,000**	40,000
Pledged bank deposits		**199,633**	192,416
		817,336	574,250
Current assets			
Inventories non-research and development related		**26,340**	26,925
Inventories research and development related		**44,222**	43,611
Trade and other receivables	*10*	**1,017,227**	584,095
Contract costs		**3,051**	5,634
Restricted bank deposits		**91,449**	–
Time deposits over three months		**216,774**	208,938
Cash and cash equivalents		**1,459,109**	1,131,373
		2,858,172	2,000,576
Current liabilities			
Trade and other payables	*11*	**104,316**	108,628
Accrued payroll and welfare expenses		**58,335**	51,693
Contract liabilities		**73,575**	41,538
Refund liabilities		**5,395**	5,727
Lease liabilities		**23,863**	19,847
		265,484	227,433
Net current assets		**2,592,688**	1,773,143
Total assets less current liabilities		**3,410,024**	2,347,393

	Notes	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current liabilities			
Bank borrowings		**380,000**	180,000
Other payables		**–**	601
Lease liabilities		**44,139**	45,142
		424,139	225,743
Net assets		**2,985,885**	2,121,650
Capital and reserves			
Share capital		**150**	141
Treasury shares		**(1)**	(1)
Share premium		**7,094,263**	6,419,522
Reserves		**(4,108,527)**	(4,298,012)
Total equity		**2,985,885**	2,121,650

1. General information

New Horizon Health Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from February 18, 2021 (the "**Listing**"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal places of business of the Company are 13/F, T1 Building, 400 Jiang'er Road, Binjiang District, Hangzhou, Zhejiang, PRC and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

2. Basis of preparation

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

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

3. Principal accounting policies

These condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes ("**IAS12**") requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group's annual financial statements for the year ended December 31, 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

As a result of the application of amendments of IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, the Group recognised deferred tax assets and deferred tax liabilities of RMB10,919,000 and RMB10,919,000, respectively, at the end of the immediately preceding financial year, i.e. December 31, 2022, which have been offset for the purpose of presentation in the condensed consolidated statement of financial position.

4. Revenue and segment information

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Mainland China		
ColoClear	**490,546**	73,638
Pupu tube	**123,995**	68,538
UU tube	**206,481**	83,461
Others	**196**	15
	821,218	225,652
International[1]	**1,457**	–
	822,675	225,652

Note:

1: Amount represents sales of ColoClear and UU Tube.

For ColoClear in Mainland China, 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 report to the customer/end user; or (ii) the expiry of product exchange period of ColoClear purchased by customers ("Expiry of Product"). For ColoClear revenue in Mainland China, revenue is recognised upon:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Completion of testing service	**471,163**	64,064
Expiry of Product	**19,383**	9,574
	490,546	73,638

5. Other gains and losses

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net investment gain on structured deposits	**6,965**	1,365
Net foreign exchange gain	**48,184**	52,396
Fair value gain of early exercise promissory notes	**2,689**	2,882
Fair value gain (loss) of financial assets at FVTPL	**2,506**	(3,653)
Net loss on disposal of property and equipment	**(99)**	(12)
Others	**7**	–
	60,252	52,978

6. Profit (loss) before tax

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Depreciation of property and equipment	**16,241**	11,084
Depreciation of right-of-use assets	**13,713**	10,001
Amortisation of intangible assets	**1,090**	1,052
	31,044	22,137
Capitalised in inventories	**(11,837)**	(10,367)
	19,207	11,770
Analysed as:		
Charged in administrative expenses	**10,630**	6,918
Charged in selling and distribution expenses	**187**	536
Charged in research and development expenses	**8,390**	4,316
	19,207	11,770
Write-down of inventories	**4,831**	533
Write-down of contract costs on finished goods delivered (included in cost of sales)	**2,442**	2,987

7. Income tax (credit) expense

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax:		
People's Republic of China ("**PRC**") Enterprise Income Tax	**314**	30
Deferred tax:		
Current period	**(113,692)**	–
Income tax (credit) expense	**(113,378)**	30

8. Earning (loss) per share

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

	Six months ended June 30,	
	2023	2022
	(unaudited)	*(unaudited)*
Earning (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earning (loss) per share *(RMB'000)*	**125,654**	(65,282)
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share *('000)*	**474,685**	421,856
Effect of dilutive potential ordinary shares in respect of outstanding share options and restricted share units *('000)*	**14,613**	–
Weighted average number of ordinary shares for the purpose of diluted earning (loss) per share *('000)*	**489,298**	421,856

For the six months ended June 30, 2023, the computation of basic earning per share for current period has considered the restricted share units that have been vested but not yet issued (note 16b). The computation of basic profit (loss) per share for both interim periods excluded the treasury shares, unvested share options (note 16a) and unvested restricted share units (note 16b) of the Company.

For the six months ended June 30, 2023, the computation of diluted earning per share does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for the period.

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

9. Dividends

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

10. Trade and other receivables

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade receivables	**966,614**	554,045
Other receivables – current	**50,613**	30,050
	1,017,227	584,095

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 June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 – 90 days	**548,600**	300,625
91 – 180 days	**185,728**	156,269
181 – 365 days	**216,450**	80,132
Over 1 year	**15,836**	17,019
	966,614	554,045

11. Trade and other payables

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade payables	**55,093**	42,960
Other payables – current	**49,223**	65,668
	104,316	108,628

The credit period on purchases of goods/services of the Group is ranging from 0 to 90 days. The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 – 60 days	**42,870**	27,356
61 – 90 days	**5,459**	3,848
Over 90 days	**6,764**	11,756
	55,093	42,960

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

Our vision is to prevent and cure cancer by screening and early detection. Our mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China and globally. As of August 11, 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 revenue was RMB822.7 million for the six months ended June 30, 2023, representing a 264.6% increase from RMB225.7 million for the same period in 2022. The increase in revenue was primarily attributable to the increased revenue and gross profit of our products, namely, ColoClear, Pupu Tube and UU Tube.

The revenue-recognized volume of ColoClear in the six months ended June 30, 2023 was approximately 428,700 units, representing a 354.1% increase compared to 94,400 units over the same period in 2022. The shipment volume of ColoClear was approximately 538,500 units for the six months ended June 30, 2023, compared to 294,600 units for the same period in 2022, representing a 82.8% increase. The revenue-recognized volume growth was driven by (a) the increasing public awareness of colorectal cancer and cancer screening among customers; (b) the expanded coverage of provincial pricing guidance and hospital access; and (c) the increasing physician adoption within covered hospitals.

The revenue-recognized volume of Pupu Tube in the six months ended June 30, 2023 was approximately 4,096,600 units, representing a 39.8% increase compared to 2,929,700 units over the same period in 2022. The sales performance of Pupu Tube improved continuously due to strong market demand from direct-to-consumer channel and health checkup centers.

The revenue-recognized volume of UU Tube in the six months ended June 30, 2023 was approximately 2,912,100 units, representing a 110.9% increase compared to 1,380,800 units over the same period in 2022. The sales performance of UU Tube was driven by public awareness of Helicobacter pylori and the convenience by UU Tube as a non-invasive self-test which is highly recognized by the market.

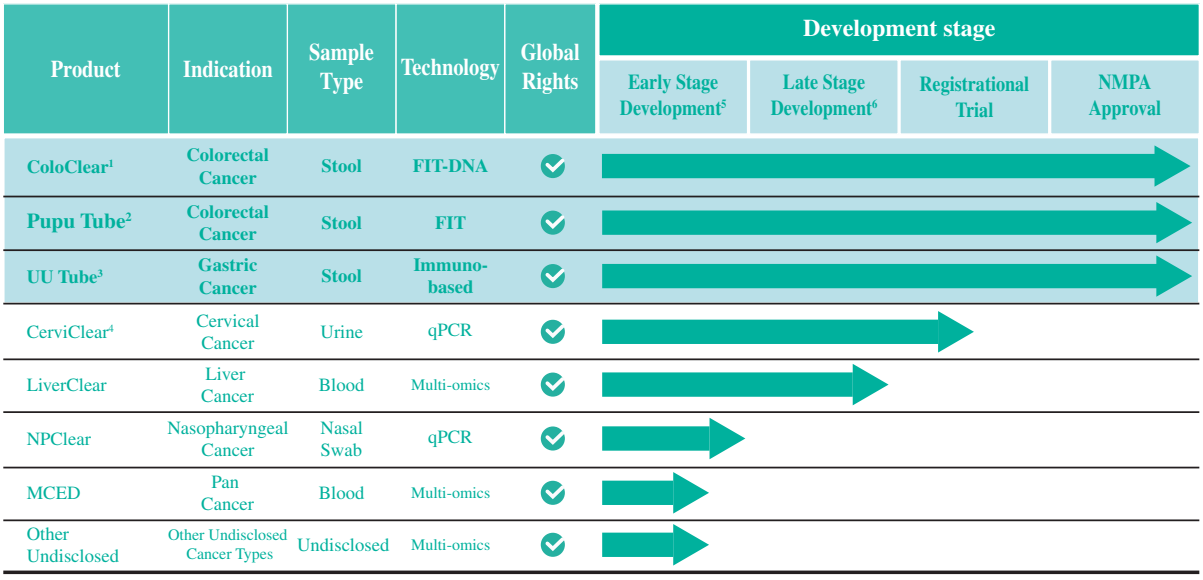
Our Products and Product Pipeline

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 was 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. In February 2023, CerviClear obtained CE Mark. In March 2023, the Company established strategic partnership with EC Healthcare for registration, marketing and distribution of CerviClear in Hong Kong. In May 2023, CerviClear has commercially launched in Hong Kong. As of the date of this announcement, except for ColoClear, Pupu Tube, UU Tube and CerviClear, we have not commercialized any other products, and we cannot guarantee that we will be able to successfully develop and commercialize our product candidates.

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



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

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

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

4 *CE Mark obtained in February 2023.*

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

6 *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 received the approval from the NMPA of the registration application for UU Tube as Class III medical device in January 2022 and commercialized UU Tube since then.

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. In February 2023, CerviClear obtained CE Mark. In March 2023, the Company established strategic partnership with EC Healthcare for registration, marketing and distribution of CerviClear in Hong Kong. In May 2023, CerviClear has commercially launched in Hong Kong.

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.

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 December 2023, and aim to initiate registration trial in December 2024 and proceed to obtain NMPA and new drug application approval in December 2026.

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).

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. 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.

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 one major cancer screening product candidate in the late stage of development namely, LiverClear. 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 73.0% 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 four 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, (iii) UU Tube, which was approved by the NMPA in January 2022 and (iv) CerviClear, which received CE Mark in February 2023. 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). In January 2023, UU Tube started partnership with PHASE Scientific for marketing and sales of UU Tube in Hong Kong. In March 2023, the Company established strategic partnership with EC Healthcare (stock code: 2138) for registration, marketing and distribution of CerviClear in Hong Kong. In May 2023, CerviClear has commercially launched in Hong Kong.

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.

II. FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, our revenue was mainly generated from (i) ColoClear, (ii) Pupu Tube, and (iii) UU Tube. The Group's revenue for the six months ended June 30, 2023 was RMB822.7 million, representing an increase of 264.6% compared to RMB225.7 million for the six months ended June 30, 2022. The increase was primarily attributable to the increased revenue and gross profit of our products, namely, ColoClear, Pupu Tube and UU Tube.

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

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
ColoClear	**490,546**	**59.6**	73,638	32.6
Pupu Tube	**123,995**	**15.1**	68,538	30.4
UU Tube	**206,481**	**25.1**	83,461	37.0
Others	**196**	**–**	15	–
	821,218	**99.8**	225,652	100.0
International[1]	**1,457**	**0.2**	–	–
Total revenue	**822,675**	**100.0**	225,652	100.0

Note:

1. Amount represents sales of ColoClear and UU Tube.

For ColoClear, revenue in Mainland China was RMB490.5 million for the six months ended June 30, 2023, representing a 566.2% increase from RMB73.6 million for the same period in 2022, which was 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[2]). Specifically, for the six months ended June 30, 2023, hospital channel was the largest revenue contributor and the fastest growing channel for ColoClear, followed by direct-to-consumer channel and then health checkup centers.

[2] Direct-to-consumer channels include e-business and offline orders, such as insurance company, health management company, etc.

For Pupu Tube, revenue was RMB124.0 million for the six months ended June 30, 2023, representing a 80.9% increase from RMB68.5 million for the same period in 2022, which was 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 in Mainland China was RMB206.5 million for the six months ended June 30, 2023, representing a 147.4% increase from RMB83.5 million for the same period in 2022, which was 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 six months ended June 30, 2023 was RMB75.2 million, representing an increase of 85.3% compared to RMB40.6 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase of sales volume.

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

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
ColoClear	**41,929**	**55.8**	17,884	44.1
Pupu Tube	**15,879**	**21.1**	13,695	33.8
UU Tube	**11,969**	**15.9**	8,331	20.5
Others	**124**	**0.2**	121	0.3
Write-down of inventories	**4,831**	**6.4**	533	1.3
	74,732	**99.4**	40,564	100.0
International[1]	**442**	**0.6**	–	–
Total cost of sales	**75,174**	**100.0**	40,564	100.0

Note:

1. Amount represents sales of ColoClear and UU Tube.

Our costs of sales of ColoClear in Mainland China increased from RMB17.9 million for the six months ended June 30, 2022 to RMB41.9 million for the six months ended June 30, 2023, representing a year-over-year increase of 134.4%. Our costs of sales of Pupu Tube increased from RMB13.7 million for the six months ended June 30, 2022 to RMB15.9 million for the six months ended June 30, 2023, representing a year-over-year increase of 15.9%. Our costs of sales of UU Tube in Mainland China increased from RMB8.3 million for the six months ended June 30, 2022 to RMB12.0 million for the six months ended June 30, 2023, representing a year-over-year increase of 43.7%. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories increased from RMB0.5 million for the six months ended June 30, 2022 to RMB4.8 million for the six months ended June 30, 2023, representing a year-over-year increase of 806.4%, 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 six months ended June 30, 2023, gross profit was RMB747.5 million, representing an increase of approximately 303.9% from RMB185.1 million for the same period in 2022. Gross profit margin was 90.9% for the six months ended June 30, 2023, and expanded by approximately 890 bps from 82.0% for the same period in 2022. The increase in gross profit and gross profit margin was primarily due to (i) the commercialization progression of the Company's products, that is, the increased revenue, gross profit and gross profit margin of our products, ColoClear, Pupu Tube and UU Tube; and (ii) the cost control in respect of, including but not limited to, marketing costs, management costs and R&D costs.

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

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Mainland China				
ColoClear	**448,617**	**91.5**	55,754	75.7
Pupu Tube	**108,116**	**87.2**	54,843	80.0
UU Tube	**194,512**	**94.2**	75,130	90.0
Others	**72**	**n/m[1]**	(106)	n/m[1]
International[2]	**1,015**	**69.7**	–	n/m[1]

Notes:

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

2. Amount represents sales of ColoClear and UU Tube.

For ColoClear, the gross profit margin in Mainland China was 91.5% for the six months ended June 30, 2023, as compared to 75.7% for the same period in 2022, primarily due to (a) lower cost per test thanks to economics of scale; (b) higher revenue per test within hospital and health checkup centers; and (c) more favorable channel mix where increased proportion of revenue came from hospital and direct-to-consumer channels[3] which have higher revenue per test. Specifically, for the six months ended June 30, 2023, hospital channel was 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 87.2% for the six months ended June 30, 2023, as compared to 80.0% for the same period in 2022, primarily attributable to (a) higher revenue per test within direct-to-consumer channel and healthcare checkup centers; and (b) lower manufacturing cost per unit.

For UU Tube, the gross profit margin in Mainland China was 94.2% for the six months ended June 30, 2023, as compared to 90.0% for the same period in 2022, primarily attributable to (a) higher revenue per test within direct-to-consumer channel and healthcare checkup centers; and (b) lower manufacturing cost per unit.

Other Gains and Losses

Our other gains and losses consist of net foreign exchange gain and others. The Group's other gains and losses for the six months ended June 30, 2023 was a gain of RMB60.3 million, compared to a gain of RMB53.0 million for the six months ended June 30, 2022. The gain was primarily attributable to the gain of foreign exchange.

Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the six months ended June 30, 2023 was RMB11.2 million, representing an increase of 128.6% compared to RMB4.9 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in monetary funds.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses for the six months ended June 30, 2023 was RMB574.1 million, representing an increase of 191.4% compared to RMB197.0 million for the six months ended June 30, 2022. The increase was primarily due to the increase of staff costs and sales promotion expenses.

[3] Direct-to-consumer channels include e-business and offline orders, such as insurance company, health management company, etc.

Research and Development Expenses

The research and development expenses for the Group primarily consist of staff costs, clinical trials and service expenses, cost of research and development materials and equipment and other expenses.

The Group's research and development expenses for the six months ended June 30, 2023 was RMB74.8 million, representing an increase of 82.7% compared to RMB40.9 million for the six months ended June 30, 2022. The increase was primarily due to the increase of staff costs and the cost of research and development materials.

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

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
Research and development expenses				
Staff costs	**35,965**	**48.1**	14,448	35.3
Cost of research and development materials and equipment	**18,016**	**24.1**	18,126	44.3
Clinical trials and service expenses	**13,779**	**18.4**	6,736	16.5
Others	**6,993**	**9.4**	1,602	3.9
Total	**74,753**	**100.0**	40,912	100.0

Our staff costs primarily consist 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 costs, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the six months ended June 30, 2023 was RMB130.7 million, representing an increase of 120.8% compared to RMB59.2 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase of staff cost.

Impairment Losses on Trade and Other Receivables

The Group's impairment losses on trade and other receivables for the six months ended June 30, 2023 was RMB21.8 million, representing an increase of 186.8% compared to RMB7.6 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase of accounts receivable.

Finance Costs

The Group's finance costs for the six months ended June 30, 2023 was RMB5.7 million, representing an increase of 62.9% compared to RMB3.5 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in bank borrowing rates.

Income Tax Credit (Expense)

The Group's income tax credit for the six months ended June 30, 2023 was RMB113.4 million (six months ended June 30, 2022: income tax expense of RMB0.03 million) due to the recognition of deferred tax assets amounting to RMB113.7 million during the Reporting Period.

Non-IFRS Measures

To supplement our condensed consolidated statement of profit or loss and other comprehensive income which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period-to-period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance, including share-based payment expenses, net foreign exchange gain/loss and deferred tax credit from future deductible promotion expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Share-based payment expenses are non-operational expenses arising from granting shares to selected executives, employees and research and development consultants. The amount of relevant expenses may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities. With respect to share-based payment expenses, determining its fair value involves significant judgment. Historical occurrence of share-based payment expenses is not indicative of any future occurrence. Net foreign exchange gain/loss represent the Group's foreign currency exposure resulting from the fluctuation of the foreign exchange rates in the current interim review period. The Company believes that the gains and losses from changes in foreign exchange rates are generally not representative to the Group's core operating results or evaluating its economic performance of its businesses as the Group did not actively hedge exposure of foreign currency other than currency diversification. The nature of deferred tax credit from future deductible promotion expenses is non-operations and non-cash which is less relevant to Company's primary business. Therefore, we do not consider share-based payment expenses, net foreign exchange gain/loss and deferred tax credit from future deductible promotion 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 profit(loss) for the period to our adjusted net profit(loss) for the period indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net profit(loss) for the period	**125,343**	(65,282)
Share-based payment expenses[1]	**68,208**	11,499
Net foreign exchange gain	**(48,184)**	(52,396)
Deferred tax credit from future deductible promotion expenses	**(84,019)**	–
Adjusted net profit(loss)[2]	**61,348**	(106,179)

Notes:

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

2: We consider share-based payment expenses, net foreign exchange gain/loss and deferred tax credit from future deductible promotion 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 share-based payment expenses and net foreign exchange gain/loss provides useful information to investors in facilitating a comparison of our operating performance from period-to-period.

Capital Management

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

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

Liquidity and Financial Resources

The Group's time deposits over three months, restricted bank deposits, pledged bank deposits, as well as cash and cash equivalents as of June 30, 2023 were RMB2,047.0 million, representing an increase of 30.2% compared to RMB1,572.7 million as at December 31, 2022. The increase was primarily attributable to the net proceeds from top-up placing in January 2023 and the increased bank borrowings in June 2023. The major sources of the Group's liquidity are equity financing and bank borrowings.

As of June 30, 2023, our secured bank borrowing was RMB180,000,000. 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 of June 30, 2023, we had utilized RMB380 million from our banking facilities, and RMB100 million remained unutilized under our banking facilities. The utilization of the remaining balance of the secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements.

Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as of June 30, 2023 was 19%, representing an increase of 1% compared to 18% as at December 31, 2022.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, restricted bank deposits, pledged bank deposits, amount due from related parties, trade and other receivables, trade and other payables 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.

Capital Expenditure and Commitments

For the six months ended June 30, 2023, the Group's capital expenditures primarily related to purchase of property, plant and equipment, and intangible assets. For the six months ended June 30, 2023, the Group incurred RMB76.5 million in relation to capital expenditures as compared to RMB21.3 million over the same period in 2022.

As of June 30, 2023, we have capital commitment of RMB10.7 million for the contracts in relation to the acquisition of property and equipment and intangible assets (June 30, 2022: RMB7.3 million).

Pledge of Shares

The Company does not have any controlling shareholder. As of June 30, 2023, we did not have any pledging of shares by our largest shareholder.

Significant Investments Held

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

Future Plans Relating to Material Investment or Capital Asset

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Charge on Group Assets

As of June 30, 2023, the Group did not have any other charges over its assets.

Contingent Liabilities

As of June 30, 2023, the Group had no material contingent liability.

Employee and Remuneration Policy

As of June 30, 2023, the Group had 1,041 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, projects and stock incentive plans to our employees especially key employees.

During the six months ended June 30, 2023, the total staff costs (including Director's emoluments) were approximately RMB212.8 million (for the same period in 2022: RMB124.4 million).

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, UU Tube and CerviClear

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.

With the commercial launch of CerviClear in Hong Kong in May 2023, we plan to further increase the market penetration of CerviClear. We plan to leverage our strategic partnership with EC Healthcare to accelerate the commercial ramp-up of CerviClear in Hong Kong.

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 have already initiated the registrational clinical trial of CerviClear in 2022. In February 2023, CerviClear obtained CE Mark. In March 2023, the Company established strategic partnership with EC Healthcare for registration, marketing and distribution of CerviClear in Hong Kong. In May 2023, CerviClear has commercially launched in Hong Kong. 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 20 million Pupu Tube, 20 million UU Tube and 5 million ColoClear. Our manufacturing facilities are good manufacturing practices (GMP) certified in China. The facilities have produced all Pupu Tube for its clinical development and commercialization and all ColoClear to support its clinical development. We now have laboratory testing facilities in Beijing, Hangzhou and Guangzhou with an aggregate capacity of 2,000,000 tests per year.

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**"), enhance corporate value, formulate its business strategies and policies and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 during the Reporting Period, save and except for the deviation from code provision C.2.1 of the CG Code as disclosed below:

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 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.

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

Compliance with Model Code

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

Use of Proceeds from the Global Offering

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

Up to June 30, 2023, the Company has utilized HK$1,643,889,000 or 75% of the net proceeds as specified in the below table. The Company intends to use the net proceeds in the same manner and proportion as set out in the prospectus of the Company dated February 5, 2021 (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

	Use of proceeds as stated in the Prospectus *(in HK$'000) (approximate)*	**Net proceeds unutilized as of January 1, 2023** *(in HK$'000) (approximate)*	**Actual use of proceeds during the six months ended June 30, 2023** *(in HK$'000) (approximate)*	**Actual use of proceeds up to June 30, 2023** *(in HK$'000) (approximate)*	**Net proceeds unutilized as of June 30, 2023** *(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	247,968	208,982	837,214	38,986	The amount is expected to be fully utilized by the end of 2023
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	34,902	34,902	109,525	–	–
30% for the ongoing and planned research and development to further develop UU Tube, CerviClear and our other early stage pipeline products	657,150	455,959	131,995	333,186	323,964	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	213,707	30,046	144,914	183,661	The amount is expected to be fully utilized by second half of 2025
10% for working capital and other general corporate purposes	219,050	40,068	40,068	219,050	–	–
Total	2,190,500	992,604	445,993	1,643,889	546,611	

Use of Proceeds from the Top-up Placing

In January 2023, the Company conducted a top-up placing with 27,543,000 shares of the Company placed to no less than six places, which are professional, institutional or other investors, 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, with the aggregate nominal value of US$1,377.15, at the subscription price of HK$28.38 per share on January 30, 2023. The net placing price, after deduction of the relevant expenses, is approximately HK$28.06 per share. The market price on January 17, 2023, being the last trading day prior to the signing of the placing and subscription agreement, is HK$30.85 per share as quoted on the Stock Exchange.

The Company is a commercial stage biotech company principally engaged in developing and commercializing innovative cancer screening products to address significant unmet medical needs in the cancer screening industry in China. The Directors have considered various ways of raising funds and consider that it would be in the interests of the Company to raise equity funding via the top-up placing to broaden its shareholder base, strengthen the capital base and to enhance its financial position and net assets base for long-term development and growth.

The Company received total net proceeds of HK$775.1 million from the top-up subscription (after deducting the Company's share of the placing agents' commission and other expenses incurred in the placing and the subscription).

Up to June 30, 2023, the Company has utilized HK$52,714,000 or 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 announcement of the Company dated January 30, 2023 (the "**Announcement**"). 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 Announcement *(in HK$'000) (approximate)*	**Net proceeds unutilized as of January 1, 2023** *(in HK$'000) (approximate)*	**Actual use of proceeds during the six months ended June 30, 2023** *(in HK$'000) (approximate)*	**Actual use of proceeds up to June 30, 2023** *(in HK$'000) (approximate)*	**Net proceeds unutilized as of June 30, 2023** *(in HK$'000) (approximate)*	**Expected timeline for usage of proceeds**
30% for the further development and commercialization of the Group's pipeline products, including but not limited to CerviClear, LiverClear and pan-cancer early detection pipeline programs as well as other pipeline programs of the Group	232,535	N/A	0	0	232,535	The amount is expected to be fully utilized by 2025
40% for the operational activities of the Group, including but not limited to investment in facilities and manufacturing lines to expand the Group's operational capacity and office buildings to house the back-office departments of the Group	310,046	N/A	52,714	52,714	257,332	The amount is expected to be fully utilized by 2025
30% for the business development activities and investments of the Group, including but not limited to the Group's investments through any current or future venture capital funds specific in healthcare industry with a focus in diagnostics and life science and tools	232,535	N/A	0	0	232,535	The amount is expected to be fully utilized by 2025
Total	775,116	N/A	52,714	52,714	722,402	

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board does not declare an interim dividend for the six months ended June 30, 2023 (June 30, 2022: Nil).

Other Financial and Operational Information of the Company

In order for the Shareholders and potential investors to better understand the financial and operational performance of the Company, the Company has laid out in (i) Appendix I to this results announcement "ColoClear Revenue Recognition & Test Volume", and (ii) Appendix II to this results announcement "Q&A to Investors & Media on Business and Financial Update".

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management with senior management members and the external auditor of the Company.

The unaudited condensed consolidated interim financial report of the Group for the six months ended June 30, 2023 has been separately reviewed by the Audit Committee and by the Company's external auditor in accordance with the International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Auditing and Assurance Standards Board ("**IAASB**").

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the Business Review section to this results announcement in relation to the products and business development of the Company, there were no other significant events occurred subsequent to June 30, 2023 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The 2023 interim report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the Shareholders in due course.

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

Hong Kong, August 21, 2023

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

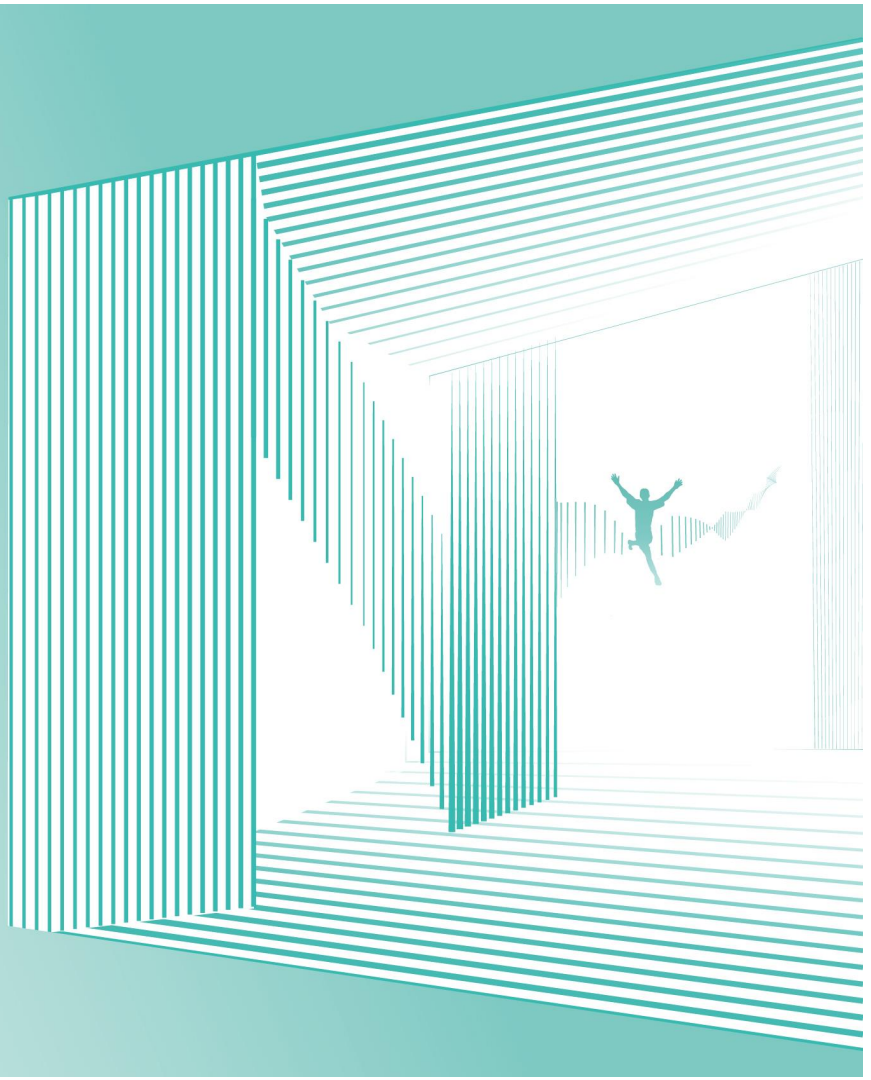
Appendix I

诺辉健康
NEW HORIZON HEALTH

New Horizon Health (6606.HK)

ColoClear Revenue Recognition & Test Volume

August 2023



ColoClear's Revenue Recognition Based on Completion of Testing Service, and Audited/Reviewed by External Auditors

- **According to IFRS, ColoClear's revenue recognition only has two circumstances:**
  - **completion of testing service:** contribute 96% of ColoClear's revenue in 1H2023
  - **expiry of product:** contribute 4% of ColoClear's revenue in 1H2023

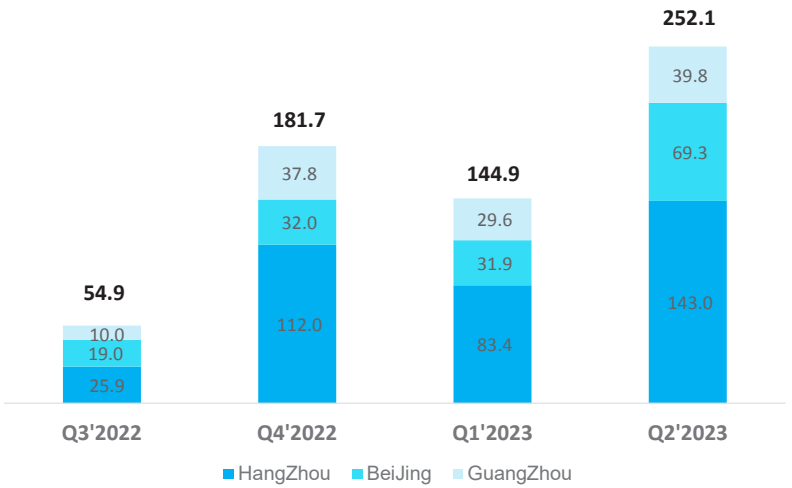
	Revenue Recognition(RMB million)			% of Revenue		
ColoClear's revenue recognition	**1H 2023**	**1H 2022**	**FY 2022**	**1H 2023**	**1H 2022**	**FY 2022**
completion of testing service[1]	471.2	64.1	332.0	96%	87%	93%
expiry of product [1]	19.4	9.6	24.0	4%	13%	7%
Total	**490.5**	**73.6**	**356.0**	**100%**	**100%**	**100%**

- **Audit committee confirms that the external auditors have performed and completed the required audit/review procedures in accordance with International Standards on Auditing issued by the IAASB**

note: 1. please refer to interim "result announcement for the six months ended June 30, 2023" 2

ColoClear's Test Volume Continues to Hit New Highs, with Laboratory Utilization and Staff Numbers Increased Accordingly

ColoClear's Quarterly Test Volume （'000）



Number of People	1H 2021	1H 2022	1H 2023
Hangzhou Lab	30	40	79
Beijing Lab	23	21	34
Guangzhou Lab	7	14	27
Total	**60**	**75**	**140**

Appendix II

Q&A TO INVESTORS & MEDIA ON BUSINESS AND FINANCIAL UPDATE

On August 16, 2023, New Horizon Health Limited (or the "**Company**") noticed that an investigation report (the "**Investigation Report**") titled "Falsifying Financial Data of New Horizon Health" (which has not been found available on any official platforms of known institutions or media up to now) was circulated through non-public channels. In the interest of maintaining transparent communication with our stakeholders and ensuring open information, the Company hereby decides to respond to the main contents in the Investigation Report to address potential questions that the stakeholders may have.

I. Response to the market background in 2022 and the business performance of the Company in the "Investigation Report"

Question I: The "Investigation Report" stated that the financial performance of the Company in 2022 was doubted because fewer health checkups were operational as a result of the pandemic control in 2022, and there were fewer number of government public health screening projects across China as compared to the past few years. How did the Company realize high growth despite the pandemic control?

Response:

1. The business performance of the Company's products, namely ColoClear, Pupu Tube and UU Tube, met or exceeded expectations during the period from 2021 to the first half of 2023, which was mainly attributable to the following factors:

a) Company's products are free from any competition in their respective categories thanks to their rigorous clinical validations and approvals from National Medical Products Administration ("**NMPA**");

b) Company has a diverse revenue source and customer base, and has been innovative and flexible in its channel strategy;

c) Company has a clear strategic plan combined with strong executions.

II. Response to the sales of professional medical institutions channel, as well as analysis and conclusion in the "Investigation Report"

Question II: According to the "Investigation Report", it was concluded that the sales amount of ColoClear was lower than the figure publicly disclosed by the Company, after researching more than 600 public hospitals and clinics. Please explain whether the research and conclusion are true, and the sales of ColoClear in hospitals.

Response:

1. For the "research situation" in the report, the facts are as follows:

   a) As of the first half of 2023, the public hospitals made a small contribution to the revenue of ColoClear, which was mainly due to the fact that the provincial pricing guidance[1] and the admission of ColoClear by the public hospitals either have just been finished or are still in progress, as ColoClear is currently still at the early to mid stage of its commercialization: ColoClear from public hospitals recorded 11,300 tests with RMB14.50 million revenue for the first half of 2023, as compared to the revenue-recognized volume of 428,700 ColoClear tests with RMB490 million revenue for the same period (please refer to the announcements of the Company dated July 10 and July 12, 2023);

   b) For a significant number of the public hospitals in the "Investigation Report", such as The Second People's Hospital of Guiyang and Nanjing First Hospital, ColoClear has not yet been admitted by such hospitals. The conclusion in the "Investigation Report" that ColoClear has been admitted but with low sales volume is untrue. As for the public hospitals that have completed the admission process, most of them are still in the early stage of product breakthrough and low sales volume is normal.

2. Response to the "clinical feedbacks":

   The "Investigation Report" considers that the selling price of ColoClear products is disproportionate to the reality. The revenue of ColoClear from hospital channel was approximately RMB255.0 million, and the revenue-recognized volume was approximately 172,000 units, which means the revenue of ColoClear per unit of revenue-recognized volume was approximately RMB1,483. In the case of The Second Affiliated Hospital Zhejiang University School of Medicine, for example, as claimed in the "Investigation Report", the price is "optimistically estimated... RMB500/unit", whereas the actual terminal price is above RMB1,500.

1 ColoClear may be sold in public hospitals on the premise of obtaining pricing guidance by the provincial healthcare security administration, which usually takes months if not years. It can not be sold by public hospitals until obtaining provincial pricing guidance, completing hospital assessment process and gaining access to hospital electronic prescription catalog.

3. Revenue from public hospitals currently accounts for less than 3% of total revenue of ColoClear. However, with accelerated efforts to promote the admission process in public hospitals in the first half of 2023, ColoClear has been admitted by nearly 300 public hospitals.

III. Response to the research, analysis and conclusion of the sales of professional public health screening projects in the "Investigation Report"

Question III: According to the "Investigation Report", it was concluded that the sales volume and sales amount of Pupu Tube were lower than the figures publicly disclosed by the Company, after researching on the tenders for the public health screening projects and the government projects. Please advise whether the aforesaid is true, and the tenders of Pupu Tube for the public health screening projects and the government projects.

Response:

1. The actual situation of the Company is as follows:

   a) The major sales channels of Pupu Tube are direct-to-consumer channels (i.e. consumer healthcare channel) and private health checkup centers, while the revenue contribution from the public screening projects accounts for less than 1% of the total sales of Pupu Tube. Therefore, sales of Pupu Tube cannot be determined based on the public screening projects;

   b) The supply price mentioned in the "Investigation Report" is far below the true price. According to the 2022 Annual Report, the average ex-factory price of Pupu Tube is RMB25[2].

2 According to the 2022 Annual Report, the revenue of Pupu Tube in 2022 was RMB200.6 million, and the revenue-recognized volume was 7,962,600 units.

IV. Response to the research and analysis of sales channels of private health checkup insitutions in the "Investigation Report"

Question IV: According to the "Investigation Report", it was concluded that the sales volume of ColoClear was lower than the figure publicly disclosed by the Company, after researching on the private health checkup channel (the health checkup insitutions of iKang). Please explain whether the research and conclusion are true, and the actual sales of ColoClear in the private health checkup channel.

Response:

1. The private health checkup channels, which accounted for less than 10% of revenue in 2022, is not the major source of revenue of ColoClear, and iKang is not the only private health checkup institution for the Company. A single private health checkup channel cannot represent the overall sales growth of ColoClear.

2. While the business of both private health checkup centers and health checkup department of public hospitals was strongly impacted during the pandemic, home-based self-sampling and self-testing products such as ColoClear, Pupu Tube and UU Tube were actually among the beneficiaries. The Company realized an increase in total revenue of approximately 259% for 2022 as compared to 2021.

V. Response to the research and analysis of sales channels of e-commence platforms in the "Investigation Report"

Question V: According to the "Investigation Report", it was concluded that the sales volumes of ColoClear, Pupu Tube and UU Tube on e-commerce platforms were lower than the figures mentioned by the Company, after researching on e-commerce platforms. Please explain whether the research and conclusion are true, and the actual sales of ColoClear, Pupu Tube and UU Tube on e-commerce platforms.

Response:

1. The "Investigation Report" does not disclose the source of data. Taking the Company's Tmall flagship store as an example, as shown by data from the business consultant of the platform, the Company's Tmall Flagship Store realized sales of RMB39.76 million for 2022. During sales promotion periods, the Company sets up specific SKUs and linkages valid for specific promotion hours, which usually cannot be captured by third-party systems. The table below shows the amount of sales based on the transaction volume on the Tmall platform:

Time	**Sales (RMB)**
January 2022	3,721,905.14
February 2022	380,771.00
March 2022	220,217.13
April 2022	426,118.89
May 2022	455,668.02
June 2022	753,904.25
July 2022	135,992.96
August 2022	2,920,681.52
September 2022	1,183,649.39
October 2022	6,109,974.93
November 2022	20,659,021.53
December 2022	2,791,816.57
Total	**39,759,721.33**

VI. Response to the analysis of the financial report in the "Investigation Report"

Question VI: According to the "Investigation Report", there were problems in the revenue recognition method of the Company upon analysis on the prospectus and financial report of the Company. Please explain the revenue recognition method in the Company's financial audit.

Response:

1. The claim in the "Investigation Report" that "upon expiration date, a product may be recognized as revenue in the Company's sales financial data next year" is untrue. It contradicts with the Group's revenue recognition[3] under the accounting policies in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as stated in the consolidated financial statements of the Group for the year ended December 31, 2022, which have been audited by our auditor, Deloitte Touche Tohmatsu. As disclosed in the first half of 2023 results announcement, the expiration revenue of ColoClear for the first half of 2023 was approximately RMB19.38 million, less than 5% of total revenue for the first half year; and the expiration revenue of ColoClear for 2022 was approximately RMB23.96 million, accounting for approximately 6.7% of total revenue for the year. Product expiration is not a major source of revenue for the Company.

VII. Response to industry-wide research conducted on various channels in the "Investigation Report"

Question VII: According to the "Investigation Report", the truth of the sales volume, testing number and advertising of the Company's products was doubted based on the research on distributors, employees, industry peers, Hong Kong sales channels and other channels of the Company. Please advise whether the aforesaid is true.

Response:

1. The actual cooperation between the Company and PICA is as follows: PICA is a designated continuing education platform connecting primary care doctors, with more than 2.4 million registered doctors. On PICA, the Company mainly sells UU Tube and Pupu Tube with lower unit prices. In 2022, PICA contributed single digit percentage revenue, a relatively low level. Meanwhile, PICA's actual collection of receivables is good, therefore, there is no excess and obsolete inventory.

3 For example, the revenue recognition standards for ColoClear is: The transaction price received by the Group in 2022 is recognized 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 report to the customer/end user; or (ii) the expiry of product exchange period of ColoClear product purchased by customers.

2. For the so-called research on Class III Grade A public hospitals and the speculation on the business of private health checkup institutions mentioned in the "Investigation Report", please refer to the response in Section IV above.

3. Regarding the sales of UU Tube in hospitals referred to in the "Investigation Report", as the major sales channels of UU Tube are not hospitals currently, the total sales of UU Tube cannot be determined based on its sales in hospitals. The multiple consumer healthcare channels that are direct to customers and private health checkup institutions are the major sales channels of UU Tube.

4. The reference in the "Investigation Report" to the placement of advertisement on Pupu Tube on the MTR is untrue and Pupu Tube hasn't been launched in Hong Kong market. Since 2023, UU Tube has started partnership with PHASE Scientific for marketing in Hong Kong and has been sold in some stores of Mannings successively, with some advertisement placed in the stores of Mannings in phases.

5. Regarding the sales of ColoClear in Peking University Shougang Hospital referred to in the "Investigation Report", the monthly sales in Peking University Shougang Hospital were more than 1,000 units in 2021, and experienced a decline in 2022 as impacted by the pandemic. The monthly sales of 10 units referred to in the "Investigation Repot" are untrue.

6. "Shenzhen Wode Health Biotechnology Co., Ltd. (深圳沃德海斯生物科技股份有限公司)"referred to in the "Investigation Report" is neither a supplier of the Company, nor a producer of Pupu Tube automatic production lines. Therefore, the delivery data determined on such basis in the "Investigation Report" is invalid. As disclosed in the annual results announcement of the Company for 2022, the shipment volume of Pupu Tube was 7,962,600 units in 2022, and the annual production capacity of Pupu Tube and UU Tube was 20 million units[4] as of the end of 2022. The price and production capacity of Pupu Tube as claimed in the "Investigation Report" are inconsistent with the facts.

7. The other information in Section VII of the "Investigation Report" lacks factual evidence.

[4] The same production line can manufacture Pupu Tube and UU Tube interchangeably.

VIII. Response to estimate of actual testing number of the Company in the "Investigation Report"

Question VIII: The "Investigation Report" states that the Company has only 40 testing employees and therefore questions the testing capabilities of the Company's laboratories. Please explain the actual testing capabilities of the Company.

Response:

1. According to the business development plan of the Company, there will be new technical personnel joining every year. The actual number of employees of the Company's laboratories is as follows:

(Number)	**June 2021**	**June 2022**	**June 2023**
Hangzhou Nuokang Medical Examination Lab Co., Ltd.	30	40	79
Beijing Nuoan Medical Examination Lab Co., Ltd.	23	21	34
Guangzhou Nuohui Medical Examination Lab Co., Ltd	7	14	27
Total	**60**	**75**	**140**

IX. Response to the inconsistencies in the sales promotion of the Company in the "Investigation Report"

Question IX: According to the "Investigation Report", there were inconsistencies in the sales promotion of the Company. Please advise whether the aforesaid is true?

Response:

1. The revenue-recognized volume issued by the Company since its listing is as follows:

(Unit)	**2021**	**2022**	**The first half of 2023**
Revenue-recognized volume	144,500	361,400	428,700

X. Response to the summary of research and estimation data in the "Investigation Report"

Question X: According to the "Investigation Report", the estimated sales volume and price of the Company's products are summarized based on the research. Please explain whether such estimates are true or not?

Response:

1. To sum up, the estimation of the sales volume and price of the Company's products in the "Investigation Report" is untrue. Please refer to our responses in Sections I to IX above for details.

XI. Other important information of the Company

Question XI: According to the "Investigation Report", the Company was involved in certain illegal operations. Please advise whether the aforesaid is true?

Response:

1. Exact Sciences the United States hasn't claimed any intellectual property infringement against the Company, but the "Investigation Report" claims that the Company "publicly acknowledged" intellectual property infringement. It is untrue. The Company attaches great importance to independent research and development and the compliance of intellectual property. The following reasons demonstrate that the intellectual property of the Company does not exist any legal risk to Exact Sciences:

    a) The Company's Pre-IPO Investors, including Series C Investors and Series D Investors, have made respective FTO (Freedom to Operate) due diligence for the Chinese Mainland market and Hong Kong market, and no problems have been found;

b) In the process of preparation for listing of the Company in Hong Kong, the lawyer has made a separate analysis and confirmation on the intellectual property of ColoClear, and submitted a separate reply to the Hong Kong Stock Exchange to prove that there was no known intellectual property infringement issue;

c) The selection of detection sites and the design of probes and primers of ColoClear came from samples in China;

d) ColoClear adopts Taqman detection technology, which is different from that of Exact Sciences.

2. Sales compliance of ColoClear

a) The commercialization of ColoClear was based on LDT testing services prior to November 9, 2020, which was in compliance with the laws and regulations at the time;

b) During the listing process, the Company obtained compliance confirmation from the local government.

3. Advertisements on ColoClear have passed advertisement examination, which are in compliance with the laws and regulations in respect of advertising.

4. The publicity and instruction book for use disclose who can use the product in compliance with the laws and regulations.

5. The testing number issued by ColoClear is the cumulative testing number over the past, not the number "completed in just a few days" as claimed in the "Investigation Report".

6. ColoClear is currently the first and only colorectal cancer screening product approved by NMPA, which is clearly explained and verified in the Company's prospectus for listing published on February 5, 2021. The expression of "first approved by NMPA" and "the first certificate of cancer screening in China" is true and has passed advertisement review.

XII. Actual sales data on June 18, 2023

Question XII: According to the "Investigation Report", it was claimed that the sales data on June 18, 2023 of the Company was false. Please explain the actual sales from the promotion activities on June 18, 2023.

Response:

1. The actual facts about UU Tube and other products are as follows:

a) UU Tube is the first Helicobacter pylori self-testing product for home self-testing. Considering the habit of sharing meals in China, China is in the forefront of the world in terms of infection rate of Helicobacter pylori;

b) UU Tube provides a new and simple mode of home self-testing, meeting the real demand in the market. As of the response date of this report, this product is still in the explosive growth stage, there is no other approved product for consumers to self-test Helicobacter pylori, so UU Tube can be sold exclusively and lawfully in the consumer market and enjoy cooperation with a large number of partners;

c) Due to the compliance nature of the product, in addition to online sales, the main sales channels of UU Tube are insurance companies and health partners;

d) The prices presented in the report are self-contradictory and do not follow a coherent logical chain, so the conclusions are not credible.

2. The mainstream e-commerce platforms, such as JD Health and Tmall, did not publish their platform GMV on June 18, 2023. Rankings and growth published by the Company have been reviewed by the relevant e-commerce platforms.