New Horizon Health Limited
諾輝健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6606)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of New Horizon Health Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company, its subsidiaries and consolidated affiliated entities (the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- Revenue was RMB212.8 million for the year ended December 31, 2021, representing a 201.5% increase from RMB70.6 million for the same period in 2020.
- Gross profit and gross profit margin were RMB154.6 million and 72.7%, respectively for the year ended December 31, 2021, as compared to RMB37.2 million and 52.8%, respectively, for the same period in 2020.
- For ColoClear, revenue was RMB97.2 million for the year ended December 31, 2021, representing a 158.8% increase from RMB37.6 million for the same period in 2020. The shipment volume of ColoClear was approximately 664,600 units in 2021, representing a 168% year-on-year increase over the same period in 2020. The revenue-recognizing volume of ColoClear was approximately 144,500 units in 2021, representing a 61% increase from the same period in 2020. The gross profit margin of ColoClear was 76.0% for the year ended December 31, 2021, as compared to 66.9% for the same period in 2020. 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).

- For Pupu Tube, revenue was RMB115.5 million for the year ended December 31, 2021, representing a 262.7% increase from RMB31.8 million for the same period in 2020. The shipment volume of Pupu Tube was approximately 5,831,000 units in 2021, representing a 104% year-on-year increase over the same period in 2020. The gross profit margin of Pupu Tube was 71.5% for the year ended December 31, 2021, as compared to 45.8% for the same period in 2020. 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 as a result of higher ex-factory price within each channel and lower proportion of revenue from channels with lower ex-factory price (such as government-sponsored community screening programs).

BUSINESS HIGHLIGHTS

In 2021, significant advancements have been made with respect to our product pipeline and business operations:

- For commercialization, we entered into a series of strategic partnerships with, including, but not limited to, the following partners in China: AstraZeneca (stock code: AZN.UK) in March 2021, JD Health (stock code: 06618.HK) in April 2021, Ping An Healthcare (stock code: 01833.HK) in July 2021, Picahealth (雲鵲醫) in July 2021 and China Post (中國郵政) in August 2021, respectively, to raise public awareness of colorectal cancer screening and increase penetration of ColoClear and Pupu Tube across clinical, direct-to-consumer, and insurance markets.

- 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. We aim to initiate a prospective multi-center clinical trial of LiverClear between the fourth quarter of 2022 and the first quarter of 2023.

- We entered into a collaborative research and development partnership with Proteomedix in July 2021 in the area of prostate cancer biomarker discovery, together with an investment of CHF 3 million in its convertible debt.

- We entered into an asset purchase agreement in August 2021 with Epigenomics AG, a molecular diagnostics company focused on blood-based test for colorectal cancer, whose common shares are listed on Frankfurt Stock Exchange (Prime Standard) with ticker symbol ECX pursuant to which we have purchased biobank from Epigenomics AG with total purchase price of US$6.7 million.

- We invested into NHH Venture Fund, L.P., a limited partnership with a primary focus of investing in the areas of molecular diagnostic technology used for disease screening and early detection in the field of cancer and other major disease categories, in August 2021, through which we have indirectly made minority equity investments to Mirxes Holding Company Limited, a company focusing on improving and saving lives with RNA-powered disease early detection tests, Arion Bio, Inc, a company developing COVID-19 home testing kit, and Orbit Genomics, a molecular diagnostic company in the field of lung cancer clinical testing service and product development, respectively, in 2021.

- We have also made minority equity investment through our wholly-owned subsidiary NHH Ventures Holding Limited in Arion Bio, Inc in September 2021 and Orbit Genomics in December 2021, respectively. We signed an exclusive licensing agreement with Orbit Genomics in December 2021 regarding their technology in the Greater China region, which includes, for this purpose, Mainland China, Hong Kong, Macau and Taiwan.

- We established a new laboratory in Guangzhou with a gross floor area of approximately 1,300 sq.m., which was put into operation in 2021.

EVENTS AFTER THE REPORTING PERIOD

- On January 6, 2022, the Company received the approval from the National Medical Products Administration of the PRC (國家藥品監督管理局) ("**NMPA**") of the registration application for UU Tube as Class III medical device, the Company's stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer.

- On March 18, 2022, in order to recognize the contributions of certain employees and consultants of the Group and provide incentives to them to further contribute to the Group, the Board conditionally approved the adoption of the 2022 restricted share unit scheme ("**2022 RSU Scheme**") and 2022 share option scheme ("**2022 Share Option Scheme**") subject to the approval of the shareholders of the Company in the annual general meeting of the Company to be held on Friday, June 24, 2022 (the "**AGM**").

- On March 18, 2022, the Board approved to establish a wholly-owned subsidiary in the PRC by Hangzhou New Horizon Health Technology Co., Ltd (杭州諾輝健康科技有限公司), an indirect wholly-owned subsidiary of the Company in order to better manage the Group's supply chain and prepare for the Group's regulatory registration process for future pipeline products.

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**212,761**	70,567
Cost of sales		**(58,116)**	(33,318)
Gross profits		**154,645**	37,249
Other income		**22,731**	9,386
Other gains and losses	*4*	**(2,789,513)**	(617,591)
Impairment losses on trade and other receivables		**(6,632)**	(2,569)
Selling and marketing expenses		**(271,378)**	(65,123)
Research and development expenses		**(58,903)**	(25,335)
Administrative expenses		**(109,310)**	(76,950)
Listing expenses		**(19,217)**	(26,900)
Other expenses		**–**	(12,853)
Finance costs		**(7,759)**	(7,735)
Loss before tax		**(3,085,336)**	(788,421)
Income tax expense	*5*	**–**	(303)
Loss for the year	*6*	**(3,085,336)**	(788,724)
Other comprehensive expense for the year, net of income tax		**(594)**	–
Total comprehensive expenses for the year		**(3,085,930)**	(788,724)
Loss per share			
– Basic (RMB)	*7*	**(8.15)**	(6.64)
– Diluted (RMB)		**(8.15)**	(6.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At December 31, 2021	2020
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**61,056**	40,061
Intangible assets		**18,006**	20,023
Right-of-use assets		**38,890**	30,123
Deposits paid for acquisition of property and equipment and intangible assets		**2,160**	2,567
Financial assets at fair value through profit or loss ("**FVTPL**")		**55,468**	–
Investments in associates measured at FVTPL		**9,351**	–
Other receivables and deposits		**12,697**	6,425
Amounts due from related parties		**57,108**	19,328
Time deposits over three months		**40,000**	–
		294,736	118,527
Current assets			
Inventories non-research and development related		**14,646**	5,955
Inventories research and development related		**44,318**	175
Trade and other receivables	*9*	**133,715**	56,664
Amounts due from related parties		**510**	48,705
Financial assets at FVTPL		**10,000**	–
Contract costs		**13,891**	5,724
Time deposits over three months		**1,045,235**	130,498
Pledged bank deposits		**110,000**	–
Bank balances and cash		**686,817**	451,796
		2,059,132	699,517
Current liabilities			
Trade and other payables	*10*	**38,680**	48,132
Accrued payroll and welfare expenses		**39,466**	15,785
Contract liabilities		**21,943**	10,872
Refund liabilities		**2,639**	2,594
Bank borrowings		**79,498**	70,209
Lease liabilities		**11,132**	8,997
		193,358	156,589
Net current assets		**1,865,774**	542,928
Total assets less current liabilities		**2,160,510**	661,455

	Notes	At December 31, 2021	At December 31, 2020
		RMB'000	*RMB'000*
Non-current liabilities			
Bank borrowings		**–**	46,025
Other payables		**1,543**	665
Lease liabilities		**32,307**	24,323
Convertible redeemable preferred shares ("**Preferred Shares**")		**–**	1,680,356
		33,850	1,751,369
Net assets (liabilities)		**2,126,660**	(1,089,914)
Capital and reserves			
Share capital		**141**	48
Treasury shares		**(1)**	(1)
Share premium		**6,412,484**	118,865
Reserves		**(4,285,964)**	(1,208,826)
Total equity (deficit)		**2,126,660**	(1,089,914)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, respectively.

The Company is an investment holding company. The Company's subsidiaries and consolidated affiliated entities are principally engaged in research and development of screening products for colorectal cancer, cervical cancer and other types of cancer.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendment to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018 – 2020[2]

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

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

3. REVENUE AND SEGMENT INFORMATION

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
ColoClear	**97,216**	37,566
Pupu tube	**115,466**	31,838
Others	**79**	1,163
	212,761	70,567

Segment information

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

Geographical information

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

4. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net investment (loss) gain on structured deposits	**(319)**	43
Net foreign exchange loss	**(26,172)**	(37,275)
Fair value loss of Preferred Shares	**(2,757,028)**	(578,786)
Fair value loss of early exercise promissory notes	**(5,587)**	(1,467)
Net loss on disposal of property and equipment	**(32)**	(106)
Loss on fair value changes of financial assets at FVTPL	**(375)**	–
	(2,789,513)	(617,591)

5. INCOME TAX EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current tax – PRC tax	**–**	303

6. LOSS FOR THE YEAR

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss before tax for the year has been arrived at after charging (crediting):		
Depreciation of property and equipment	**16,460**	12,534
Depreciation of right-of-use assets	**16,160**	14,216
Amortisation of intangible assets	**2,017**	1,045
	34,637	27,795
Capitalised in inventories	**(15,363)**	(12,921)
	19,274	14,874
Analysed as:		
Charged in administrative expenses	**11,987**	10,757
Charged in selling and marketing expenses	**454**	56
Charged in research and development expenses	**6,833**	4,061
	19,274	14,874
Auditors' remuneration	**2,080**	1,250
Cost of inventories recognised as cost of sales	**50,796**	25,769
Write-down of inventories (included in cost of sales)	**1,456**	2,862
Write-down of contract costs on finished goods delivered (included in cost of sales)	**1,814**	2,406
Directors' remuneration	**24,987**	16,455
Other staff cost		
Salaries and other benefits	**123,485**	61,028
Retirement benefit scheme contributions	**11,348**	2,322
Discretionary bonus	**20,554**	7,429
Share-based payments	**5,663**	6,792
	186,037	94,026
Capitalised in inventories	**(13,033)**	(7,391)
	173,004	86,635

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Analysed as:		
Charged in administrative expenses	**63,712**	43,307
Charged in selling and marketing expenses	**86,593**	30,347
Charged in research and development expenses	**22,699**	12,981
	173,004	86,635
Research and development expenses		
Staff cost	**22,699**	12,981
Depreciation and amortisation	**6,833**	4,061
Clinic test expenses	**3,074**	1,380
Materials consumed	**19,047**	6,323
Consultancy fee	**2,918**	641
Travel expenses	**388**	250
Others	**3,944**	972
	58,903	26,608
Capitalised in intangible assets	**–**	(1,273)
	58,903	25,335

7. LOSS PER SHARE

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

	Year ended December 31,	
	2021	2020
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	**(3,085,336)**	(788,724)
Weighted average number of ordinary share for the purpose of basic and diluted loss per share ('000)	**378,499**	118,787

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the share subdivision had been effected since January 1, 2020. The computation of basic loss per share for both years excluded the unvested share options and unvested restricted shares of the Company.

For the years ended December 31, 2020 and 2021, the computation of diluted loss per share did not assume the exercise of share options, unvested restricted shares and over-allotment option before exercise since their assumed conversion or exercise would result in a decrease in loss per share.

8. DIVIDENDS

No dividend was paid or declared by the Company for the years ended December 31, 2020 and 2021.

9. TRADE AND OTHER RECEIVABLES

	At December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**105,995**	32,419
Other receivables – current	**27,720**	24,245
	133,715	56,664

The Group allows an average credit period of 0 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition dates at the end of each reporting period:

	At December 31,	
	2021	2020
	RMB'000	*RMB'000*
0 – 60 days	**78,143**	20,539
61 – 90 days	**13,985**	2,399
91 – 180 days	**4,763**	4,365
181 – 365 days	**4,886**	1,478
Over 1 year	**4,218**	3,638
	105,995	32,419

10. TRADE AND OTHER PAYABLES

	At December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**23,592**	8,561
Other Payables – Current	**15,088**	39,571
	38,680	48,132

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

	At December 31,	
	2021	2020
	RMB'000	*RMB'000*
0 – 60 days	**21,171**	7,940
61 – 90 days	**2,385**	616
Over 90 days	**36**	5
	23,592	8,561

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 February 28, 2022 (the "**Latest Practicable Date**"), ColoClear, our flagship product, is offering the first and only NMPA-approved colorectal cancer screening test addressing an untapped 120 million colorectal cancer high risk population in China. Pupu Tube is the first and only self-conducted FIT screening product approved by the NMPA as Class II medical device in China. UU Tube is the first and only self-conducted H.Pylori screening product approved by the NMPA as Class III medical device in China.

Our Products and Product Pipeline

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

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

Our two home-based colorectal cancer screening tests, ColoClear and Pupu Tube, synergistically address target populations with various risk levels. Pupu Tube, our proprietary, non-invasive, stool-based FIT test, is the first and only self-conducted FIT screening product approved by the NMPA in China. We have received the approval from the NMPA of the registration application for our UU Tube, our proprietary stool-based self-conducted screening product for gastric cancer, and commenced to sell UU Tube in January 2022. We are also developing our CerviClear, a non-invasive urine-based home-use screening test for cervical cancer. We are in late-stage development prior to initiating the registrational trial for CerviClear. CerviClear is expected to enter into registrational trial for screening in 2022.

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

Product	Screening Indication	Sample Type	Technology	Global Rights	Development Stage
					Early Stage Development[4] / Late Stage Development[5] / Registrational Trial / NMPA Submission / NMPA Approval
ColoClear®[1]	**Colorectal Cancer**	**Stool**	**FIT-DNA**	✓	→
Pupu Tube®[2]	Colorectal Cancer	Stool	FIT	✓	→
UU Tube®[3]	Gastric Cancer	Stool	Immuno-based	✓	→
CerviClear™	Cervical Cancer	Urine	qPCR	✓	→
LiverClear™	Liver Cancer	Blood	NGS (DNA + RNA + Protein)	✓	→

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

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

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

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

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

ColoClear IVD constitutes our Core Product for purposes of this announcement

ColoClear

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

ColoClear consists of four integrated components, each designed and approved to work exclusively with the other components: (i) ColoClear IVD (Class III medical device), (ii) our risk assessment algorithm (Class II medical device), (iii) ColoClear sample collection kit (Class I medical device) and (iv) DNA extraction and purification technologies. Only ColoClear sample collection kit is directly used by end-users while the other three components are strictly used in our laboratories as of the Latest Practicable Date. Users collect a stool sample at home using our sample collection kit and then send it to one of our laboratories. In our laboratories, we utilize ColoClear IVD, our Core Product (has the meaning ascribed thereto under Chapter 18A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), 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 as of the Latest Practicable Date. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by the NMPA. We completed a two-year registrational trial for ColoClear IVD in December 2019 and submitted application for IVD registration as Class III medical device in January 2020, which was approved by the NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with the NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with the NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with the NMPA as Class I medical device in August 2020. All the NMPA certificates have a validity period that lasts for five years, and each component of ColoClear is currently qualified for re-certification upon renewal of the respective certificate. ColoClear was also included in two medical guidelines for colorectal cancer screening, i.e., China Guideline for the Screening, Early Detection and Early Treatment of Colorectal Cancer (2020, Beijing) (《中國結直腸癌篩查與早診早治指南》(2020, 北京)) in January 2021 and Chinese Society of Clinical Oncology (CSCO) Diagnosis and Treatment Guidelines for Colorectal Cancer (《CSCO 結直腸癌診療指南》) in April 2021.

Pupu Tube

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

UU Tube

UU Tube is our stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer. We completed the registrational trial for UU Tube in November 2020. We submitted the application to the NMPA to register UU Tube as Class III medical device in November 2020, which was approved by the NMPA with issuance of the registration certificate for Class III medical device in January 2022 and commercialized UU Tube since then.

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

CerviClear

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear in vitro diagnostic kit ("**CerviClear IVD**") and to submit application for the registration of CerviClear IVD as Class III medical device with the NMPA after the registrational trial is completed. As of the Latest Practicable Date, there was no approved home-use urine-based cervical cancer screening test globally.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET CERVICLEAR SUCCESSFULLY.

LiverClear

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

WE MAY NOT BE ABLE TO ULTIMATELY MARKET LIVERCLEAR SUCCESSFULLY.

Research & Development

We focus on developing innovative technologies to enhance our existing pipeline and to develop new cancer screening tests. We believe that our success has depended and will continue to depend to a large extent on our ability to develop new or improved cancer screening products. Our research and development capabilities are proven by our portfolio of proprietary technologies and patents. We have started research and development for ColoClear test since 2015. With over six years of dedicated research and development efforts, we have built a proprietary and extensive database of Asian-specific colorectal cancer methylation pattern profiles and developed our clinically-validated risk assessment algorithm (Class I medical device) for ColoClear which is the first algorithm-driven cancer screening test approved by the NMPA. Our multi-parameter risk assessment algorithm is the first and only one in China. It is tailored and optimized to work exclusively with our primers, reagents and the overall ColoClear testing process, therefore cannot be replicated by our competitors without conducting a large prospective clinical trial. Due to the fact that our clinically validated risk assessment algorithm, whose parameters are not publicly available and strictly confidential, is developed based on, and works exclusively with ColoClear IVD, any potential competitor who tries to develop its own IVD reagent, or replicate our ColoClear IVD, will not only have to develop its own risk assessment algorithm, but also have to validate such algorithm through a large-scale prospective clinical trial as required by the NMPA. Our proprietary DNA extraction technology (Class I medical device) enables us to purify evaluable DNA from highly-complex stool samples and achieve a success rate of approximately 99.4%, based on our operational data collected between October 2019 and September 2020. Our proprietary DNA sample stabilization technology preserves DNA and hemoglobin under room temperature for up to seven days. As of the Latest Practicable Date, we have built a portfolio of 169 patents and patent applications globally to protect our proprietary technologies and know-how.

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

We have a strong in-house research and development team primarily based in Beijing and Hangzhou, China as of the Latest Practicable Date, over 74% 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.

We built the new laboratory in Guangzhou in preparation for the anticipated large market demand of ColoClear tests as we start to commercialize ColoClear IVD after it was approved by the NMPA in November 2020. It helps expand our geographic coverage for sample collection and allows us to deliver test results promptly to regional end-users, which further improves user experience. Our testing capacity is enhanced by the fact that our testing laboratories and PCR platforms can be shared between ColoClear and CerviClear for testing services.

Manufacturing Facilities

As of the Latest Practicable Date, our principal manufacturing facility is located at our headquarters with an aggregate gross floor area 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.

The production volume for ColoClear and Pupu Tube increased for the year ended December 31, 2021 as compared to the year ended December 31, 2020 due to increasing demands and rising cancer-screening awareness from end users.

Commercialization

As of the Latest Practicable Date, we have three self-developed cancer screening tests, namely, (i) Pupu Tube, which was approved by the NMPA in March 2018 and received CE Mark in June 2018, (ii) ColoClear, the core component of which, ColoClear IVD, has been approved by the NMPA in November 2020 and (iii) UU Tube, which was approved by the NMPA in January 2022. On March 15, 2021, the Company and AstraZeneca entered into the Co-promotion Agreement, pursuant to which the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China. In addition, on March 15, 2021, the Company and AstraZeneca entered into the strategic collaboration memorandum, to launch an in-depth strategic collaboration in the mainland China market. The Company also entered into a series of strategic partnerships with including, but not limited to, the following partners in China: JD Health International Inc. (stock code: 06618.HK) in April 2021, Ping An Healthcare and Technology Company Limited (stock code: 01833.HK) in July 2021, Picahealth (雲鵲醫) in July 2021 and China Post (中國郵政) in August 2021, respectively, to raise public awareness of colorectal cancer screening and increase penetration for ColoClear and Pupu Tube across clinical, direct-to-consumer, and insurance markets. We have significantly expanded our sales and marketing team, which has reached 462 employees as of the Latest Practicable Date.

Other Business Updates

In July 2021, we entered into a collaborative research and development partnership with Proteomedix in July 2021 in the area of prostate cancer biomarker discovery, together with an investment of CHF 3 million in its convertible debt.

In August 2021, we entered into an asset purchase agreement with Epigenomics AG, a molecular diagnostics company focused on blood-based test for colorectal cancer, whose common shares are listed on Frankfurt Stock Exchange (Prime Standard) with ticker symbol ECX pursuant to which we have purchased biobank from Epigenomics AG with total purchase price of US$6.7 million.

In August 2021, we invested into NHH Venture Fund, L.P., a limited partnership with a primary focus of investing in the areas of molecular diagnostic technology used for disease screening and early detection in the field of cancer and other major disease categories), through which we have indirectly made minority equity investments to Mirxes Holding Company Limited, a company focusing on improving and saving lives with RNA-powered disease early detection tests, Arion Bio, Inc, a company developing COVID-19 home testing kit, and Orbit Genomics, a molecular diagnostic company in the field of lung cancer clinical testing service and product development, respectively, in 2021.

We have also made minority equity investment through our wholly-owned subsidiary NHH Ventures Holding Limited in Arion Bio, Inc in September 2021 and Orbit Genomics in December 2021, respectively. We signed an exclusive licensing agreement with Orbit Genomics in December 2021 regarding their technology in the Greater China region, which includes, for this purpose, Mainland China, Hong Kong, Macau and Taiwan.

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 as Class II medical device in China. UU Tube is the first and only self-conducted H.Pylori screening product approved by the NMPA as Class III medical device in China.

Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, cancer screening naturally became less a priority as compared to other more imminent health concerns. The worldwide COVID-19 outbreak had significantly impacted the cancer screening industry due to the restricted access to medical institutions. Health checkup centers, being our major sales channels, have been affected by the COVID-19 outbreak in the Reporting Period to a certain extent. Despite the foregoing, our revenue and gross profit increased for the year ended December 31, 2021 as compared to the year ended December 31, 2020. Our revenue was RMB212.8 million for the year ended December 31, 2021, representing a year-on-year increase of approximately 201.5% compared to the year ended December 31, 2020. Our gross profit was RMB154.6 million for the year ended December 31, 2021, representing a year-on-year increase of approximately 315.2% compared to the year ended December 31, 2020. The increases in revenue and gross profit were primarily attributable to the increase in volume of ColoClear and Pupu Tube sold and recognized as revenue as a result of the pandemic being increasingly under control and the increase in consumer health awareness in the year of 2021.

The shipment volume of ColoClear was approximately 664,600 units in 2021, representing a 168% year-on-year increase over the same period in 2020. The shipment volume growth was primarily driven by increasing receptivity among customers and rising product awareness by physicians since ColoClear approval by the NMPA in November 2020; such increasing receptivity and rising awareness were partially attributable to the Company's investments in clinical education and marketing events, the rising cancer-screening awareness by end-users, together with the recovery of our business from the COVID-19 outbreak. Shipment volume is generally considered as a leading indicator for future ColoClear revenue which would be recognized when we complete the testing service and deliver the test results or when the delivered sample collection kits are expired.

With respect to Pupu Tube, the shipment volume was approximately 5,831,000 units in 2021, representing a 104% year-on-year increase over the same period in 2020. The sales performance of Pupu Tube for the year ended December 31, 2021 improved as our business in general has recovered from the COVID-19 outbreak.

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

II. FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, our revenue was mainly generated from (i) ColoClear, and (ii) Pupu Tube. The Group's revenue for the year ended December 31, 2021 was RMB212.8 million, representing an increase of approximately 201.5% compared to RMB70.6 million for the year ended December 31, 2020. The increase was due to the increase in revenue of ColoClear and Pupu Tube as a result of increase in volume of both products sold and recognized as revenue, increase in revenue per test for ColoClear and increase in revenue per product for Pupu Tube.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**97,216**	**45.7**	37,566	53.2
Pupu Tube	**115,466**	**54.3**	31,838	45.1
Others	**79**	**0.0**	1,163	1.7
Total revenue	**212,761**	**100.00**	70,567	100.0

Note:

1. Amounts and percentage figures included in this table have been subject to rounding adjustments.

For ColoClear, revenue was RMB97.2 million for the year ended December 31, 2021, representing a 158.8% increase as compared to RMB37.6 million for the year ended December 31, 2020, primarily attributable to (i) the increase in volume of ColoClear sold and recognized as revenue; and (ii) 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).

For Pupu Tube, revenue was RMB115.5 million for the year ended December 31, 2021, representing a 262.7% increase as compared to RMB31.8 million for the year ended December 31, 2020, primarily attributable to (i) the increase in volume of Pupu Tube sold and recognized as revenue; and (ii) higher revenue per product as a result of higher ex-factory price within each channel and lower proportion of revenue from channels with lower ex-factory price (such as government-sponsored community screening programs).

Cost of Sales

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

The Group's costs of sales for the year ended December 31, 2021 was RMB58.1 million, representing an increase of approximately 74.4% compared to RMB33.3 million for the year ended December 31, 2020. The increase was primarily attributable to the increase in sales volume of ColoClear and Pupu Tube.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**23,302**	**40.1**	12,445	37.4
Pupu Tube	**32,866**	**56.6**	17,265	51.8
Others	**492**	**0.8**	746	2.2
Write-down of inventories	**1,456**	**2.5**	2,862	8.6
Total cost of sales	**58,116**	**100.0**	33,318	100.0

Note:

1. Amounts and percentage figures included in this table have been subject to rounding adjustments.

Our costs of sales of ColoClear increased from RMB12.4 million for the year ended December 31, 2020 to RMB23.3 million for the year ended December 31, 2021, representing a year-over-year increase of approximately 87.2%. Our costs of sales of Pupu Tube increased from RMB17.3 million for the year ended December 31, 2020 to RMB32.9 million for the year ended December 31, 2021, representing a year-over-year increase of approximately 90.4%, primarily due to the increase in sales volume of ColoClear and Pupu Tube. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories decreased from RMB2.9 million for the year ended December 31, 2020 to RMB1.5 million for the year ended December 31, 2021, representing a year-over-year decrease of approximately 49.1%, which was primarily due to enhancement of our operational management capabilities.

Gross Profit and Gross Profit Margin

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

For the year ended December 31, 2021, the gross profit and gross profit margin were RMB154.6 million and 72.7%, respectively, as compared to RMB37.2 million and 52.8%, respectively, for the year ended December 31, 2020. The increase in gross profit was primarily due to the increase in sales volume of ColoClear and Pupu Tube. The increase in gross profit margin was primarily due to the increase in gross profit margin of ColoClear and Pupu Tube.

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

	For the year ended December 31,			
	2021		2020	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
ColoClear	**73,914**	**76.0**	25,121	66.9
Pupu Tube	**82,600**	**71.5**	14,573	45.8
Others	**(413)**	**(522.8)**	417	35.9

Note:

1. Amounts and percentage figures included in this table have been subject to rounding adjustments.

For ColoClear, the gross profit margin was 76.0% for the year ended December 31, 2021, as compared to 66.9% for the year ended December 31, 2020, primarily due to 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) in respect of ColoClear.

For Pupu Tube, the gross profit margin was 71.5% for the year ended December 31, 2021, as compared to 45.8% for the year ended December 31, 2020, primarily due to higher revenue per test (both on blended basis and for each individual channel) and lower manufacturing cost per unit in respect of Pupu Tube.

Other Income

Our other income consists of government subsidies, bank interest income, interest income from subscription receivables and others. The Group's other income for the year ended December 31, 2021 was RMB22.7 million, representing an increase of approximately 142.2% compared to RMB9.4 million for the year ended December 31, 2020. The increase was primarily attributable to our increased income from the bank interest of the proceeds from the global offering of the Company.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses for the year ended December 31, 2021 was RMB271.4 million, representing an increase of approximately 316.7% compared to RMB65.1 million for the year ended December 31, 2020. The increase was primarily due to the increase in staff cost and sales promotions expenses.

Research and Development Expenses

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

The Group's research and development expenses for the year ended December 31, 2021 was RMB58.9 million, representing an increase of approximately 132.5% compared to RMB25.3 million for the year ended December 31, 2020. The increase was primarily due to the increase in staff costs, expenses for research and development and clinical trials in 2021.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Research and development expenses				
Staff costs	**22,699**	**38.5**	12,981	51.2
Depreciation and amortisation	**6,833**	**11.6**	4,061	16.0
Clinic test expenses	**3,074**	**5.2**	106	0.4
Materials consumed	**19,047**	**32.3**	6,323	25.0
Consultancy fee	**2,918**	**5.0**	641	2.5
Travel expenses	**388**	**0.7**	250	1.0
Others	**3,944**	**6.7**	973	3.9
Total	**58,903**	**100.0**	25,335	100.0

Note:

1. Amounts and percentage figures included in this table have been subject to rounding adjustments.

Our staff cost primarily consists of salaries, welfare and pension for our research and development employees. Our depreciation and amortization expenses represent depreciation of equipment and renovation of our research and development facilities as well as amortization of intangible assets. Our clinical test expenses include expenses incurred for conducting clinical trials, including payment to contract research organizations in relation to our clinical trials. Our costs of research and development materials consumed represent expenses on the raw materials used for developing our product candidates. Our consultancy fee represent fees of technology consultation. Others mainly comprise of testing fees and other general expenses incurred for the purpose of research and development. For the years ended December 31, 2020 and 2021, the research and development expenses we spent on ColoClear accounted for 43% and 4.9% of the total research and development expenses, respectively, which were primarily for ColoClear IVD as the most critical component of ColoClear.

Administrative Expenses

The administrative expenses for our Group primarily consist of staff cost, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the year ended December 31, 2021 was RMB109.3 million, representing an increase of approximately 42.1% compared to RMB77.0 million for the year ended December 31, 2020. The increase was primarily due to the increase in wages and number of employees to support our operational needs for the growth of business.

Impairment Losses on Trade and Other Receivables

The Group's impairment losses on trade and other receivables for the year ended December 31, 2021 was RMB6.6 million, representing an increase of approximately 158.2% compared to RMB2.6 million for the year ended December 31, 2020. The increase was primarily due to the increase in accounts receivable.

Other Expenses

The Group's other expenses for the year ended December 31, 2021 was nil, representing a decrease of 100.0% compared to RMB12.9 million for the year ended December 31, 2020.

Finance Costs

The Group's finance costs for the year ended December 31, 2021 was RMB7.8 million, representing an increase of approximately 0.3% compared to RMB7.7 million for the year ended December 31, 2020. The increase was primarily due to the increase in interest on lease liabilities.

Income Tax Expenses

The Group's income tax expenses for the year ended December 31, 2021 was nil, representing a decrease of 100.0% compared to RMB0.3 million for the year ended December 31, 2020.

Non-IFRS Measures

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

The following table shows reconciliation of net loss for the year to our adjusted net loss for the years indicated:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net loss for the year	**(3,085,930)**	(788,724)
Fair value loss on preferred shares	**2,757,028**	578,786
Share-based payment expenses	**23,849**	14,725
Listing expenses	**19,217**	26,900
Adjusted net loss	**(285,836)**	(168,313)

Notes:

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

2. Amounts and percentage figures included in this table have been subject to rounding adjustments.

Capital Management

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

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

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2021 were RMB686.8 million, representing an increase of approximately 52.0% compared to RMB451.8 million for the year ended December 31, 2020. The increase was primarily attributable to the financing from the global offering of the Company completed in 2021.

The major sources of the Group's liquidity are equity financing and bank borrowings. Our bank borrowings are divided into secured loans and unsecured loans.

As of December 31, 2021, our unsecured and unguaranteed bank borrowing was nil. The unsecured and unguaranteed bank borrowings as at December 31, 2020, amounting to RMB20 million at a fixed interest rate (also being the effective interest rate) of 4.80% per annum was settled in full in March 2021.

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

As of December 31, 2021, we had utilized RMB79.5 million from our banking facilities, and RMB20.5 million remained unutilized under our banking facilities. The utilization of the remaining balance of the secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements.

Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at December 31, 2021 was 10%, representing a decrease of 95.9% compared to 233% as at December 31, 2020.

Foreign Exchange Exposure

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

III. OUTLOOK AND PROSPECTS

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

Further develop the cancer screening market in China

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

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

Increase market penetration of ColoClear, Pupu Tube and UU Tube in China

We plan to further increase the market penetration of ColoClear, Pupu Tube and UU 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 the 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. In addition to colorectal cancer, we plan to promote the market penetration of UU Tube, our stool-based self-conducted screening product for gastric cancer which has been approved by the NMPA as Class III medical device in January 2022. We plan to strengthen our collaboration with leading contract sales organizations in China to further promote our products among physicians and hospitals, by leveraging their sales and marketing expertise and their extensive coverage on hospitals.

In addition, for our ColoClear, Pupu Tube and UU 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, Pupu Tube and UU Tube. To support our marketing efforts, we plan to recruit more talents and expand our commercialization team.

Expand our research and development capabilities and develop our pipeline products

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

In addition to colorectal cancer, we plan to develop screening tests for other types of cancers which are curable or preventable at lower treatment costs if detected at early stages. We plan to advance our pipeline products, in particular the late stage candidate CerviClear for cervical cancer screening, to further expand our coverage within the cancer screening market. We plan to initiate the registrational clinical trial of CerviClear in 2022. Leveraging our multi-omics biomarker technology platform and expertise, including our NGS and proteomics technologies and infrastructure, we will further expand our proprietary data base and enhance our biomarker discovery capability and NGS platform for our future cancer screening product development.

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

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

We have built manufacturing facilities in Hangzhou with an annual capacity of 10 million Pupu Tube, 5 million ColoClear and 10 million UU Tube. Our manufacturing facilities are good manufacturing practices (GMP) certified in China. The facilities have produced all Pupu Tube for its clinical development and commercialization and all ColoClear to support its clinical development. We also have laboratory testing facilities in Beijing and Hangzhou with an aggregate capacity of 1,500,000 tests per year. We have completed construction of our laboratory testing facilities in Guangzhou which has been in full operation since the first quarter of 2021, and we now have laboratory testing facilities in Beijing, Hangzhou and Guangzhou with an aggregate capacity of 2,000,000 tests per year. We plan to enhance our manufacturing and laboratory testing facilities by further investment in automation to enhance manufacturing and testing efficiency and improve our profitability. It will also shorten testing turnaround time to improve customer satisfaction for our tests. We also plan to expand our manufacturing and laboratory testing capacity to support our rapid growth.

Selectively pursue geographic expansion, strategic partnerships and acquisition opportunities

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of Appendix 14 to the Listing Rules the Corporate Governance Code (the "**CG Code**") as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period.

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

Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code during the period from February 18, 2021, being the listing date of the Company, to the date of this announcement.

Use of Proceeds from the Global Offering

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

Up to December 31, 2021, HKD624,699,000, or 29% out of the net proceeds have been utilized as specified in the below table. The Company intends to use the remaining net proceeds in the same manner and proportion as set out in the prospectus of the Company (the "**Prospectus**") under the section headed "Future Plans and Use of Proceeds". The remaining proceeds are expected to be used in the following four years. 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	Actual use of proceeds during the year ended December 31, 2021	Actual use of proceeds up to December 31, 2021	Net proceeds unutilized as of December 31, 2021	Expected timeline for usage of proceeds
	(in HK$'000) (approximate)	*(in HK$'000) (approximate)*	*(in HK$'000) (approximate)*	*(in HK$'000) (approximate)*	
40% for the commercialization and further development of ColoClear as medical services or as a standalone product	876,200	297,867	297,867	578,333	The amount is expected to be fully utilized by second half of 2025
5% for the ongoing sales and marketing of Pupu Tube through promoting awareness of colorectal cancer screening and increasing market penetration, and to conduct additional clinical assessment of Pupu Tube in various populations	109,525	47,081	47,081	62,444	The amount is expected to be fully utilized by second half of 2025
30% for the ongoing and planned research and development to further develop UU Tube®, CerviClear and our other early stage pipeline products	657,150	97,632	97,632	559,518	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	80,953	80,953	247,622	The amount is expected to be fully utilized by second half of 2025
10% for working capital and other general corporate purposes	219,050	101,166	101,166	117,884	The amount is expected to be fully utilized by second half of 2025
Total	2,190,500	624,699	624,699	1,565,801	

Significant Investments Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

As at December 31, 2021, the Group had 804 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

During the Reporting Period, the total staff costs (including Directors' emoluments) were approximately RMB186.0 million (for the year ended December 31, 2020: RMB94.0 million).

Purchase, Sale or Redemption of Listed Securities

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

Capital Expenditure and Commitments

The Group's capital expenditures in 2021 primarily related to purchase of property, plant and equipment, and intangible assets. In 2021, the Group incurred RMB37.1 million in relation to capital expenditures as compared to RMB25.0 million in 2020.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2021.

Charges on Group Assets

Save for the pledged bank deposits amounting to RMB110,000,000 as security for the secured bank borrowing which will mature in November 2022 as disclosed in this announcement, as of December 31, 2021, the Group did not have any other charges over its assets.

FINAL DIVIDEND

No dividend was paid or declared by the Company for the year ended December 31, 2021 (December 31, 2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 21, 2022 to Friday, June 24, 2022 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the AGM to be held on Friday, June 24, 2022. The holder of shares whose names appear on the share register of members of the Company on Friday, June 24, 2022 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, June 20, 2022.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations.

EVENTS AFTER THE REPORTING PERIOD

(1) NMPA Approval for Registration Application of UU Tube

On January 6, 2022, the Company received the approval from the NMPA of the registration application for UU Tube as Class III medical device, the Company's stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer. The Company obtained the NMPA registration certificate for Class III medical device for UU Tube on January 6, 2022.

(2) Proposed Adoption of 2022 RSU Scheme and 2022 Share Option Scheme

On March 18, 2022, in order to recognize the contributions of certain employees and consultants of the Group and provide incentives to them to further contribute to the Group, the Board conditionally approved the adoption of the 2022 RSU Scheme and the 2022 Share Option Scheme subject to the approval by the shareholders of the Company in the AGM. Please refer to the announcement of the Company of even date for details of the 2022 RSU Scheme and the 2022 Share Option Scheme.

(3) Establishment of Wholly-owned Subsidiary in the PRC

On March 18, 2022, the Board approved to establish a wholly-owned subsidiary in the PRC by Hangzhou New Horizon Health Technology Co., Ltd (杭州諾輝健康科技有限公司), an indirect wholly-owned subsidiary of the Company in order to better manage the Group's supply chain and prepare for the Group's regulatory registration process for future pipeline products.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

The 2021 annual report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

By order of the Board
New Horizon Health Limited
Dr. Yiyou CHEN
Chairman

Hong Kong, March 18, 2022

As at the date of this announcement, the Board of the Company comprises Dr. Yiyou CHEN as Chairman and executive Director, Mr. Yeqing ZHU 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.