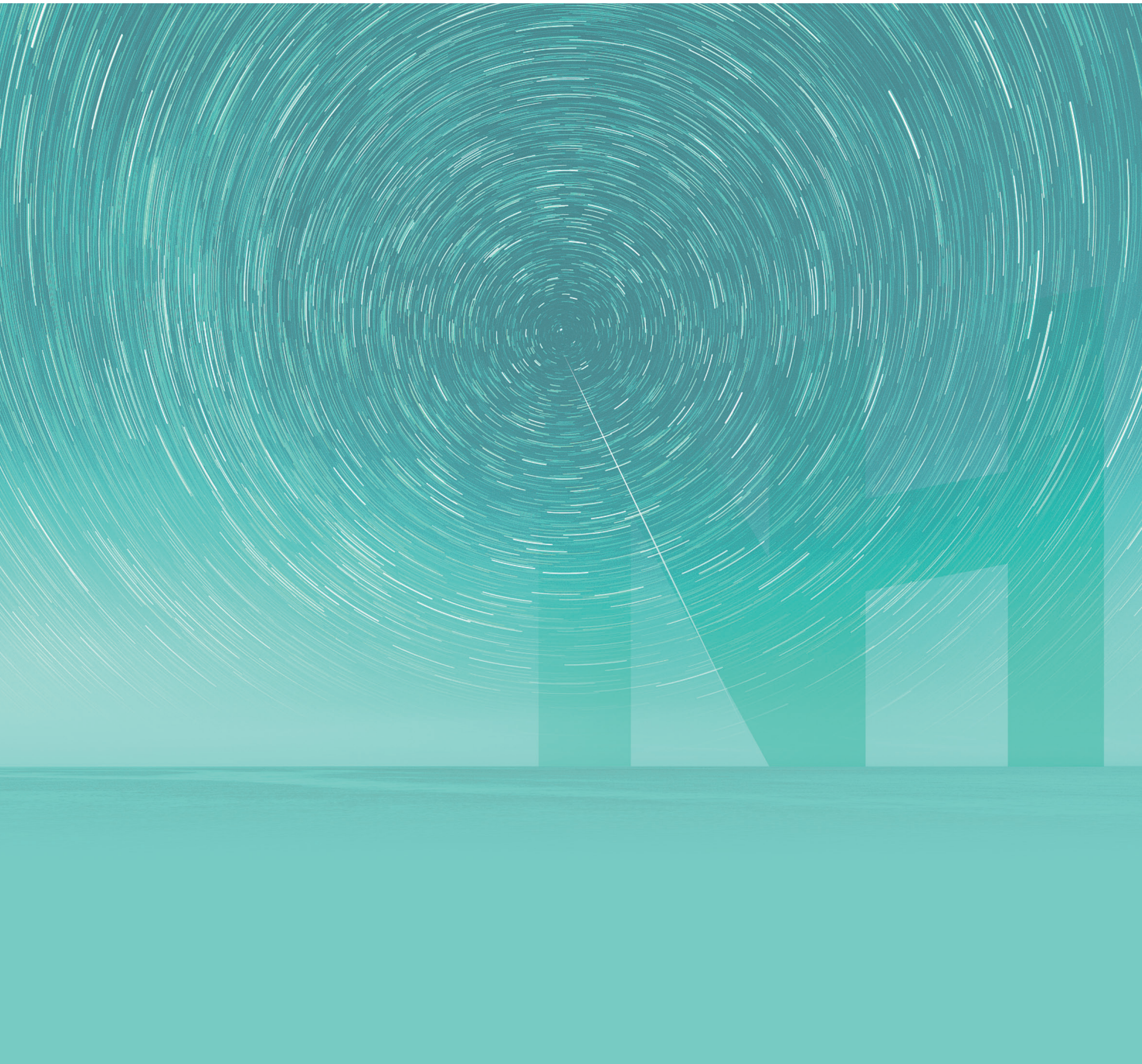
诺辉健康
NEW HORIZON HEALTH

New Horizon Health Limited
諾輝健康

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6606.HK

2020
ANNUAL REPORT



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Definitions

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

"Articles of Association" or "Articles"	articles of association of our Company adopted on October 9, 2020 with effect from the Listing Date, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Beijing Nuoan Lab"	Beijing Nuoan Medical Examination Lab Co., Ltd. (北京諾安醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on March 9, 2016
"Beijing Xincheng"	Beijing New Horizon Xincheng Health Technology Co., Ltd (北京諾輝新程健康科技有限公司), a limited liability company established under the laws of the PRC on February 29, 2016
"Board"	the board of directors of our Company
"CEO" or **"Chief Executive Officer"**	chief executive officer of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CerviClear"	our non-invasive urine-based home-use screening test for cervical cancer
"Chief Financial Officer"	chief financial officer of our Company
"China" or **"PRC"**	People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"ColoClear"	ColoClear, a proprietary non-invasive stool-based FIT-DNA test
"ColoClear IVD"	ColoClear in vitro diagnostic kit, which is our Company's proprietary reagents used in the testing process of ColoClear approved by NMPA as a Class III medical device and constitutes our Core Product for purposes of this report
"Company" or **"Our Company"**	New Horizon Health Limited (諾輝健康), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 7, 2018
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, Beijing Xincheng and its subsidiaries (each a "**Consolidated Affiliated Entity**")
"Contractual Arrangements"	a series of contractual arrangements entered into by, Hangzhou Nuohui, Beijing Xincheng and the Registered Shareholders

"Core Product"	has the meaning ascribed thereto under Chapter 18A of the Listing Rules
"Director(s)"	the directors of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "our", "we" or **"us"**	the Company, its subsidiaries and consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time
"Guangzhou Nuohui Lab"	Guangzhou Nuohui Medical Examination Lab Co., Ltd (廣州諾輝醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on May 28, 2019
"Hangzhou Nuohui"	Hangzhou New Horizon Health Technology Co., Ltd (杭州諾輝健康科技有限公司), a limited liability company established under the laws of the PRC on November 19, 2015 and our indirect wholly-owned subsidiary
"Hangzhou Nuokang Lab"	Hangzhou Nuokang Medical Examination Lab Co., Ltd. (杭州諾康醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC on June 3, 2016
"Latest Practicable Date"	April 21, 2021, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained in this report
"Listing"	the listing of the shares on the Main Board of the Stock Exchange
"Listing Date"	February 18, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Share Incentive Plan" or "Plan"	the pre-IPO share incentive plan effective as of October 10, 2018 and further amended and approved on August 17, 2020
"Prospectus"	the prospectus of the Company dated February 5, 2021
"Pupu Tube"	our proprietary non-invasive stool-based FIT screening product to detect hemoglobin biomarkers associated with colorectal cancer

Definitions

"Registered Shareholders"	the registered shareholders of Beijing Xincheng, being Mr. Yeqing Zhu and Ms. Lijuan Zhu
"Relevant Period"	from the Listing Date to the Latest Practicable Date
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2020
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of US$0.00005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"UU Tube"	our stool-based self-conducted screening product for H. pylori

Glossary of Technical Terms

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Yiyou CHEN *(chairman)*
Mr. Yeqing ZHU

Non-executive Directors
Mr. Naxin YAO
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
Mr. Quan ZHOU
Mr. Siu Wai NG

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Wanchai
Hong Kong

REGISTERED OFFICE
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P.O. Box 2681
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Cayman Islands

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

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

Silicon Valley Bank
3003 Tasman Drive
Santa Clara
CA 95054, USA

JOINT COMPANY SECRETARIES
Mr. Yu GAO
Ms. Ching Man YEUNG

AUTHORIZED REPRESENTATIVES
Mr. Yeqing ZHU
Ms. Ching Man YEUNG

AUDIT COMMITTEE
Mr. Danke YU *(Chairperson)*
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
Dr. Kwok Tung LI, Donald, *S.B.S., J.P.*

REMUNERATION COMMITTEE
Prof. Hong WU *(Chairperson)*
Mr. Yeqing ZHU
Mr. Danke YU

NOMINATION COMMITTEE
Dr. Yiyou CHEN *(Chairperson)*
Prof. Hong WU
Mr. Danke YU

STOCK CODE
6606

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

COMPANY WEBSITE
ir.newhorizonbio.com

Financial Highlights

	As at December 31/year ended December 31,		
	2018	2019	**2020**
	RMB'000	*RMB'000*	***RMB'000***
Bank balances and cash	76,691	346,434	**451,796**
Total assets	302,121	546,366	**818,044**
Total liabilities	571,599	911,942	**1,907,958**
Total deficit	(269,478)	(365,576)	**(1,089,914)**
Revenue	18,816	58,275	**70,567**
Cost of sales	(14,976)	(23,957)	**(33,318)**
Other income	1,807	6,060	**9,386**
Other gains and losses	(143,135)	32,179	**(617,591)**
Impairment losses on trade receivables	(204)	(893)	**(2,569)**
Selling and distribution expenses	(25,959)	(75,609)	**(65,123)**
Research and development expenses	(14,779)	(26,371)	**(25,335)**
Administrative expenses	(45,972)	(53,862)	**(76,950)**
Listing expenses	–	(338)	**(26,900)**
Other expenses	(9)	(20,468)	**(12,853)**
Finance costs	(458)	(1,251)	**(7,735)**
Income tax expense	–	(230)	**(303)**
Loss and total comprehensive expenses for the year	(224,869)	(106,465)	**(788,724)**

Chairman and CEO's Statement

March 15, 2021

Dear Shareholders,

On behalf of the Board and everyone at New Horizon Health, we would like to thank you for your continued support and trust, especially during a time of unprecedented uncertainties caused by the COVID-19 global pandemic.

2020 was a monumental year for New Horizon Health, as we achieved significant milestones in several major aspects of our business:

- ColoClear, our flagship colorectal cancer screening test, was approved by NMPA in November, targeting 120 million colorectal cancer high-risk population in China

- Pupu Tube, the only self-conducted FIT screening test in China targeting 633 million colorectal cancer average-risk population, achieved 111% revenue growth and 450bps gross profit margin increase

- UU Tube, our self-conducted screening test for H. pylori infection, which is the major etiological driver for the development of gastric cancer, completed registrational trial and submitted to NMPA for marketing approval in November

Furthermore, we kick-started 2021 with a strong momentum, and continued to make progress in the first three months:

- In January, ColoClear was recommended as one of the only three tests for colorectal cancer screening by "China Guideline for Screening, Early Detection, and Early Treatment of Colorectal Cancer"

- In February, the Company was successfully listed on the Hong Kong Stock Exchange

- In March, the Company entered into co-promotion agreement and strategic collaboration memorandum with AstraZeneca to jointly promote ColoClear in China

Looking forward, 2021 will be another exciting year for us. We will accelerate commercialization efforts in both clinical market and health check-up market, advance our cancer screening pipeline, and continue to invest in our multi-omics R&D platform. These initiatives will further strengthen our leadership position in the cancer screening market, and lay solid foundation to drive our future growth.

Finally, we would like to thank all our staff and management team for their determination, diligence, and dedication. We would also like to extend our earnest gratitude for the continued support from our business partners. Together, we will work relentlessly to pursue our vision of preventing and curing cancer through screening and early detection.

Dr. Yiyou Chen
Chairman and Chief Scientific Officer

Mr. Yeqing Zhu
Chief Executive Officer

Management Discussion and Analysis

BUSINESS OVERVIEW

Overview

Our mission is to advance the innovation and accelerate the adoption of cancer screening technologies in China. As of the Latest Practicable Date, ColoClear, our flagship product, is offering the first and only NMPA-approved colorectal cancer screening test addressing an untapped 120 million colorectal cancer high risk population in China.

Our Products and Product Pipeline

Founded in November 2015, we are a commercial stage biotech company focused on developing and commercializing innovative cancer screening products to address significant unmet medical needs in the cancer screening in China. We have built an early detection and cancer screening-focused pipeline of four product 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 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 NMPA in China.

We are developing our UU Tube, a stool-based self-conducted screening test for gastric cancer. We completed the registrational trial of UU Tube in November 2020 and submitted a registration application to NMPA in the same month of 2020. We are also developing our CerviClear, a non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear by as early as the last quarter of 2021.

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

Product	Indication	Sample Type	Technology	Global Rights	Development Stage: Early Stage Development[3]	Development Stage: late Stage Development[4]	Development Stage: Registrational Trial	Development Stage: NMPA Submission	Development Stage: NMPA Approval
ColoClear®[1]	Colorectal cancer	Stool	FIT-DNA						
Pupu Tube®[2]	Colorectal cancer	Stool	FIT	✓					
UU Tube™	Gastric cancer	Stool	Immuno-based	✓					
CerviClear™	Cervical cancer	Urine	qPCR	✓					

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

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

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

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

ColoClear IVD constitutes our Core Product for purposes of this report

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 NMPA, according to Frost & Sullivan. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by 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 NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with NMPA as Class I medical device in August 2020. All 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.

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 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 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 NMPA to register UU Tube as Class III medical device in November 2020.

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

CerviClear

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear in vitro diagnostic kit ("**CerviClear IVD**") by as early as the last quarter of 2021. We plan to submit application for the registration of CerviClear IVD as Class III medical device with NMPA after the registrational trial is completed. As of the Latest Practicable Date, there was no approved home-use urine-based cervical cancer screening test in China, according to Frost & Sullivan.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET CERVICLEAR SUCCESSFULLY.

Research & Development

We focus on developing innovative technologies to enhance our existing pipeline and to develop new cancer screening tests. We believe that our success has depended and will continue to depend to a large extent on our ability to develop new or improved cancer screening products. Our research and development capabilities are proven by our portfolio of proprietary technologies and patents. We have started research and development for ColoClear test since 2015. With over five years of dedicated research and development efforts, we have built a proprietary and extensive database of Asian-specific colorectal cancer methylation pattern profiles and developed our clinically-validated risk assessment algorithm (Class I medical device) for ColoClear which is the first algorithm-driven cancer screening test approved by 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 NMPA. Our proprietary DNA extraction technology (Class I medical device) enables us to purify evaluable DNA from highly-complex stool samples and achieve a success rate of approximately 99.4%, based on our operational data collected between October 2019 and September 2020. Our proprietary DNA sample stabilization technology preserves DNA and hemoglobin under room temperature for up to seven days. As of the Latest Practicable Date, we have built a portfolio of 71 patents and patent applications globally to protect our proprietary technologies and know-how.

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

We have a strong in-house research and development team of 34 members primarily based in Beijing and Hangzhou, China as of the Latest Practicable Date, over 50% 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 two laboratories located in Beijing and Hangzhou, China, with a GFA of approximately 2,000 sq.m. and 3,700 sq.m., respectively. Our Beijing and Hangzhou laboratories have obtained NCCL EQA Certificates and PRC Practice Licenses of Medical Institution. All our laboratories have conducted registrations and obtained licenses as applicable, and are authorized to perform PCR amplification for clinical use.

In addition, we have completed the construction of our new laboratory in Guangzhou, China which is expected to be in full operation in the first quarter of 2021. The Guangzhou laboratory has a GFA of approximately 600 sq.m. and an annual testing capacity of 500,000 tests for ColoClear. 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 NMPA recently in November 2020. It will also help expand our geographic coverage for sample collection and allow us to deliver test results promptly to regional end-users, further improving user experience.

Manufacturing Facilities

As of the Latest Practicable Date, our principal manufacturing facility is located at our headquarters with an aggregate GFA of approximately 11,300 sq.m. in Hangzhou, Zhejiang province, China, which was primarily used for the production of our cancer screening products and product candidates, including ColoClear and Pupu Tube. Our manufacturing facilities are equipped with advanced automation which can significantly improve efficiency and reduce manufacturing cost. Our manufacturing facilities are designed to provide synergy between our commercialized products and product candidates in order to achieve economies of scale and operating efficiency. Our production lines for ColoClear can also manufacture CerviClear and our production lines for Pupu Tube can also manufacture UU Tube.

The production volume for ColoClear and Pupu Tube increased from 2019 to 2020 due to increasing demands from end users. Utilization rate for ColoClear decreased significantly in the year ended December 31, 2020, primarily due to decreased demands attributable to temporary closure of hospitals and health checkup centers as a result of the COVID-19 outbreak.

Commercialization

We have two self-developed cancer screening tests, Pupu Tube which was approved by NMPA in March 2018 and received CE Mark in June 2018, and ColoClear, the core component of which, ColoClear IVD, has been approved by NMPA in November 2020 and could be commercialized as a standalone medical device. Currently, we primarily sell and market ColoClear as medical service and Pupu Tube in China. 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. For details, please refer to the section headed “Events after the Reporting Period” in this report.

Management Discussion and Analysis

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 NMPA for colorectal cancer screening in China.

Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, cancer screening naturally became less a priority as compared to other more imminent health concerns. The worldwide COVID-19 outbreak had significantly impacted the cancer screening industry due to the restricted access to medical institutions. Health checkup centers are our major sales channels, and therefore, our revenue and profitability, as well as shipment, have been affected by the COVID-19 outbreak in the 2020 to a certain extent. Despite the foregoing, our revenue increased. Our revenue was RMB70.6 million for the year ended December 31, 2020, representing a year-on-year increase of approximately 21.1% compared to the year ended December 31, 2019. The increase in revenue was primarily attributable to the addition of government procurement projects and promotion of health checkup centers.

Our shipment volume of ColoClear was approximately 8,600 and 16,100 units in the first and second quarters of 2020, representing a year-on-year decrease of 50.4% and 20.8%, respectively. Our shipment volume of ColoClear has recovered rapidly in the second half of 2020, and we recorded approximately 61,400 and 162,100 units in the third quarter and fourth quarter of 2020, representing a 17.6% and 60.7% year-on-year increase, respectively, over the same period in 2019. Shipment volume is generally considered a leading indicator for future ColoClear revenue which would be recognized when we complete the testing service and deliver the test results or when the delivered sample collection kits are expired. The sales performance of ColoClear tests in the fourth quarter of 2020 improved as our business in general has recovered from COVID-19 outbreak in the second half of 2020.

With respect to Pupu Tube, in the first quarter of 2020, the shipment volume of Pupu Tube was 18,561 units, representing a year-on-year decrease of 82%. Our shipment volume of Pupu Tube has recovered rapidly in the second half of 2020, and the shipment volume of Pupu Tube from the second quarter to the fourth quarter of 2020 was 272,274, 1,224,195 and 1,345,706 units, representing a year-on-year increase of 253%, 434% and 157% respectively. The sales performance of Pupu Tube in the fourth quarter of 2020 improved as our business in general has recovered from COVID-19 outbreak in the second half of 2020.

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.

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 report.

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, 2020 was RMB70.6 million, representing an increase of approximately 21.1% compared to RMB58.3 million for the year ended December 31, 2019. The increase was due to increase in revenue of Pupu Tube as a result of the addition of government procurement projects and promotion of health checkup centers.

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

	For the year ended December 31,			
	2020		2019	
	RMB'000	**%**	*RMB'000*	*%*
ColoClear[(1)]	**37,566**	**53.2**	39,098	67.1
Pupu Tube	**31,838**	**45.1**	15,101	25.9
Others	**1,163**	**1.7**	4,076	7.0
Total revenue	**70,567**	**100.0**	58,275	100.0

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

For ColoClear, revenue was RMB37.6 million for the year ended December 31, 2020, as compared to RMB39.1 million for the same period in 2019, primarily attributable to the impact of the COVID-19 outbreak.

For Pupu Tube, revenue was RMB31.8 million for the year ended December 31, 2020, as compared to RMB15.1 million for the same period in 2019.

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, 2020 was RMB33.3 million, representing an increase of approximately 39.1% compared to RMB24.0 million for the year ended December 31, 2019. The increase was primarily attributable to increase in sales volume of 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 periods indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	**%**	*RMB'000*	%
ColoClear[1]	**12,445**	**37.4**	12,013	50.1
Pupu Tube	**17,265**	**51.8**	8,862	37.0
Others	**746**	**2.2**	1,479	6.2
Write-down of inventories	**2,862**	**8.6**	1,603	6.7
Total cost of sales	**33,318**	**100.0**	23,957	100.0

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

Our costs of sales of ColoClear increased slightly from RMB12.0 million for the year ended December 31, 2019 to RMB12.4 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 3.6%. Our costs of sales of Pupu Tube increased from RMB8.9 million for the year ended December 31, 2019 to RMB17.3 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 94.8%, primarily due to increase in sales volume of Pupu Tube. Our other costs primarily include costs of sales of other cancer screening test.

Write-down of inventories increased from RMB1.6 million for the year ended December 31, 2019 to RMB2.9 million for the year ended December 31, 2020, representing a year-over-year increase of approximately 78.5%, which was primarily due to increase refunds and exchanges of our products in the year ended December 31, 2020 because of the outbreak of COVID-19.

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, 2020, the gross profit and gross profit margin was RMB37.2 million and 52.8%, respectively, as compared to RMB34.3 million and 58.9%, respectively, for the year ended December 31, 2019. The increase in gross profit was primarily due to increase in sales volume of Pupu Tube. The decrease in gross profit margin was primarily due to (1) the structural change in channel revenue as a result of COVID-19 and (2) the increase in inventories write-off and impairment due to COVID-19.

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

	For the year ended December 31,			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
ColoClear[1]	**25,121**	**66.9**	27,085	69.3
Pupu Tube	**14,573**	**45.8**	6,239	41.3
Others	**417**	**35.9**	2,597	63.7

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

For ColoClear, the gross profit margin was 66.9% for the year ended December 31, 2020, as compared to 69.3% for the same period in 2019, primarily due to the higher revenue contribution from online channels with relatively lower average selling price.

For Pupu Tube, the gross profit margin was 45.8% for the year ended December 31, 2020, as compared to 41.3% for the same period in 2019.

Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the year ended December 31, 2020 was RMB9.4 million, representing an increase of approximately 54.9% compared to RMB6.1 million for the year ended December 31, 2019. The increase was primarily attributable to our increased government subsidies from PRC local governments to support our business operations and research and development activities and increase in the interest income from subscription receivables due from directors for the issuance of restricted shares.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses for the year ended December 31, 2020 was RMB65.1 million, representing a decrease of approximately 13.9% compared to RMB75.6 million for the year ended December 31, 2019. The decrease was primarily due to decrease in conference expenses as the number of physical conferences convened was decreased as a result of the COVID-19 outbreak.

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, 2020 was RMB25.3 million, representing a decrease of approximately 3.9% compared to RMB26.4 million for the year ended December 31, 2019. The decrease was primarily due to decrease in expenses for research and development and clinical trials in 2020.

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 year ended December 31,			
	2020		2019	
	RMB'000	**%**	*RMB'000*	*%*
Research and development expenses				
Staff costs	**12,981**	**51.2**	10,739	40.7
Cost of research and development materials and equipment	**10,384**	**41.0**	11,688	44.3
Clinical trials and service expenses	**748**	**3.0**	2,905	11.0
Others	**1,222**	**4.8**	1,039	4.0
Total	**25,335**	**100.0**	26,371	100.0

Our staff cost primarily consists of salaries, welfare and pension for our research and development employees. Our costs of research and development materials and equipment consumed represent expenses on the raw materials used for developing our product candidates, and the depreciation of equipment and renovation of our research and development facilities as well as amortization of intangible assets. Our clinical trials and service expenses include expenses incurred for conducting clinical trials, including payment to CROs 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. For the years ended December 31, 2019 and 2020, the research and development expenses we spent on ColoClear accounted for 50% and 43% 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, 2020 was RMB77.0 million, representing an increase of approximately 42.9% compared to RMB53.9 million for the year ended December 31, 2019. The increase was primarily due to increase in wages and number of employees to support our operational needs for the growth of business.

Impairment Losses on Trade Receivables

The Group's impairment losses on trade receivables for the year ended December 31, 2020 was RMB2.6 million, representing an increase of approximately 187.7% compared to RMB0.9 million for the year ended December 31, 2019. The increase was primarily due to longer payment cycle from our customers as a result of the COVID-19 outbreak, which resulted in increased overdue of our trade receivables.

Other Expenses

The Group's other expenses for the year ended December 31, 2020 was RMB12.9 million, representing a decrease of approximately 37.2% compared to RMB20.5 million for the year ended December 31, 2019. The decrease was primarily due to the significant decrease of the transaction costs directly attributable to the issuance of preferred shares.

Our other expenses mainly consist of transaction costs directly attributable to the issuance of preferred shares and write-off of advances to a supplier for purchase of raw materials which did not meet our quality control requirement.

Finance Costs

The Group's finance costs for the year ended December 31, 2020 was RMB7.7 million, representing an increase of approximately 518.3% compared to RMB1.3 million for the year ended December 31, 2019. The increase was primarily due to the increase in interest on bank borrowings.

Income Tax Expenses

The Group's income tax expenses for the year ended December 31, 2020 was RMB0.3 million, representing an increase of approximately 31.7% compared to RMB0.2 million for the year ended December 31, 2019. The increase was primarily due to the increase in income tax of interests on the Group's fund.

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, fair value loss on other financial liabilities, 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. Fair value loss on other financial liabilities represent the fair value changes on the consideration payable to exit investors in relation to the reorganization, 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 R&D 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, fair value loss on other financial liabilities, 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 year indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net loss for the year	**(788,724)**	(106,465)
Fair value loss (gain) on preferred shares	**578,786**	(48,334)
Fair value loss on other financial liabilities	**–**	19,616
Share-based payment expenses	**14,725**	10,367
Listing expenses	**26,900**	338
Adjusted net loss	**(168,313)**	(124,478)

Note: We consider fair value gain/loss on preferred shares, fair value loss on other financial liabilities, 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, fair value loss on other financial liabilities, share based payment expenses, and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.

Capital Management

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

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

Liquidity and Financial Resources

The Group's cash and cash equivalent as at December 31, 2020 were RMB451.8 million, representing an increase of approximately 30.4% compared to RMB346.4 million for the year ended December 31, 2019. The increase was primarily attributable to the issuance of the Series D Preferred Shares and the Series E Preferred Shares.

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, 2020, our unsecured and unguaranteed bank borrowings amounted to RMB20 million, and carried a fixed interest rate (also being the effective interest rate) of 4.80% per annum. Such borrowing will be repaid in full in March 2021.

Our secured bank borrowing was unguaranteed, repayable by installments and will mature in November 2022, and carried a fixed rate interest rate (also being the effective interest rate) of 6.5% per annum. Such bank borrowing was secured by our historical and future trade receivables. As of December 31, 2020, we had utilized RMB100 million from our banking facilities, and RMB50 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, 2020 was 233%, representing an increase of 66% compared to 167% for the year ended December 31, 2019.

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.

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 and Pupu Tube in China

We plan to further increase the market penetration of ColoClear and Pupu Tube to reinforce our market-leading position in China's colorectal cancer screening market. We will leverage on our multi-pronged commercialization channels to promote ColoClear. We will take advantage of our leading position as the first and only NMPA approved molecular cancer screening test to further promote our brand name and enhance awareness not only among KOLs and physicians but also among end-users to further capture the enormous growth potential in the colorectal cancer screening market in China. We plan to strengthen our collaboration with leading CSOs in China to further promote our products among physicians and hospitals, by leveraging their sales and marketing expertise and their extensive coverage on hospitals.

In addition, for both our ColoClear and Pupu Tube, we plan to advance our academic promotion and engagement with physicians and hospitals to increase sales at our covered hospitals as well as to expand our coverage to cover new physicians and hospitals in China. We also plan to enhance our collaborations with health checkup centers, insurance companies, online healthcare platforms, pharmacies and other authorized agents to market ColoClear and Pupu Tube. To support our marketing efforts, we plan to recruit more talents and expand our commercialization team.

Expand our research and development capabilities and develop our pipeline products

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

In addition to colorectal cancer, we plan to develop screening tests for other types of cancers which are curable or preventable at lower treatment costs if detected at early stages. We plan to advance our pipeline products, in particular the late stage candidates UU Tube for gastric cancer screening and CerviClear for cervical cancer screening, to further expand our coverage within the cancer screening market. We submitted registration application for UU Tube to NMPA in November 2020 and plan to initiate the registrational clinical trial of CerviClear in 2021. 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 4 million Pupu Tube and 500,000 ColoClear. Our manufacturing facilities are 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 are expected to be in full operation in the first quarter of 2021. We plan to enhance our manufacturing and laboratory testing facilities by further investment in automation to enhance manufacturing and testing efficiency and improve our profitability. It will also shorten testing turnaround time to improve customer satisfaction for our tests. We also plan to expand our manufacturing and laboratory testing capacity to support our rapid growth.

Selectively pursue geographic expansion, strategic partnerships and acquisition opportunities

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

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

OTHER INFORMATION

Significant Investment 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, 2020, the Group had 336 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. For details of the Pre-IPO Share Incentive Plan, please refer to page 44 to 48 of this report.

During the Reporting Period, the total staff costs (including Director's emoluments) were approximately RMB94.0 million (for the same period in 2019: RMB72.0 million).

Capital Expenditure and Commitments

The Group's capital expenditures in 2020 primarily related to purchase of property, plant and equipment. In 2020, the Group incurred RMB25.0 million in relation to capital expenditures as compared to RMB33.8 million in 2019.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2020.

Charges on Group Assets

Save as disclosed in this report, as of December 31, 2020, the Group did not have any charges over its assets.

Future Plans for Material Investments or Capital Assets

As of December 31, 2020, the Group did not have future plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

Listing of shares of the Company on the Stock Exchange

On February 18, 2021, the Company was successfully listed on the Main Board of the Stock Exchange, in which 76,598,000 shares (subject to over-allotment option) has been issued.

On March 12, 2021, the over-allotment option has been exercised in full such that an additional 11,489,500 shares has been issued. The listing of and dealings in the over-allotment shares commenced on the Main Board of the Stock Exchange on March 17, 2021.

Co-promotion Agreement and Strategic Collaboration Memorandum

On March 15, 2021, the Company and AstraZeneca entered into the Co-promotion Agreement. The initial term of the Co-promotion Agreement is 3 years, during which ColoClear will become the only colorectal cancer gene test reagent in the mainland China market for which the promotion services are provided by AstraZeneca. Pursuant to the Co-promotion Agreement, the parties will jointly promote ColoClear in public hospitals, pharmacies and internet hospitals in mainland China.

On the same day, the Company and AstraZeneca entered into the Strategic Collaboration Memorandum to launch an in-depth strategic collaboration in the mainland China market. Pursuant to the Strategic Collaboration Memorandum, the parties intend to further explore collaboration in the following areas: in respect of the area of early cancer screening, the parties will carry out commercial collaboration of ColoClear in China and other international markets based on the existing commercialization collaboration to jointly enhance the early-stage screening rate of colorectal cancer; in respect of the oncology area, the parties will discuss how to integrate their respective edges and consolidate their research and development platform to jointly carry out further exploration and research in the area of early screening and to continuously explore new collaboration models; at the same time, the Company will upgrade its sales, market and training systems, and AstraZeneca will provide support to the Company to enhance its operational efficiency continually and to optimize its training system in collaboration with "The AstraZeneca University".

The Company considered that entering into the Co-promotion Agreement and the Strategic Collaboration Memorandum with AstraZeneca would intensively integrate the advantageous resources of both parties in terms of market coverage of ColoClear and channel expansion. By fully leveraging on AstraZeneca's strong commercial promotional capabilities, comprehensive marketing network, professional team and its leading position in the area of digestive system, the Company could accelerate the expansion of market coverage of ColoClear in mainland China and promote ColoClear's application and popularity among the high-risk population of colorectal cancer, with a view to promoting awareness of early detection and early treatment of colorectal cancer and providing an all-in-one solution for the high risk population of digestive tract diseases from prevention, diagnosis and treatment to recovery.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Yiyou CHEN (陳一友), aged 49, is a co-founder of our Group. Dr. Chen founded our Group in 2015 and was appointed as the Chairman of the Board and Chief Scientific Officer of our Company on June 7, 2018. Dr. Chen was designated as an executive Director of our Company on October 9, 2020.

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

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

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

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

Mr. Yeqing ZHU (朱葉青), aged 49, is a co-founder of our Group. Mr. Zhu founded our Group in 2015 and was appointed as the Chief Executive Officer of our Company on June 7, 2018. Mr. Zhu was designated as an executive Director of our Company on October 9, 2020.

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

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

NON-EXECUTIVE DIRECTORS

Mr. Naxin YAO (姚納新), aged 50, joined our Group on November 19, 2015. Mr. Yao was designated as a non-executive Director of our Company on October 9, 2020.

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

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

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

Biographies of Directors and Senior Management

Ms. Nisa Bernice Wing-Yu LEUNG (梁頴宇), *J.P.*, aged 50, joined our Group on June 16, 2017. Ms. Leung was designated as a non-executive Director of our Company on October 9, 2020.

Ms. Leung has more than 17 years of industry experience. Ms. Leung joined Qiming Venture Partners, a venture capital firm in China, in December 2007, and currently serves as a managing partner where she leads its health care investments. Ms. Leung also co-founded Biomedic Holdings Limited, which has operations and investments in medical devices, pharmaceuticals and health care services in China, in February 2004. Ms. Leung was a venture partner at PacRim Venture Partners from July 2001 to June 2003.

Ms. Leung has also been a director at Gan & Lee Pharmaceuticals Co., Ltd. (甘李藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603087), since March 2010; at Hangzhou Nuohui, our principal operating subsidiary, since July 2017; and at Berry Oncology Co., Ltd. (福建和瑞基因科技有限公司) since May 2018. Ms. Leung has served as a director since August 2014 and an independent director since July 2020 of Zai Lab Limited (再鼎醫藥有限公司), a company listed on NASDAQ (ticker symbol: ZLAB) and the Hong Kong Stock Exchange (stock code: 9688); as a non-executive director at CanSino Biologics Inc. (康希諾生物股份公司), a company listed on the Hong Kong Stock Exchange (stock code: 6185) and the Shanghai Stock Exchange (stock code: 688185), since September 2015; and as vice-chairwoman to the board since June 2013 and a non-executive director since July 2019 of Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2500).

Ms. Leung was appointed as a Justice of the Peace in July 2016 by the Government of the Hong Kong Special Administrative Region.

Ms. Leung received a Bachelor's degree in Management from Cornell University in the United States in May 1992 and a Master's degree in Business Administration from Stanford University in the United States in June 2001.

Mr. Quan ZHOU (周琮), aged 45, joined our Group on July 26, 2018. Mr. Zhou was designated as a non-executive Director of our Company on October 9, 2020.

After his postgraduate studies, Mr. Zhou worked as a senior analyst at Morningside Group Hong Kong (香港晨興集團) from December 2007 to September 2010. Mr. Zhou joined Legend Capital Co., Ltd. (君聯資本管理股份有限公司) (formerly known as Beijing Legend Investment Consultant Co., Ltd. (北京聯想投資顧問有限公司)) as an investment manager in September 2010, and is now serving as the managing director. From November 2017 to July 2020, Mr. Zhou served as the director at Shanghai Ligatech Bioscience Co., Ltd. (上海利格泰生物科技有限公司), a company engaged in the development, manufacturing and sales of interventional medical devices.

Mr. Zhou has served as a director of companies that carry out product development, manufacturing and sales in the biotechnology, pharmaceutical and medical equipment industries. The companies at which Mr. Zhou is currently a director include: Zhuhai DL Biotech Co., Ltd. (珠海迪爾生物工程有限公司) since January 2017, a company engaged in the development, manufacturing and sales of microbiological diagnostic products; Berry Oncology Co., Ltd. (福建和瑞基因科技有限公司) since May 2018, a company specialized in genetic detection of tumour life cycles; Nanovision Technology (Beijing) Co., Ltd. (北京納米維景科技有限公司) since May 2018, a company specialized in high-speed and high-precision radiology imaging in healthcare, security inspection and industrial fields; and Tianjin Hemay Pharmaceutical Technology Co., Ltd. (天津和美奧康醫藥科技有限公司) since July 2018, a pharmaceutical company specialized in innovative drug research and product development.

Mr. Zhou received his Bachelor's degree in Biological Sciences from the University of Science and Technology of China in the PRC in July 1999. Mr. Zhou subsequently obtained a Master's degree in Neurobiology from the National University of Singapore in December 2005. Mr. Zhou also obtained a Master of Business Administration in Finance from China Europe International Business School in the PRC in March 2008.

Mr. Siu Wai NG (伍兆威), aged 36, joined our Group on May 14, 2019. Mr. Ng was designated as a non-executive Director of our Company on October 9, 2020.

From July 2007 to June 2010, Mr. Ng served as an operations research associate consultant at ZS Associates, a management consulting firm based in the United States, where he provided consulting advisory to global pharmaceutical companies in sales and marketing strategy and operations. Between September 2011 and April 2016, Mr. Ng served in a number of positions at Barclays Capital Asia Limited, including as an associate and then a vice president of the investment banking division and a lead analyst of China healthcare equity research, providing investment banking and corporate finance advisory service mainly to healthcare companies in the Asia Pacific region. In April 2017, Mr. Ng joined VMS Group, a financial asset management firm, as the head of healthcare in the private equity department, and has held the position of managing director of VMS Group since March 2018. Mr. Ng has also served as an executive director at Auto Italia Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 720) since July 2020.

Mr. Ng received his Bachelor of Science degree in January 2007 from Cornell University in the United States, and obtained his Master of Engineering degree in Operations Research and Industrial Engineering in May 2007. In July 2011, Mr. Ng obtained a Master of Business Administration from INSEAD in Singapore.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Danke YU (余丹柯), aged 51, was appointed as an independent non-executive Director of the Company with effect from February 5, 2021.

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

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

Prof. Hong WU (吳虹), aged 63, was appointed as an independent non-executive Director of the Company with effect from February 5, 2021. Prof. Wu is the Dean and Chair Professor of the School of Life Sciences at Peking University.

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

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

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

Dr. Kwok Tung LI, Donald (李國棟), *S.B.S., J.P.*, aged 66, was appointed as an independent non-executive Director of the Company with effect from February 5, 2021.

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

Dr. Li has been the president of the World Organisation of Family Physicians (WONCA) since November 2018, a council member of Hong Kong St. John Ambulance since June 2000, the director of Hong Kong St. John Ambulance Association since June 2017, and the president of the Hong Kong Academy of Medicine from December 2012 to December 2016. Dr. Li is also a honorary steward of the Hong Kong Jockey Club and the chairman of the board of directors of Hong Kong Sheng Kung Hui Welfare Council Limited, and had served as the chairman and is now a director of the Bauhinia Foundation Research Centre.

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

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

SENIOR MANAGEMENT

Dr. Yiyou CHEN (陳一友), aged 49, is a co-founder of our Group. Dr. Chen founded our Group in 2015 and was appointed as the Chairman of the Board and Chief Scientific Officer of our Company on June 7, 2018. Dr. Chen was designated as an executive Director of our Company on October 9, 2020. For further details, please see the paragraphs headed "Executive Directors" in this section.

Mr. Yeqing ZHU (朱葉青), aged 49, is a co-founder of our Group. Mr. Zhu founded our Group in 2015 and was appointed as the Chief Executive Officer of our Company on June 7, 2018. Mr. Zhu was designated as an executive Director of our Company on October 9, 2020. For further details, please see the paragraphs headed "Executive Directors" in this section.

Mr. Yu GAO (高煜), aged 38, has been the Chief Financial Officer of our Group since June 1, 2020. He is also one of our joint company secretaries since October 9, 2020.

Mr. Gao has over 13 years of healthcare industry experience as a private equity investor, an investment banker, and a management consultant. Prior to joining our Group in 2020, Mr. Gao was a vice-president at FountainVest Partners (方源資本) in Shanghai, focusing on buyout and growth-stage healthcare equity investments globally across medical device, biotechnology, and healthcare service sectors since 2016. From 2014 to 2016, Mr. Gao was an investment banking associate at Bank of America Merrill Lynch in New York, advising healthcare clients on initial public offerings, merger and acquisitions, hostile defense, and other strategic transactions. From 2007 to 2014, Mr. Gao served as a business consultant and various other roles at ZS Associates in New York, advising healthcare clients on commercial strategies, sales operations, and post-merger integrations.

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

Dr. Ning LU (呂寧), aged 50, has been our Chief Technology Officer since November 19, 2015. Dr. Lu built up the Company's product development capability and has been instrumental in aiding ColoClear through the clinical validation and regulatory approval process.

Dr. Lu has over 16 years of experience in molecular diagnostics and medical devices, and 10 years of experience in cutting-edge bioscience research at top-tier institutions. Prior to joining our Group in 2015 as chief technology officer of Hangzhou Nuohui, our principal operating subsidiary, Dr. Lu served as a manager at Roche Diagnostics from 2007, developing IVD products for US and European markets. From 2004 to 2007, Dr. Lu worked as a Senior Scientist in the R&D department of Quest Diagnostics. During his over a decade of IVD experience at multiple global companies including Roche Diagnostics and Quest Diagnostics, Dr. Lu has led the development of eight IVD products. Dr. Lu is one of the inventors of two patents, namely "bordetella detection assay" (published in 2009) and "HAV detection" (published in 2014).

Dr. Lu received his Bachelor's degree in Biochemistry in July 1992 from Peking University in the PRC, and then received his Doctoral degree of Philosophy in September 1999 from Duke University in the United States, where he co-authored an article titled "ELAV tumor antigen, Hel-N1, increases translation of neurofilament M mRNA and induces formation of neurites in human teratocarcinoma cells" (published in 1999). Subsequently, Dr. Lu served as a postdoctoral researcher at the Department of Biological Sciences, Stanford University where he co-authored an article titled "Localization of Tec29 to ring canals is mediated by Src64 and PtdIns(3,4,5)P_3 -dependent mechanisms" (published in 2004).

Report of Directors

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

PRINCIPAL ACTIVITIES

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

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2020. Please refer to note 34 to the consolidated financial statements for details of the principal activities of the principal subsidiaries of the Group. An analysis of the Group's revenue and operating profit for the year ended December 31, 2020 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2020, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended December 31, 2020, events after the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman and CEO's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on page 108 of this annual report.

The Board does not recommend the payment of a final dividend in respect of the year ended December 31, 2020.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements on page 151 of this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

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

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

For details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the section headed "Environmental, Social and Governance Report" in this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group has established detailed internal rules regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control. During the year ended December 31, 2020, we did not incur any additional costs specifically attributable to environmental compliance.

Further details of the Group's environmental policies and performance are disclosed in the section headed "Environmental, Social and Governance Report" of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements on page 172 of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 111 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 36 to the consolidated financial statements on pages 197 to 198 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's distributable reserves, calculated in accordance with relevant rules and regulations, were RMB0 million.

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

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

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange on February 18, 2021 and the 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).

During the Relevant Period, the Company has not utilized any of the net proceeds raised from the Global Offering. The Company intends to use the net proceeds in the same matter and proportion as set out in the Prospectus:

- 40.0% of the net proceeds from the Global Offering will be used to fund the commercialization and further development of ColoClear as medical services or as a standalone product;

- 5.0% of the net proceeds from the Global Offering will be used to fund the ongoing sales and marketing of Pupu Tube through promoting awareness of colorectal cancer screening and increasing market penetration, and to conduct additional clinical assessment of Pupu Tube in various population;

- 30.0% of the net proceeds from the Global Offering will be used to fund the ongoing and planned research and development to further develop UU Tube, CerviClear and our other early pipeline products;

- 15.0% of the net proceeds from the Global Offering will be used for continued expansion and diversification our product portfolio through potential acquisition or in-licensing of product candidates in the cancer screening field; and

- 10.0% of the net proceeds from the Global Offering will be used for our working capital and other general corporate purposes.

It is expected that the Company will utilize the net proceeds raised from the Global Offering within 4 years from the Listing.

DIRECTORS

The Board currently consists of the following 9 Directors:

Executive Directors

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

Non-executive Directors

Mr. Naxin YAO
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
Mr. Quan ZHOU
Mr. Siu Wai NG

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 26 to 31 in the section headed "Biographies of Directors and Senior Management" of this annual report.

CHANGE OF INFORMATION OF DIRECTORS

Saved as disclosed in this report and as at the Latest Practicable Date, there are no other changes to the Directors' and Senior Management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and Non-executive Directors has entered into a service contract with the Company under which the initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from the date of the Prospectus, being February 4, 2021. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

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

CONTRACT WITH SUBSTANTIAL SHAREHOLDERS

No contract of significance was entered into between the Company or any of its subsidiaries and the substantial shareholders or any of its subsidiaries during the Reporting Period or subsisted at December 31, 2020 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted at December 31, 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Except the Contractual Arrangements as disclosed below in this report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at December 31, 2020 or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. The compensation of Directors and senior management is determined based on each Director and senior management's responsibilities, qualification, position and seniority. Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements on pages 148 to 149 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended December 31, 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2020, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

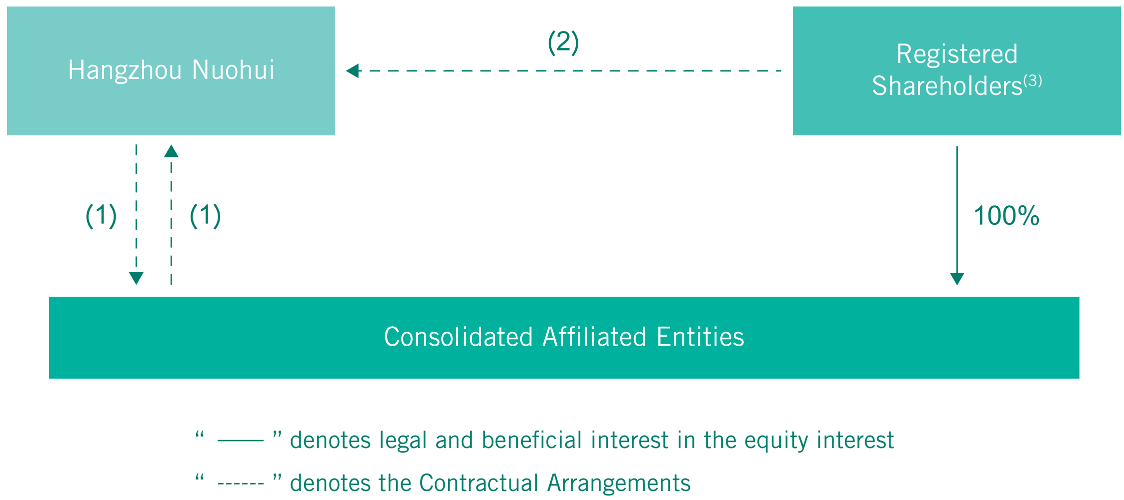
During the Reporting Period and as at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than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

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

CONTRACTUAL ARRANGEMENTS AND CONTINUING CONNECTED TRANSACTIONS

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

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



Notes:

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

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

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

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

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

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

(a) Exclusive Business Cooperation Agreement

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

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

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

For the year ended December 31, 2020, under the Exclusive Business Cooperation Agreement, Hangzhou Nuohui provided financial assistance to the Consolidated Affiliated Entities (including but not limited to purchase of services and cash advances) amounting to RMB9,041,000 (2019: RMB9,989,000) and as at December 31, 2020, the balance due from the Consolidated Affiliated Entities to Hangzhou Nuohui is RMB15,593,000 (2019: RMB13,780,000).

(b) Exclusive Option Agreement

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

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

(c) Equity Pledge Agreement

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

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

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

(d) Powers of Attorney

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

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

(e) Spouse Undertakings

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

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

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and our Consolidated Affiliated Entities during the year ended December 31, 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended December 31, 2020.

For the year ended December 31, 2020, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2020, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our PRC Operating Entities under the Contractual Arrangements.

The Consolidated Affiliated Entities do not contribute any revenue to the Group for the year ended December 31, 2019 and 2020. The Consolidated Affiliated Entities attributed approximate to 4.1% (2019: 6.3%) of total assets to the Group.

Reasons for Adopting the Contractual Arrangements

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

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

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

(b) no change without independent Shareholders' approval;

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

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

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

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

Annual Review by the Independent Non-Executive Directors

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

(a) the transactions carried out during the year ended December 31, 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

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

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

Confirmation from the Company's Independent Auditor

Deloitte Touche Tohmatsu, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Equity Pledge Agreement and the Exclusive Business Cooperation Agreement for the year ended December 31, 2020 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement for the year ended December 31, 2020. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited that nothing has come to his attention that cause him to believe that the Continuing Connected Transactions:(i) have not been approved by the Company's board of directors; (ii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iii) was any dividend or other distribution made by Beijing Xincheng to its registered shareholders which are not otherwise subsequently assigned or transferred to our Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

NON-COMPETITION ARRANGEMENTS

No non-competition agreements or arrangement has been provided by the substantial shareholders as at December 31, 2020 or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Other than the Directors and senior managements' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at December 31, 2020 or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

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

LOAN AND GUARANTEE

Except as set out in notes 18 and 19 to the consolidated financial statements contained herein, during the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors and senior management of the Company, the controlling shareholders of the Company (if any) or their respective connected persons.

PRE-IPO SHARE INCENTIVE PLAN

The Company adopted the Pre-IPO Share Incentive Plan on October 10, 2018, which was further amended and approved on August 17, 2020. The Pre-IPO Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares upon the Listing.

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

Summary of Terms

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

(a) Purpose

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

(b) Scope of Participants

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

(c) Duration

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

(d) Type of Awards

(i) **Options and share appreciation rights.** Subject to the Pre-IPO Share Incentive Plan, the Administrator shall be entitled to make an offer to any eligible participant to take up options or share appreciation rights in respect of such number of Class A Ordinary Shares (which have been converted into Shares on a one-to-one basis by way of re-designation and re-classification before Listing) as the Administrator may determine and at the exercise price determined by the Administrator in its sole discretion and disclosed under the award agreement. Any exercisable option or share appreciation right will be deemed to be exercised when (a) the applicable exercise procedures in the related award agreement have been satisfied (or, in the absence of any such procedures in the related award agreement, the Company has received written notice of such exercise from the participant), (b) in the case of an option, the Company has received any required payment made in accordance with the Plan, and (c) the Company has received any written statement required pursuant to the Plan.

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

(e) Maximum Number of Shares

The maximum number of Shares that may be delivered pursuant to awards granted under the Pre-IPO Share Incentive Plan shall not exceed 31,686,768 Shares in the aggregate, representing approximately 7.38% of the total issued share capital of the Company as at the Latest Practicable Date.

(f) Payment

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

(g) Options, share appreciation rights and restricted share units granted

As of the Latest Practicable Date, options to subscribe for an aggregate of 28,113,326 Shares had been granted to Directors, senior management and employees of the Group, of which (1) options to subscribe for 20,023,720 Shares had been exercised; (2) options to subscribe for 11,750 Shares had terminated following the resignation of certain employees and were capable of being re-allocated to other grantees; and (3) options to subscribe for 8,077,856 Shares were outstanding and held by grantees. As of the Latest Practicable Date, 3,573,442 Shares representing Shares underlying ungranted awards under the Pre-IPO Share Incentive Plan had been allotted and issued to Ever Thriving Ventures Limited to be held on trust for the benefit of eligible participants. Ever Thriving Ventures Limited is owned and managed by Trident Trust Company (HK) Limited (the "**Trustee**"), which has agreed to act as the trustee to facilitate the administration of the Pre-IPO Share Incentive Plan.

As of the Latest Practicable Date, no share appreciation rights or restricted share units had been granted pursuant to the Pre-IPO Share Incentive Plan.

List of grantees under the Pre-IPO Share Incentive Plan

As of the Latest Practicable Dates, share options granted to 196 grantees, including two Directors, two members of the senior management and 192 other employees of our Group (who were granted options to subscribe for 18,574,140 Shares, 4,000,000 Shares and 5,527,436 Shares, respectively), to subscribe for an aggregate of 28,101,576 Shares, of which a portion of the options corresponding to 20,023,720 Shares have been exercised.

Below is a list of Directors and senior management of our Group who are grantees of options under the Pre-IPO Share Incentive Plan, and the number of underlying Shares of their respective options (exercised or outstanding).

Name of Grantee	Position	Exercise Price (US$/Share)	Date of Grant	Vesting Period	Total Number of Shares Underlying the Exercised Options	Total Number of Shares Underlying the Outstanding and Unexercised Options as of the Latest Practicable Date
Dr. Yiyou CHEN	Executive Director and chairman of the Board	0.4221	May 14, 2019	(Note 1)	0	5,521,070
Mr. Yeqing ZHU	CEO and executive Director	0.1657-0.6000	October 10, 2018 – April 24, 2020	(Notes 1,2,3)	13,053,070	0
Dr. Ning LU	Chief Technology Officer	0.1657-0.6000	October 10, 2018 – April 24, 2020	(Note 2)	479,166	1,520,834
Mr. Yu GAO	Chief Financial Officer	0.6000	June 1, 2020	(Notes 4, 5)	2,000,000	0

Notes:

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

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

(3) On August 31, 2020, an aggregate of 13,053,070 share options granted to Mr. Yeqing ZHU were early-exercised and concurrently transferred to the Trustee. As a result, on the same day, an aggregate of 13,053,070 Shares underlying the early-exercised options were issued to NHXT Holdings Ltd., an entity owned and managed by the Trustee, to be held on trust for Mr. Yeqing ZHU and certain of his family members as beneficiaries. As the aggregate of 13,053,070 Shares were acquired prior to the time that they would have become vested in accordance with the vesting schedule set out in the relevant option agreements at the time of grant, pursuant to a share vesting agreement entered into between the Company and Mr. Yeqing ZHU dated August 31, 2020, the Shares held by NHXT Holdings Ltd. are restricted shares and are subject to a right of repurchase by the Company. The restricted shares will vest, and the repurchase right of the Company will lapse, as of the date(s) that the early-exercised options would have otherwise become vested in accordance with the relevant option agreements entered into.

(4) The options granted on June 1, 2020 to Mr. Yu GAO to purchase 1,600,000 shares shall vest and become exercisable as to 400,000 shares on the first anniversary of the vesting commencement date, and shall vest and become exercisable as to the remaining 1,200,000 shares in equal monthly installments over the subsequent 36 months thereafter. The option to purchase 400,000 shares shall vest and become exercisable subject to the achievement of a milestone event as defined in the relevant award agreement.

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

The following table summarizes the number of underlying Shares of the options (exercised or outstanding, but not including the terminated ones) granted to individuals other than the Directors and senior management of the Group under the Pre-IPO Share Incentive Plan.

Exercise price (US$/Share)	Date of Grant	Vesting Period	Total Number of Shares Underlying the Exercised Options	Total Number of Shares Underlying the Outstanding and Unexercised Options as of the Latest Practicable Date
0.1657	January 24, 2017	(Notes 1, 2, 3)	472,186	0
0.1657	October 10, 2018	(Notes 1, 3)	2,749,298	338,702
0.6000	April 24, 2020	(Notes 1, 3)	1,270,000	309,000
0.6000	June 10, 2020	(Note 1)	0	388,250

Notes:

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

(2) These options were granted to certain employees of Hangzhou Nuohui under the Hangzhou Nuohui share incentive plan on January 24, 2017, and which were replaced and exchanged for options to purchase Shares under the Pre-IPO Share Incentive Plan pursuant to the Company's board resolution dated October 10, 2018. The vesting commencement date for these options is therefore January 24, 2017.

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

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

As at the Latest Practicable Date, interests or short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"), are as follows:

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

Long Position in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total Shares in issue of the Company*
Dr. Yiyou CHEN	Beneficial Interest(1)	41,525,606	9.67%
	Trustee(2)	10,000,000	2.33%
Mr. Yeqing ZHU	Beneficial Interest(3)	13,053,070	3.04%
	Settlor and beneficiary of a discretionary trust(4)	15,092,940	3.51%
Mr. Naxin YAO	Settlor and beneficiary of a discretionary trust(5)	40,603,670	9.46%

Notes:

* The calculation is based on the total number of 429,440,686 Shares issued as at the Latest Practicable Date.

(1) Dr. Yiyou CHEN, one of the executive Directors and chairman of the Board, directly holds 36,004,536 Shares as beneficial owner. He is also entitled to receive up to 5,521,070 Shares pursuant to the options granted to him, subject to the conditions (including vesting conditions) of those options.

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

(3) Mr. Yeqing ZHU, the CEO of our Company and one of the executive Directors, is entitled to receive up to 13,053,070 Shares pursuant to options granted to him, subject to the conditions (including vesting conditions) of those options.

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

(5) NHXC Holdings directly holds 17,559,052 Shares as beneficial owner, and is held as to 40.29% by MST Development Limited. MST Development Limited itself directly holds 23,044,618 Shares as beneficial owner. MST Development Limited is held as to 100% by Bancasa Holding Limited and ultimately owned by Trident Trust Company (HK) Limited (the "**Trustee**"), and holds Shares on trust for the benefit of Mr. Naxin YAO, one of our non-executive Directors, and certain of his family members as beneficiaries. Under the SFO, as settlor and beneficiary of such trust, Mr. Naxin YAO is deemed to be interested in the Shares held through MST Development Limited.

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

Beijing New Horizon Xincheng Health Technology Co., Ltd

Long Position in the Shares

Name of Director	Nature of Interest	Amount of Registered Capital Subscribed (RMB) as at the Latest Practicable Date	Approximate percentage of shareholding as at the Latest Practicable Date
Mr. Yeqing ZHU	Beneficial Interest	11,880,000	99%

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

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

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

Long Position in the Shares

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total Shares in issue of the Company*
Legend Capital Co., Ltd. (君聯資本管理股份有限公司)	Interest in controlled corporation[1]	41,381,746	9.64%
SBCVC Fund V, L.P.	Interest in controlled corporation[2]	22,559,012	5.25%
Qiming Corporate GP V, Ltd	Interest in controlled corporation[3]	35,891,538	8.36%
VMS Holdings Limited	Interest in controlled corporation[4]	36,269,540	8.45%
Trident Trust Company (HK) Limited	Trustee[5]	78,814,606	18.35%
Ms. Lili CHEN	Interest of spouse[6]	51,525,606	12.00%
Ms. Yang JIAO	Interest of spouse[7]	28,146,010	6.55%

Notes:

* The calculation is based on the total number of 429,440,686 Shares issued as at the Latest Practicable Date.

(1) High Diamond Limited directly holds 24,836,898 Shares and Good Rise Holdings Limited directly holds 16,544,848 Shares.

To the best knowledge of the Company, High Diamond Limited is wholly-owned by LC Healthcare Fund I, L.P., which is controlled by its general partner, LC Healthcare Fund I GP, L.P.. LC Healthcare Fund I GP, L.P. is controlled by its general partner LC Fund GP Limited, which is in turn wholly-owned by Union Season Holdings Limited. Union Season Holdings Limited is wholly-owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which is held as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and 20% by Legend Holdings Corporation (stock code: 3396). The general partner of Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) is Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司). As such, under the SFO, each of LC Healthcare Fund I, L.P., LC Healthcare Fund I GP, L.P., LC Fund GP Limited, Union Season Holdings Limited, Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 24,836,898 Shares held by High Diamond Limited.

To the best knowledge of the Company, Good Rise Holdings Limited is wholly-owned by Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)), which is in turn held as to 99.99% by Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)). The general partner of Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)) and of Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)) is Lasa Junqi Business Management Limited (拉薩君祺企業管理有限公司), which is wholly-owned by Legend Capital Co., Ltd. (君聯資本管理股份有限公司). As such, under the SFO, each of Tianjin Junlian Zhihui Business Management Partnership (Limited Partnership) (天津君聯致輝商業管理合夥企業(有限合夥)), Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)), Lasa Junqi Business Management Limited (拉薩君祺企業管理有限公司), Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 16,544,848 Shares held by Good Rise Holdings Limited.

Based on the above, under the SFO, Legend Capital Co., Ltd. (君聯資本管理股份有限公司), Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) and Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) (through its interest in controlled corporations) are deemed to be interested in the 41,381,746 Shares collectively held by High Diamond Limited and Good Rise Holdings Limited.

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

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

(4) Sino Felicity Limited directly holds 36,269,540 Shares. To the best knowledge of the Company, Sino Felicity Limited is a wholly-owned subsidiary of VMS Proprietary Investment Limited, and VMS Proprietary Investment Limited is in turn a wholly-owned subsidiary of VMS Proprietary Investment Group Limited. VMS Proprietary Investment Group Limited is a wholly-owned subsidiary of VMS Holdings Limited, which is held as to 59.8% by Ms. Mak Siu Hang Viola, 32.2% by Master Competent Limited and 8.0% by VMS Management Partners Limited. Master Competent Limited is wholly-owned by Ms. Mak Siu Hang Viola. As such, under the SFO, each of VMS Proprietary Investment Limited, VMS Proprietary Investment Group Limited, VMS Holdings Limited and Ms. Mak Siu Hang Viola (through its interest in a controlled corporation or controlled corporations, as the case may be) are deemed to be interested in the 36,269,540 Shares held by Sino Felicity Limited.

(5) NH Trinity Limited indirectly holds 15,092,940 Shares, through NHYJ Holdings, on trust for Mr. Yeqing Zhu and certain of his family members as beneficiaries. MST Development Limited directly holds 23,044,618 Shares and a 40.29% interest in NHXC Holdings on trust for Mr. Naxin Yao and certain of his family members as beneficiaries. NHXC Holdings directly holds 17,559,052 Shares. NHXT Holdings Ltd. and Ever Thriving Ventures Limited each hold 13,053,070 and 10,064,926 Shares, respectively, underlying awards under the Pre-IPO Share Incentive Plan on trust for the benefit of participants under the Pre-IPO Share Incentive Plan. Each of NH Trinity Limited, MST Development Limited, NHXT Holdings Ltd. and Ever Thriving Ventures Limited are owned and managed by the trustee, Trident Trust Company (HK) Limited. As such, Trident Trust Company (HK) Limited is deemed to be interested in the aggregate of 78,814,606 Shares (as trustee) held through NH Trinity Limited, MST Development Limited NHXT Holdings Ltd. and Ever Thriving Ventures Limited. The exercise of voting rights in the Shares by Trident Trust Company (HK) Limited is nevertheless subject to the directions of (i) Mr. Zhu, in relation to the Shares held through NH Trinity Limited, (ii) Mr. Naxin Yao, in relation to the Shares held through MST Development Limited, (iii) Mr. Zhu and Dr. Lu, in relation to the Shares held through NHXT Holdings Ltd. and (iv) any person appointed by the Board to administrate the Pre-IPO Share Incentive Plan, in relation to the Shares held through Ever Thriving Ventures Limited.

(6) Ms. Lili Chen is the spouse of Mr. Yiyou Chen. By virtue of the SFO, Ms. Lili Chen is deemed to be interested in the Shares held by Mr. Yiyou Chen.

(7) Ms. Yang Jiao is the spouse of Mr. Yeqing Zhu. By virtue of the SFO, Ms. Yang Jiao is deemed to be interested in the Shares held by Mr. Yeqing Zhu.

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

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

None of the Company, its holding company or any of its subsidiaries has entered into any arrangement at any time from the Listing Date to the Latest Practicable Date, so that the Directors would benefit from the purchase of Shares or debt securities (including debentures) of the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

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

In the Reporting Period, the Group's largest customer accounted for 41.2% of the Group's total revenue. The Group's five largest customers accounted for 50.4% of the Group's total revenue. The Group's length of relationship with its five largest customers was on average approximately three years. A limited number of customers accounted for a substantial portion of our revenue during the Reporting Period, and any decreases in our future sales to them could adversely affect our results of operations. However, the Company would continue to explore business opportunities with other potential customers.

In the Reporting Period, the Group's largest supplier accounted for 26.9% of the Group's total purchase. The Group's five largest suppliers accounted for 63.5% of the Group's total purchase.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had 336 employees as at December 31, 2020. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in note 33 to the consolidated financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 29 to the consolidated financial statements contained herein.

The related party transactions disclosed in note 29 were not regarded as connected transactions or continuing connected transactions in Chapter 14A to the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the CG Code. Throughout the Relevant Period, the Company has complied with all the applicable code provisions in the CG Code.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 57 to 70 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB4.7 million.

AUDITOR

The Shares were only listed on the Stock Exchange on February 18, 2021, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2020 annual general meeting.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RISKS AND UNCERTAINTIES

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

- our ability to develop and commercialize our cancer screening solutions candidates, including the commercialization of ColoClear and Pupu Tube for high-risk and average-risk colorectal cancer population in China;
- our financial position;
- our ability to obtain additional financing to fund our operations;
- our ability to identify additional cancer screening solutions candidates;
- our success in demonstrating safety and efficacy of our cancer screening solutions candidates to the satisfaction of regulatory authorities or produce positive results in our clinical trials;
- material aspects of the research, development and commercialization of our products being heavily regulated;
- in conducting cancer screening solutions discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities;

- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for our cancer screening solutions candidates;

- changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;

- our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations;

- competition in the cancer screening market where the Group serves; and

- our ability to obtain and maintain patent protection for our cancer screening solutions candidates.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Friday, June 18, 2021. The notice of the AGM will be published and despatched in due course in the manner as required by the Listing Rules.

The register of member of the Company will be closed from Tuesday, June 15, 2021 to Friday, June 18, 2021 (both days inclusive), in order to determine the eligibility of the holders of shares to attend and vote at the AGM. The holder of shares whose names appear on the share register of members of the Company on Tuesday, June 15, 2021 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 Friday, June 11, 2021.

On behalf of the Board
Dr. Yiyou Chen
Chairman

Hong Kong, March 15, 2021

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

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards.

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

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

The Board is of the view that throughout the Relevant Period, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for the trading of securities by its Directors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Company or its subsidiaries) on terms that no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry by the Company, all Directors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code throughout the Relevant Period. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

BOARD OF DIRECTORS

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

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

Board Composition

As at the Latest Practicable Date, the Board comprised 9 Directors, consisting of 2 executive Directors, 4 non-executive Directors and 3 independent non-executive Directors as follows:

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

Non-executive Directors
Mr. Naxin YAO
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*
Mr. Quan ZHOU
Mr. Siu Wai NG

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

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

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

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Dr. Yiyou CHEN and Mr. Yeqing ZHU respectively, thus we have complied with Code provision A.2.1. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established.

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

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

According to the Articles of Association, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office. Without violating the relevant laws, regulations and regulatory rules of the locality where the Company's shares are listed, a person newly appointed as director by the Board to fill a casual vacancy or as an addition to the existing Board shall serve until the first shareholders' general meeting of the Company after his/her appointment or until the next annual general meeting of the Company, respectively, at which time the said person is eligible for re-election.

Responsibilities of the Directors

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

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

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

Directors	**Type of Training** Note
Executive Directors	
Dr. Yiyou CHEN	A/B
Mr. Yeqing ZHU	A/B
Non-executive Directors	
Mr. Naxin YAO	A/B
Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*	A/B
Mr. Quan ZHOU	A/B
Mr. Siu Wai NG	A/B
Independent Non-executive Directors	
Mr. Danke YU	A/B
Prof. Hong WU	A/B
Dr. Kwok Tung LI, Donald, *S.B.S., J.P.*	A/B

Note:

Types of Training

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

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

Board Diversity Policy

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

Our Directors have a balanced mixed of knowledge and skills, including but not limited to business management, finance, investment and accounting, as well as professional experiences in the biotechnology, clinical research and life sciences industries. The Board of Directors is of the view that our Board satisfies the Board Diversity Policy.

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

Nomination Policy

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

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

During the Relevant Period, there was no change in the composition of the Board.

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee consists of two independent non-executive Directors, namely Mr. Danke YU and Dr. Kwok Tung LI, Donald, and one non-executive Director, namely Ms. Nisa Bernice Wing-Yu LEUNG. Mr. Danke YU is the chairperson of the Audit Committee.

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

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

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

As the Company's shares were only listed on the Stock Exchange on February 18, 2021, the Audit Committee did not hold any meetings during the year ended December 31, 2020. During the Relevant Period, the Audit Committee held one meeting to review material controls including the draft audited annual consolidated financial statements and significant issues on the financial reporting, the draft annual results announcement, the draft annual report, the effectiveness and sufficiency of the risk management and internal control systems, the standard of resources, staff qualifications and experience in the internal audit function, the sufficiency of training courses received by employees and the relevant budgets, and the appointment of external auditors.

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

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

Remuneration Committee

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

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

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

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board, including assessing performance of executive Directors and approving the terms of executive Directors' service contracts;
- reviewing the appraisal and remuneration management system which includes but is not limited to performance appraisal criteria and procedures, the main appraisal system, and the principal plan and system regarding incentive and penalty;

- making recommendations to the Board for the remuneration package of individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- reviewing and approving the compensation due to executive Directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair and not excessive;
- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in the determination of his remuneration;
- operating the Company's share option scheme or other incentives schemes as they apply to, and recommend to the general meeting of shareholders grants of options to be made to Directors and/or senior management;
- reviewing the Group's policy on expense reimbursements for Directors and senior management; and
- other matters as authorized by the Board.

As the Company's shares were only listed on the Stock Exchange on February 18, 2021, the Remuneration Committee did not hold any meetings during the year ended December 31, 2020. During the Relevant Period, the Remuneration Committee did not hold any meetings.

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

	2020 Number of Individual(s)	2019 Number of Individual(s)
Annual Remuneration		
HK$1,000,001 to HK$1,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	–
	2	1

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2020 are set out in note 11 to the Consolidated Financial Statements in this report.

Nomination Committee

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

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

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

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, as well as formulating, or assisting the Board to formulate, a board diversity policy for the Company;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- assessing the independence of independent non-executive Directors on an annual basis;
- reviewing annually the time required from non-executive Directors to assess whether the non-executive Directors are spending enough time in fulfilling their duties;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- formulating plans for succession for both executive and non-executive Directors; and
- other matters as authorized by the Board.

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

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

As the Company's shares were only listed on the Stock Exchange on February 18, 2021, the Nomination Committee did not hold any meetings during the year ended December 31, 2020. During the Relevant Period, the Nomination Committee did not hold any meetings.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

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

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Other General Meetings
Dr. Yiyou CHEN	1/1	N/A	N/A	0/0	0/0	0/0
Mr. Yeqing ZHU	1/1	N/A	0/0	N/A	0/0	0/0
Mr. Naxin YAO	1/1	N/A	N/A	N/A	0/0	0/0
Ms. Nisa Bernice Wing-Yu LEUNG	1/1	1/1	N/A	N/A	0/0	0/0
Mr. Quan ZHOU	1/1	N/A	N/A	N/A	0/0	0/0
Mr. Siu Wai NG	1/1	N/A	N/A	N/A	0/0	0/0
Mr. Danke YU	1/1	1/1	0/0	0/0	0/0	0/0
Prof. Hong WU	1/1	N/A	0/0	0/0	0/0	0/0
Dr. Kwok Tung LI, Donald	1/1	1/1	N/A	N/A	0/0	0/0

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

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

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

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

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

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	**Fees Paid/Payable** ***RMB'000***
Audit Services	1,250
IPO services	7,280
Non-audit Services	
– Taxation	1,200
– Internal control review for the listing	600
Total	10,330

JOINT COMPANY SECRETARIES

During the Relevant Period, Mr. Yu GAO and Ms. Ching Man YEUNG were the joint company secretaries of the Company. Mr. Gao, who is also the CFO, is the primary corporate contact person at the Group.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

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

SHAREHOLDERS' RIGHTS

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

Convening Shareholders' General Meetings

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

Pursuant to Article 58 of the Articles of Association, the Board may, whenever it thinks fit, call extraordinary general meetings. Extraordinary general meetings shall also be convened on the written requisition to the Board or the Secretary of the Company of one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meetings for any business specified in such requisition. The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association.

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

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

Putting Forward Enquiries to the Board

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

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (For the attention of the Board of Directors)

Fax: +852 2980 1333

Email: is-enquiries@hk.tricorglobal.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

Changes to the Articles of Association

The existing Articles of Association were adopted on October 9, 2020 with effect from the Listing Date. During the Relevant Period, no changes were made to the Articles of Association.

The Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to Shareholders' approval.

Environmental, Social and Governance Report

CONTENTS

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the annual Environmental, Social and Governance ("ESG") Report of New Horizon Health ("New Horizon", the "Company", "we", "our" or "us") and its subsidiaries (the "Group") (stock code: 6606) for the year ended December 31, 2020 (the "Reporting Period"), with an aim of disclosing the environmental, social and governance performance in relation to corporate social responsibilities and sustainable development.

Basis for Preparation

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The coverage and content of the report are in compliance with the disclosure obligation under the "comply or explain" provisions of the Guide. Readers can refer to the final chapter of this report – "Appendix II: Content Index of the Guide of the Stock Exchange" for quick referencing.

Reporting Period and Scope of the Report

The scope of this report covers the core business of the Company for the Reporting Period of January 1, 2020 to December 31, 2020. Five companies, namely Hangzhou New Horizon Health Technology Co., Ltd. (杭州諾輝健康科技有限公司), Beijing New Horizon Xincheng Health Technology Co., Ltd. (北京諾輝新程健康科技有限公司), Hangzhou Nuokang Medical Examination Lab Co., Ltd. (杭州諾康醫學檢驗實驗室有限公司), Beijing Nuoan Medical Examination Lab Co., Ltd. (北京諾安醫學檢驗實驗室有限公司) and Guangzhou Nuohui Medical Examination Lab Co., Ltd. (廣州諾輝醫學檢驗實驗室有限公司), have been selected as environmental key performance indicators ("KPIs") to present the quantitative performance of the Group.

Endorsement and Approval

The board ("Board") of directors of the Company is responsible for assessing and identifying risks in relation to ESG, and ensuring that appropriate and effective risk management and internal monitoring systems are in place.

Meanwhile, the Board is responsible for reviewing the ESG report and accepts the responsibility of ESG strategies and reporting of the Company. This report is prepared in accordance with the four reporting principles of the ESG Guide, including materiality, quantitative, balance and consistency. New Horizon has determined the key disclosure contents of this report through materiality assessment and disclosed the quantifiable environmental and social performance. This report is in compliance with all "comply or explain" provisions under the ESG Guide.

Sources of Information

All qualitative and quantitative information contained in this report comes from public information, internal documents and relevant statistics of New Horizon Health.

Contact Information

Your opinions on this report are treasured by us. For any enquiries or recommendations, please feel free to contact the Company via e-mail at IR@nhbio.com.cn.

ABOUT NEW HORIZON HEALTH

Established in 2015, New Horizon Health is a leader in cancer early detection and an innovator of at-home test in China. On February 18, 2021, New Horizon Health was successfully listed on the Stock Exchange (stock code: 6606.HK) and has become the first stock of cancer early detection in China. The vision of the Company is to prevent and cure cancer by screening and early detection. New Horizon Health holds a registration certificate for cancer early detection as approved by the National Medical Products Administration of China ("NMPA"). The two colorectal cancer screening products (Coloclear® and Pupu Tube®) of the Company have been approved by NMPA and commercialized. Moreover, the Company has two pipeline products under development for gastric and cervical cancer screening. The Company has the global intellectual property of all of its commercialized products and pipeline products.

Coloclear® has been approved by NMPA. Adopting the technology of multi-target FIT-DNA test, it is a non-invasive colorectal cancer screening product for at-home test. It is designed targeting the locus of Chinese people and a 120 million high-risk colorectal cancer population in China. It has received consensus recommendations from various clinical experts in China. Pupu Tube® is the first self-conducted FIT screening product in China, which has been approved by NMPA and granted CE Mark by the European Union. It is designed for the mass market of 630 million target population in China exposed to colorectal cancer, and helps to effectively identify the high colorectal cancer risk population. Besides, the Company has various screening pipelines with synergy for common cancers in China.

New Horizon Health is headquartered in Hangzhou and has third-party medical examination laboratories located in Beijing, Hangzhou and Guangzhou with a total area of 20,000 square meters. It has developed extensive cooperation with hospitals, health checkup centers, insurance companies, pharmacies and online channels, which enable our users to enjoy convenient, comfortable, accurate and reassuring testing at home, so as to get early alert of cancer and thus effective prevention.

AWARDS ATTAINED IN 2020

Name of Award	Organizer	Type of Organizer	Time of Awarding
IVD of the Year and the Best Enterprise in Precision Medicine (年度 IVD 和精準醫療最佳企業大獎)	HaoYue Capital (浩悦資本)	Investor	March 25, 2020
Hurun China Gazelle Enterprise of 2020 (2020 胡潤中國瞪羚企業)	Hurun Research Institute (胡潤研究院)	Media	June 17, 2020
Top 100 Chinese Science and Technology Innovation Enterprises in 2020 (2020 年度中國科創企業百強)	Chinese Entrepreneur Magazine (中國企業家雜誌)	Media	June 22, 2020
Innovative and Vigorous Companies in Medical Industry in 2020 (2020 醫療創新生命力榜單)	vcbeat.top (動脈網)	Media	July 28, 2020
Innovative and Vigorous Companies in Medical Device Industry in 2020 (2020 醫療器械創新生命力獎)	vcbeat.top (動脈網)	Media	July 28, 2020
Top 100 High-growth Enterprises in Medical and Health Sectors of China in 2020 (2020 年中國醫療健康領域高成長企業 top100)	qimingpian.com & 24 Xin Sheng (企名科技&24 新聲)	Media	September 2, 2020
List of Molecular Diagnostics in China of CB Insights (CB Insights 中國分子診斷榜單)	CB Insights	Media	September 30, 2020
Excellent Enterprise of the Big Health Industry (大健康產業卓越企業)	The Economic Observer (經濟觀察報)	Media	October 26, 2020
Top 50 of the New Medical Industry in 2020 (2020 新醫療產業 TOP50)	Start Up Group (創業家) and iheima (i 黑馬) in collaboration with over 30 investment institutions	Media	October 30, 2020
Responsible Enterprise of Family Health in China in 2020 (2020 中國家庭健康責任企業)	CF News (中國家庭報)	Media	November 21, 2020
King of New Economy (新經濟之王)	36 Kr (36 氪)	Media	December 5, 2020
Star Enterprise of Intelligence and Health among EDGE Top 50 Technology Enterprises (EDGE TOP50 科技企業中的智慧健康明星企業)	TMTpost (鈦媒體)	Media	December 19, 2020
Top 20 of Black Technology in Tumor Diagnosis and Treatment (腫瘤診療黑科技 TOP20)	Liangyihui (良醫匯), Beijing Xisike Clinical Oncology Research Foundation (北京市希思科臨床腫瘤學研究基金會)	Media	December 28, 2020

MANAGEMENT APPROACH

Corporate Governance

New Horizon Health complies with the laws and regulations and other regulatory documents in relation to corporate governance such as the Company Law of the PRC, the Securities Law of the PRC, the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and requirements of the Articles of Association.

The general meeting is the Company's highest decision-making body. The Board is responsible for implementing the decisions of the general meetings. It is the core of the corporate governance structure. There are three committees under the Board, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, which are responsible for regulating the Company's operation, putting forward major decisions of the Company for consideration, evaluating and advising on these decisions, while striving to maintain a high level of corporate governance, sound internal monitoring system and effective risk management. The Board is committed to improving transparency, accountability, credibility and honesty, and strives to earn the confidence from our shareholders and other stakeholders and to safeguard the interests of shareholders.

The Board is responsible for formulating the overall ESG strategy of the Company, and is committed to conducting regular review and evaluation of the Group's ESG-related policies and risks so as to ensure that appropriate and effective ESG risk management is in place. Under the guidance of the Board, senior management and departmental staff of relevant businesses have been engaged to identify the relevant ESG issues and assess their materiality to the Group's business as well as to its stakeholders through daily review of the Company's operations and internal discussion. The risk management and internal audit functions of the Company review the effectiveness of systems in relation to ESG regularly and report such to the management.

We have established the Environmental, Health and Safety (EHS) Management Committee and the Safety Production Management Leading Group in 2020, with an aim to enhancing the management of social security, fire safety and production as well as comprehensive environmental management. The team leader of the EHS Management Committee is our co-founder and CEO. The EHS Management Committee appoints safety champion(s) and safety management staff, who are responsible for the work related to ESG of the Company.

Responsibility and Target Management

We identify our environmental, social, labor and operational responsibilities through processes such as risk management and materiality assessment, and implement respective management and control measures to achieve continuous improvement. The nature of industry not only determines our operation goals, but also means that we have to bear more social responsibilities. While focusing on technological innovation and product development, we will also continue to incorporate the ESG ideas into our business operation, with a view to giving back to the society, benefiting the public and protecting the rights and interests of our employees, etc., thereby contributing to the sustainable development of the enterprise, environment and society. From 2020 to 2025, we will invest RMB10 million and conduct popular education via various channels in collaboration with Cancer Foundation of China, iKang Healthcare Group (愛康集團), TRENDSHEALTH and other partners to popularize the knowledge of prevention and treatment of gastrointestinal oncology. We will also organize charitable screening for gastrointestinal oncology nationwide targeting poor and low-income population in areas with a high incidence of gastrointestinal oncology, in order to support the establishment of a prevention and monitoring system for gastrointestinal oncology.

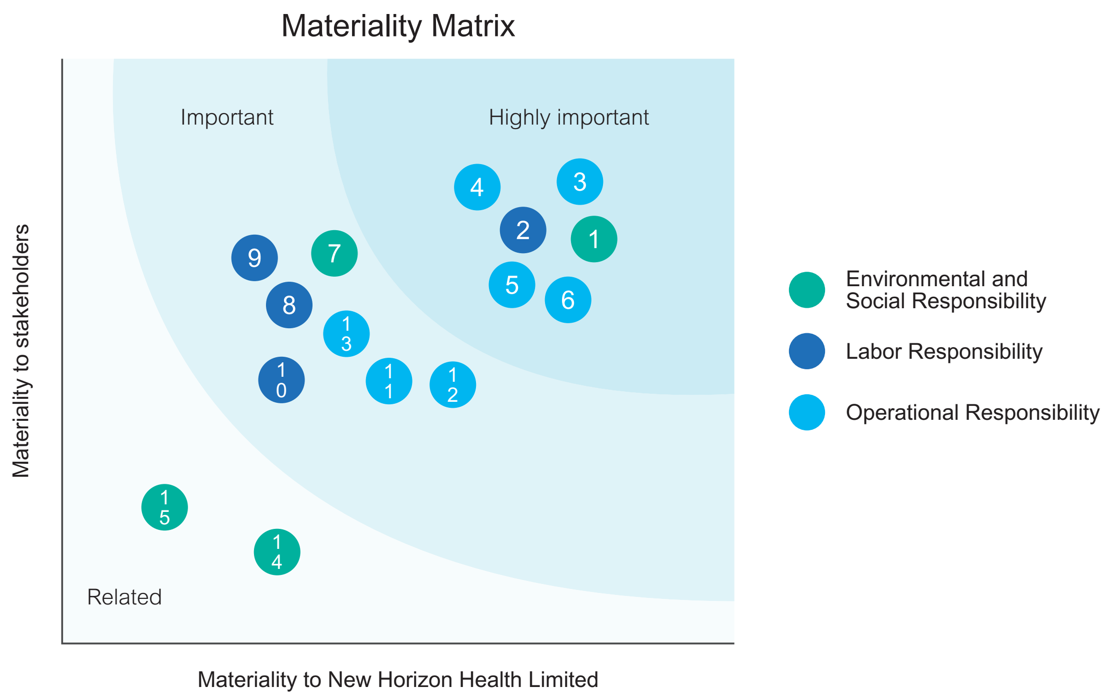
Communication with Stakeholders

Stakeholder engagement is considered to be material to the Company. We have identified material stakeholders, namely shareholders and investors, employees, customers, suppliers, peers, the government and regulators as well as the community, according to the characteristics of the Company's businesses. We attach great importance to communication with stakeholders, and develop an understanding of their interests and aspirations via various targeted communication channels, so as to give effective responses.

Stakeholders	Expectations and Aspirations	Means of Communication/Response
Shareholders and investors	• Guaranteeing shareholders' rights and interests • Timely and accurate disclosure of relevant information • Corporate governance improvements	• General meetings • Press releases and announcements • Disclosure reports
Employees	• Competitive remuneration & welfare • Training & ability development • Occupational health & safety	• Labor union/staff assembly • Training on career development • Safety training activities
Customers	• Customer services • Quality assurance • Protection of customer privacy	• After-sale service and handling procedures • Quality checks • Information security
Suppliers	• Supplier acceptance management • Supplier evaluation	• Evaluation on supplier acceptance • Continuous supplier evaluation
Peers	• Exchange and cooperation	• Industry seminars
Government and regulators	• Law and regulation compliance • Support & development	• Compliance commitments/ statements • Participation in governmental charitable projects
Community	• Environmental building and protection	• Recycling and management of waste

Analysis of Material Issues

In compliance with the requirements of the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in combination with industry hot issues and peer benchmarking, we scored and ranked the material issues in relation to ESG by their influence on the Company's business operation and stakeholders, aiming to reflect our influence on the environment and the society, and better respond to stakeholders' expectations and aspirations. Our materiality matrix is set out below:



MATERIAL ISSUES:

	Issue by category	Issue	Respective chapter for response
Highly material	Environmental and Social Responsibility	1. Emissions and management of waste	Environmental Building and Protection
	Labor Responsibility	2. Healthy and safe working environment	Employees and Talent Cultivation
	Operational Responsibility	3. Product quality	Product Research and Development
		4. Customer services	Customer Services
		5. Protection of customer privacy	Customer Services
		6. Compliance management	Compliance Management

	Issue by category	Issue	Respective chapter for response
Material	Environmental and Social Responsibility	7. Charitable activities	Community Charitable Activities
	Labor Responsibility	8. Compliant and equal employment	Employees and Talent Cultivation
		9. Remuneration and welfare of employees	Employees and Talent Cultivation
		10. Training and development of employees	Employees and Talent Cultivation
	Operational Responsibility	11. Intellectual property protection	Product Research and Development
		12. Research and development of innovations	Product Research and Development
		13. Strategic cooperation	Product Research and Development

	Issue by category	Issue	Respective chapter for response
Relevant	Environmental and Social Responsibility	14. Energy consumption	Environmental Building and Protection
		15. Climate change mitigation	Environmental Building and Protection

With the results of analysis of the above material issues, New Horizon Health will divide the direction in relation to ESG into six aspects for this year, namely "Product Research and Development", "Customer Services", "Compliance Management", "Environmental Building and Protection", "Community Charitable Activities" and "Employees and Talent Cultivation". This report will present the focuses and contribution in relation to ESG in these six aspects of the Group for the year.

PRODUCT RESEARCH AND DEVELOPMENT

As a leader in cancer early detection in China, we have always upheld the corporate culture of "professionalism and innovation", and committed to the research on and the development of more cancer early detection products by focusing on research and development ("R&D") of innovations, with an aim to give users early alert of cancer. Meanwhile, we extend strategic cooperation of R&D with high schools and other institutions, while continuously improving quality management and control as well as supervision and examination mechanism by implementing high standard requirements on quality, with a view to continuously enhancing supply chain management along the process of operation and protecting the Company's intellectual properties, thereby striving to make a greater contribution to the cancer early detection industry in China or even the world.

Products and Research and Development

New Horizon Health is a company engaging in the production of medical devices for cancer early detection. Our products, namely "ColoClear®" and "Pupu Tube®", was approved for commercialization by NMPA in 2020 and 2018, respectively. "ColoClear®", our proprietary, non-invasive, multi-target, FIT-DNA test, is the first and only molecular cancer screening test in China approved by NMPA, while "Pupu Tube®", our proprietary non-invasive stool-based FIT test, is the first self-conducted FIT screening product approved by NMPA in China.

Progress of Research and Development

"ColoClear®", targeting a 120 million high-risk colorectal cancer population in China, enables users to collect stool samples at home to avoid invasive surgery while attaining higher sensitivity and specificity. "Pupu Tube®", targeting China's general population recommended for colorectal cancer screening, aims at raising the awareness of colorectal cancer screening and identifying the high-risk population.

Moreover, we have two late-stage candidates of cancer screening for gastric cancer and cervical cancer, respectively. We are developing "UU Tube", a stool-based self-conducted screening test for gastric cancer. We completed the registrational trial of "UU Tube" in 2020 and submitted a registration application to NMPA in the end of 2020. We are also developing "CerviClear", a non-invasive urine-based home-use screening test for cervical cancer. We expect to initiate the registrational trial for CerviClear in 2021.

The following chart summarizes our products and the development status of our products as at the end of 2020:

				Development Stage				
Our product	**Indication**	**Sample Type**	**Technology**	**Early Stage Development**	**Late Stage Development**	**Registrational Trial**	**NMPA Submission**	**NMPA Approval**
ColoClear®	Colorectal cancer	Stool	FIT-DNA					
Pupu Tube®	Colorectal cancer	Stool	FIT					
UU Tube	Gastric cancer	Stool	Immuno-based					
CerviClear	Cervical cancer	Urine	qPCR					

Investment in Research and Development

In 2020, our major projects included the joint detection kit of KRAS gene mutation and BMP3 and NDRG4 gene methylation of fecal occult blood (PCR Fluorescent Probe – Colloidal Gold) (KRAS 基因突變及 BMP3 和 NDRG4 基因甲基化和便隱血聯合檢測試劑盒(螢光探針 PCR 法－膠體金法)) – "ColoClear®", H. pylori antigen test reagent (colloidal gold method) (幽門螺桿菌(HP)抗原檢測試劑(膠體金法)) – "UU Tube", stool occult blood test reagent (colloidal gold method) (便隱血檢測試劑(膠體金法)) – "Pupu Tube®" and ancillary software for analysis. In 2020, we invested approximately RMB9 million of funds and 10 R&D personnel for registration of medical devices of such types of projects at home and abroad.

Besides, we have continued with R&D on new topics regarding cancer early detection proactively. In 2020, a total of approximately RMB25.335 million was invested in R&D and over 10 projects have been initiated, covering most of the cancers with high incidence and focusing on the initiation of subject research on prostate cancer and liver cancer with external hospitals, with a view to launching more cancer early detection products through R&D innovations. For staff training, much resources and efforts have been contributed to encourage R&D staff in making progress in professional studies. In 2020, the R&D department organized over 30 professional trainings, including sharing sessions of professional literature, academic meetings and sharing sessions of expertise, etc. All staff of the department participated in the trainings.

Results of Research and Development

In 2020, our current major product – the joint detection kit of KRAS gene mutation and BMP3 and NDRG4 gene methylation of fecal occult blood (PCR Fluorescent Probe-Colloidal Gold) (KRAS 基因突變及 BMP3 和 NDRG4 基因甲基化和便隱血聯合檢測試劑盒(螢光探針 PCR 法－膠體金法)) - "ColoClear®" obtained the first registration certificate of Class III in-vitro diagnostic reagent for cancer screening as intended use in China. Its ancillary software for analysis also obtained the registration certificate of Class II medical device in China.

Our another product – H. pylori antigen test reagent (colloidal gold method) (幽門螺桿菌(HP)抗原檢測試劑(膠體金法)) – "UU Tube" has gone through a total of over 1,000 clinical tests in Zhejiang Provincial People's Hospital, Peking University Shougang Hospital and Sir Run Run Shaw Hospital affiliated with the Medical School of Zhejiang University, and obtained the relevant clinical test reports. We submitted "UU Tube" to NMPA for registration and reporting in the end of 2020.

In 2020, we published a total of 9 high-quality research articles, 3 articles of expert consensus on colorectal cancer screening, 1 guide on colorectal cancer screening and 1 review article.

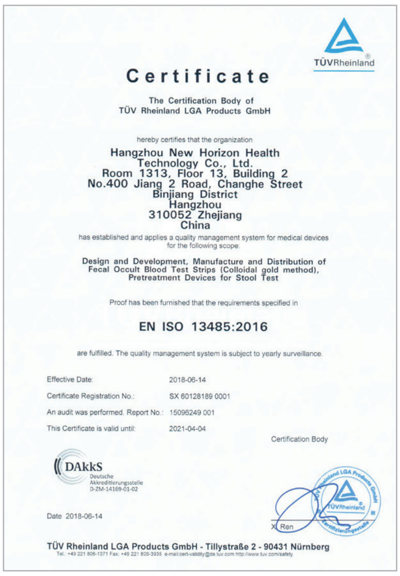
Strategic Cooperation in Research and Development

We have actively explored the cooperation model of "industry-academia-research". Being the secretary unit of the alumni association of School of Life Science of Peking University, we have conducted strategic cooperation in R&D with Peking University, actively exploring scientific research topics on cancer early detection through joint research and talent cultivation. In 2019, Peking University established the Peking University International Cancer Institute, aiming at deploying frontier exploration, transformation and applications and clinical treatment with a focus on the major demand for national technological innovation and cancer prevention and treatment. We have sponsored Peking University International Cancer Institute in establishing the "New Horizon Health Cancer Early Detection Donation Project" (諾輝健康癌症早篩捐贈項目), which is for solving difficulties, hot issues and major fundamental problems of oncology prevention and treatment, thereby promoting the development of relevant frontier subjects.

In addition, we have conducted various R&D projects with a number of hospitals in China regarding cancer testing and early detection, with a view to promoting transformation of results of R&D projects through clinical experience. In 2020, we have initiated the research project of "the selection of new molecular marker for prostate cancer test and the establishment of prostate cancer test methods" with Chongqing University Cancer Hospital. It is expected the research of the project will be completed in 2023. We have also initiated the research project of "exploring the application of cfDNA multi-omics sequencing in identification and diagnosis of early hepatocellular carcinoma" with Peking Union Medical College Hospital, Dongying Central Hospital (東營中心醫院) and Tianjin First Central Hospital. It is expected the research of the project will be completed in 2023.

Quality Management

As a manufacturer and operator with the NMPA certificate, we are in strict compliance with the legal and regulatory documents of NMPA, including the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and its amended draft and the Standard Administrative Measures for Medical Devices (《醫療器械標準管理辦法》), etc. We have also developed a series of documents for the quality management system which are applicable to the production of medical devices by New Horizon Health, including quality manual, quality approaches and targets, quality procedural document, quality management document and others. We obtained the ISO13485 quality system certificate and TUV CE certificate in 2018, while providing customers with high-quality products through quality management and control on an on-going basis.



TÜVRheinland

Certificate

The Certification Body of
TÜV Rheinland LGA Products GmbH

hereby certifies that the organization

Hangzhou New Horizon Health
Technology Co., Ltd.
Room 1313, Floor 13, Building 2
No.400 Jiang 2 Road, Changhe Street
Binjiang District
Hangzhou
310052 Zhejiang
China

has established and applies a quality management system for medical devices for the following scope:

Design and Development, Manufacture and Distribution of Fecal Occult Blood Test Strips (Colloidal gold method), Pretreatment Devices for Stool Test

Proof has been furnished that the requirements specified in

EN ISO 13485:2016

are fulfilled. The quality management system is subject to yearly surveillance.

Effective Date:	2018-06-14
Certificate Registration No.:	SX 60128189 0001
An audit was performed. Report No.:	15096249 001
This Certificate is valid until:	2021-04-04

Certification Body

DAkkS
Deutsche
Akkreditierungsstelle
D-ZM-14169-01-02

Date 2018-06-14

X. Ren

TÜV Rheinland LGA Products GmbH - Tillystraße 2 - 90431 Nürnberg
Tel.: +49 221 806-1371 Fax: +49 221 806-3935 e-mail:cert-validity@de.tuv.com http://www.tuv.com/safety

TÜVRheinland

EC Certificate
Directive 98/79/EC Annex IV, excluding Sections 4 and 6
Full Quality Assurance System
In Vitro Diagnostic Medical Devices

Registration No.: HL 60128188 0001

Report No.: 15096249 001

Manufacturer: Hangzhou New Horizon Health
Technology Co., Ltd.
Room 1313, Floor 13, Building 2
No.400 Jiang 2 Road, Changhe Street
Binjiang District
Hangzhou
310052 Zhejiang
China

Products: Fecal Occult Blood Test Strips (Colloidal gold method) for self-testing

Expiry Date: 2023-04-04

The Notified Body hereby declares that the requirements of Annex IV, excluding section 4 and 6 of the directive 98/79/EC have been met for the listed products. The above named manufacturer has established and applies a quality assurance system, which is subject to periodic surveillance, defined by Annex IV, section 5 of the aforementioned directive. For placing on the market of List A devices covered by this certificate an EC design-examination certificate according to Annex IV, section 4 and a verification of manufactured products according to section 6 is required.

Effective Date: 2018-06-14

Date: 2018-06-14

Notified Body

X. Ren

TÜV Rheinland LGA Products GmbH - Tillystraße 2 - 90431 Nürnberg
TÜV Rheinland LGA Products GmbH is a Notified Body according to Directive 98/79/EC concerning in vitro diagnostic medical devices with the identification number 0197.

Photo: Quality system certificates

Quality Management and Control

Our quality management and control are implemented throughout the whole process of product production and sales, including quality control on suppliers, production and inventories and transportation.

For quality control on suppliers, we have developed the Suppliers Evaluation and Selection Procedures (《供應商評價與選擇程序》) and the Procedures of Control on Procurement (《採購控制程序》), regulating the selection criteria and management procedures of suppliers. Meanwhile, we abide by the supplier management standards on the production of medical devices promulgated by NMPA, such as the Evaluation Guide of Suppliers for Manufacturers of Medical Devices (《醫療器械生產企業供應商審核指南》), which requires supplier candidates to complete our supplier investigation procedures and provide relevant certifications, including but not limited to business certificate of enterprise, production permit, quality system certificate, environmental system certificate, etc. Our quality management department will conduct on-site evaluation on suppliers of important raw materials with a focus on their supply capacity, quality management, production equipment and production environment. It will also conduct examination on samples provided by suppliers to ensure that they fulfill our requirements. Besides, we have entered into quality agreements with major suppliers, under which agreements have been made in terms of requirements of quality system management, control on production quality and treatment of unqualified products of suppliers, thereby securing our product quality comprehensively. We conduct comprehensive evaluation and assessment on the overall performance of suppliers annually with reference to communication and cooperation, quality, timely delivery rate and service (technical support, timeliness of quality rectification, etc.) during the year, and thus update qualified suppliers to secure stability and optimization of the supply chain.

For quality control on production and inventories, the quality control (QC) team and the quality assurance (QA) team are set up under the quality management department. Among which, the QC team is responsible for checking the quality of raw materials, production process and finished products, while the QA team is responsible for establishing and maintaining quality system documents and monitoring the operation of the quality system. We have formulated the Quality Control Procedures (《質量控制程序》), regulating the examination process for raw materials, semi-finished products and finished products. Records of quality checks are included in batch records and the QA team will determine if products are qualified after final examination. If unqualified products are identified during the check, they will be timely handled according to the regulations of the Control Procedures of Unqualified Products (《不合格品控制程序》) and the Control Procedures of Rectification and Preventive Measures (《糾正和預防措施控制程序》) maintained by us.

For quality control on transportation, we have entrusted SF Express and JD Express to handle transportation of our products. We have entered into transportation agreements with suppliers of transportation service. We have also appointed specific logistics companies for transportation of reagents which require cold chain transportation.

Besides, we have formulated the internal Administrative Regulations on Product Recall (《產品召回管理規範》) according to the Administrative Measures on Medical Device Recall (《醫療器械召回管理辦法》) published by the NMPA to regulate the management procedures of report and recall when defective products are identified. Once information of defective products is received, the quality management department will verify and confirm and report to the president of the Company. It will decide whether to recall the medication according to the assessment results. Since the production and sales of products, New Horizon Health has strictly implemented the quality management system of producing medical devices and no product has been recalled for health or safety reasons.

Training on Quality

The focus on quality improvement and quality awareness training is an integral part of the process of our quality management system. In view of the development of the society and the Company, the quality management department has continued to organize quality training for staff in R&D, quality, production and other departments. In 2020, the quality management department organized a total of 33 trainings, the content of which mainly covered quality check documents, operation of examination and ISO13485 quality system requirements. Participants included staff from the quality management department, the production department, the R&D department and others.

In October 2020, we engaged a regulatory consulting company in the in-vitro diagnosis field to conduct training on the quality system. The training totaled 12 hours and mainly covered topics like certification programs, the management structure and provisions of the ISO13485 quality system, etc. A total of 45 staff from the quality management department, the production department and the R&D department participated in the on-site training and developed a systematic understanding of the requirements and standards of the ISO13485 quality management system.

Intellectual Property Protection

We are in strict compliance with the relevant laws and regulations, including the Copyright Law of the PRC (《中華人民共和國著作權法》), the Patent Law of the PRC (《中華人民共和國專利法》) and the Trademark Law of the PRC (《中華人民共和國商標法》). We will not infringe the intellectual properties of others, while resolutely protecting our intellectual properties. We have formulated the Administrative Measures of Protecting Intellectual Property (《知識產權保護管理辦法》), which requires employees to perform the obligation of protecting intellectual property. To prevent infringement of others' intellectual properties, we will entrust external solicitors as consultants to conduct search and analysis of intellectual property before applying for any patent, trademark and copyright. To protect our own intellectual properties, we have expressly stated the confidentiality obligations of employees in the Staff Handbook (《員工手冊》) and entered into confidentiality agreements or non-compete agreements with some employees according to their job nature.

CUSTOMER SERVICES

We are in strict compliance with the Advertisement Law of the PRC (《中華人民共和國廣告法》) and other related regulations during our sales and advertising activities.

We attach great importance to customers' product experience. Therefore, we strive to provide comprehensive after-sales consultation and support service for customers purchasing our products, while establishing an extensive mechanism to protect customer privacy. Customers may contact us at 400-826-2300 during working hours every day for after-sales service or lodging complaints.

Product Advertisement

All our printed brochures, booklets and advertisement are designed, produced and published by the Company uniformly. Any materials and advertisement shall be reviewed by compliance department before releasing to the public, which ensure the content is true, accurate, healthy, clear and without cheating.

After-sales Service

Although our products enable customers to perform at-home test, there are certain requirements for the operation of sampling. We have taken into full account the problems that customers may encounter in sampling. Hence, the manuals of our products in the packing boxes contain detailed description of the procedures of sampling. We also provide customers with sampling videos on our online sales platform to facilitate easy operation. When the sampling is completed, our partnered logistics companies will collect the samples at door and deliver the samples back to our professional laboratories for testing. The testing takes around five working days. Customer may check the progress and review the electronic report through our WeChat public account. Our professional staff of after-sales service can provide explanation on the testing report to customers. We have established the Standard Operating Procedures for Confirmation Messages (《信息確認標準操作規程》), regulating the confirmation messages of all samples upon receipt and the handling procedures of abnormal samples. In consideration of the problem of unqualified sampling by customers, we will provide those customers with a free retest. We will deliver a new testing product to those customers and tell them the correct way of sampling by phone.

If customers have any opinion or recommendation on our service and products, they may contact us at our phone number for lodging complaints and feedback. We have established the Standard Operating Procedures for Handling Complaints and Feedback (《投訴反饋處理標準操作規程》), according to which different response mechanisms for after-sales services have been set up for different types of customers. The health management department handles feedback and complaints from individual customers, while the sales and operation department is responsible for feedback from institutions/hospitals. For complaints and feedback received, the information of complaints and feedback is recorded in the system. The complaints and feedback relating to quality problems are investigated and analyzed by the quality management department. Customers will be given a reply within one working day. Meanwhile, the quality management department will conduct review on the internal management procedures and develop the respective corrective and preventive measures. In 2020, we received a total of 719 customer complaints/feedback. Among which, 276, 247 and 156 complaints/feedback were related to products, reports and logistics, respectively. The remaining 40 complaints/feedback involved marketing activities and questions over the term of validity. We conducted active investigation and gave timely responses to our customers regarding their complaints and feedback, and gained their understanding. At the same time, we have continued to improve our products and the internal management procedures to prevent reoccurrence of such complaints/feedback.

Customer Data Protection

We attach high importance to the protection of personal data and privacy of customers. We have established the Confidentiality System for Managing Private Information of Customers (《客戶隱私信息保密管理制度》), requiring employees of the Company to perform confidentiality obligations upon receipt of information relating to customers' samples, as well as during and upon completion of the tests. It is prescribed by the Company that staff responsible for sample management and testing in laboratories are prohibited from taking photos of customers' personal information or reports or taking them out of the Company. In addition, no one shall gain casual access to the testing reports and the original records in laboratories. For access by reason of investigation due to customer complaints or when necessary, such access must be approved by the management of the Company. Outsiders are prohibited from entering the testing areas for the protection of customer privacy. For customer data registered in the information system, the intelligent information management department is responsible for encrypting and backing up the database to prevent leakage of customer information through the information system. In the process of customer enquiry or report explanation, the Company also has to verify the identity of customers first. The testing results shall not be provided to others without authorization of the persons who have received the testing.

COMPLIANCE MANAGEMENT

Strict compliance with local laws and regulations during the process of operation is our basic principle. Besides, we have strictly complied with rules and regulations including the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不當競爭法》) and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). We have also formulated the Administrative Measures on Fraud Prevention and Whistle-blowing (《防止舞弊與鼓勵舉報管理辦法》) and the Regulations on the Internal Control Against Money Laundering (《反洗錢內控規範》), which provide for the prevention and control of fraud and the respective investigative process, as well as the duties and daily monitoring and supervision over anti-money laundering.

We are committed to establishing a compliance culture through training and policy implementation, and manage the professional ethics of all directors, senior management, employees, partners and other relevant personnel. For the purpose of compliance training, we will send random notices and announcements in relation to compliance to all staff. The Company states clearly that employees are prohibited from providing, giving, obtaining or accepting any type of improper payments, gifts or inducement directly or indirectly and to extort or rebate to/from anybody or any organization by abusing authority. Our Staff Handbook also states that employees should comply with all laws and regulations, and perform their duties and commercial activities with honesty and integrity. New recruits will be provided with orientation training when they join the Company, and they will learn about the compliance requirements and compliance culture of the Company. Employees have to sign and read the provisions as set out in the Staff Handbook upon receipt.

The internal audit team has been set up to monitor and control the compliance of the Company in daily operation and cross supervision among employees is encouraged. A specific email address for whistle-blowing has been set up and made public to all employees. Should any malpractice, corruption, fraud, or other behaviors violating the laws and regulations be found, a whistleblowing report can be made by email. For the whistleblowing reports received, the internal audit staff together with legal professionals and the human resource department of the Company will carry out initial assessment, and report the results to the Board and senior management after investigation. The legal professionals are responsible for the training of and daily supervision over anti-money laundering.

In 2020, we had no reported corruption, bribery, extortion, fraud, or money laundering, nor did we have any litigation caused by such cases.

ENVIRONMENTAL BUILDING AND PROTECTION

New Horizon Health carries out its activities mainly in the production base, laboratories and offices in Hangzhou. The major environmental factors that may have an impact on include use of energy/resources, limited greenhouse gas emissions, discharge of sewage, discharge of hazardous and non-hazardous waste and treatment of chemicals. For details of environmental performance data, please refer to the environmental performance table in the appendix.

Our production and sales business are in strict compliance with the relevant national and local laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Law of the PRC on Appraising of Environmental Impacts (《中華人民共和國環境影響評價法》). We have been granted the GB/T 24001-2016/ISO 14001:2015 certificate of environmental management system in 2020. We have also developed the internal management rules and regulations in accordance with the relevant laws and regulations, and promoted to the staff and implemented the requirements in relation to environmental protection in daily management, with a view to building a green environment in joint efforts with others. In 2020, we did not violate any laws or regulations in relation to environmental protection or cause any material accidents that would affect the environment and natural resources.


环境管理体系认证证书
证书编号：00120E33442R0M/3302
兹证明
杭州诺辉健康科技有限公司
注册地址：中国浙江省杭州市滨江区长河街道江二路400号2幢13层1313室
经营地址：中国浙江省杭州市滨江区长河街道江二路400号和瑞国际科技广场2幢1层(除106室)和13层、长河路475号和瑞国际科技广场2幢2层201室
建立的环境管理体系符合标准：
GB/T 24001-2016 / ISO 14001:2015
通过认证范围如下：
资质范围内粪便检验预处理装置、便隐血检测试剂（胶体金法）的生产及相关管理活动
首次发证日期：2020年10月9日 本次发证日期：2020年10月9日 有效期至：2023年10月8日
在一个监督周期后，本证书必须与CQC签发的监督审核合格通知书合并使用方可有效。查询证书有效状态请登陆www.cqc.com.cn。
本证书信息可在国家认证认可监督管理委员会官方网站（www.cnca.gov.cn）上查询

Photo: Certificate of Environmental Management System

Energy Use

Electricity is the only energy consumed during our production process. Apart from it, we have no business vehicle use, or consumption of natural gas, gasoline or other energy. The main source of greenhouse gas that is indirectly produced by us is purchased electricity. The electricity consumed within the scope of environmental data collection totaled 1,791.08 MWh in 2020.

We hope to minimize electricity consumption given that production and operation are secured. We promote the virtues of energy conservation. To this end, employees have to turn off the monitors if they leave their seats for more than 5 minutes. They are also required to turn off all personal electrical appliances, including computers and humidifiers, after work. The last employee to leave shall check the lightings and air-conditioners of the Company to ensure they are all turned off before leaving. Air-conditioners are cleaned and maintained on schedules and the time and temperature shall be controlled when in use. Low-energy-consumption equipment and energy-efficient lighting are used where possible.

Resource Management

We hope to minimize the use of water resources given that production and operation are secured. We promote the virtues of cherishing and conserving water resources. To this end, leaving a running tap when washing is prohibited and the tap shall be turned off when leaving in order to control water consumption. Regular checks on pools and tubes shall be conducted to detect leaks for timely maintenance. In 2020, the water resources consumed within the scope of data collection totaled 7,134 tons and the average amount of water consumption per employee was 20.56 tons. Moreover, we had no problem in sourcing water that was fit for purpose.

The electronic office information system has been established to replace paper use and reduce paper consumption. Employees are required to abide by the principle of conservation when using printers. The font size and line spacing shall be reduced when printing documents. Double-sided printing, reuse of paper, reduction in the use of paper towels and paper cups are encouraged for the purpose of resource conservation.

Emissions Management

The sewage discharged in our production activities mainly include the sewage from production and testing as well as domestic sewage. We hope to minimize the use of water resources and reduce sewage discharge given that production and operation are secured. Meanwhile, to reduce pollution to the environment and satisfy the standards of sewage discharge, we have maintained sewage treatment equipment in the companies in Hangzhou, Beijing and Guangzhou. The sewage produced from production activities and testing in laboratories will first enter the biochemical tanks. Organic matters, nitrogen and phosphorus in sewage will be removed by purification of biofilms. The sewage will then flow through silica sand and activated carbon for filtration and purification. Finally, the sewage will be disinfected by disinfectant containing chlorine. Qualified sewage after treatment will then be discharged to the municipal pipe network. Domestic sewage in Hangzhou, Beijing and Guangzhou will be discharged through the domestic pipe network of the park area where it locates. Separation of rain and sewage is available in our drainage system to avoid sewage flowing into the rainwater pipes. Our waste shall be stored at specific locations and not be left outdoor to prevent sewage from flowing into the rainwater pipes on rainy days.

We are in strict compliance with the standards of sewage treatment and discharge promulged by the PRC and local governments. We will engage external institution with professional qualification for environmental testing quarterly to check the sewage discharged by us in order to make sure that the standards are satisfied.

Guangzhou Nuohui Medical Examination Lab Co., Ltd (廣州諾輝醫學檢驗實驗室有限公司) is a new laboratory established and decorated in 2020. Leveraging the experience in establishing the Hangzhou and Beijing laboratories, we have upgraded the sewage treatment equipment purchased for the Guangzhou laboratory. Sewage produced from testing and domestic sewage produced by employees in laboratories will undergo centralized processing of the sewage treatment equipment before discharge.

Photo: Sewage treatment equipment in Hangzhou laboratory

Waste Management

The types of waste produced during the process of our production and testing include medical waste, liquid waste from testing and hazardous waste. Among which hazardous waste includes dangerous liquid and dangerous solid waste. We have entered into treatment agreements with companies qualified for the treatment of medical waste/hazardous waste, pursuant to which the companies are entrusted to collect and handle the medical waste/hazardous waste. Domestic waste produced during daily operation will be collected by the property management company of the park where the offices are located. Construction waste produced from establishing the new Guangzhou laboratory in 2020 were also collected by the property management company of the local park.

The Company has formulated the rules and requirements in relation to waste management, including the Administrative System of Hazardous Solid Waste (《危險固廢管理制度》) and the Administrative System of Hazardous Liquid Waste (《危險廢液管理制度》). The types of waste produced during the production of the Company and the respective methods of treatment are provided in these rules and requirements. Medical waste, liquid waste from testing and hazardous waste shall be collected at specific points and stored in the temporary deposit zones for medical waste or underground temporary deposit zones for hazardous waste. The waste will be centralized and handled by qualified companies as contacted by the safety management staff. To secure the safety of the medical waste and hazardous waste stored, all hazardous waste collected shall be contained in suitable containers or packing materials with respective labels and leakproof measures. The temporary deposit zones shall be well-ventilated, cool and away from open flame.

In 2020, the medical waste, liquid waste from testing and hazardous waste produced within the scope of data collection totaled approximately 29.18 tons, 1.5 tons and approximately 2.3 tons, respectively. The construction waste produced from establishing the Guangzhou laboratory in 2020 amounted to approximately 40 tons.

Climate Change Mitigation

Climate change has become a critical global issue. The resultant climate hazards and the policy and regulation indirectly arising from it may have an impact on us to a certain degree. Therefore, energy efficiency and emissions reduction have become our goals to mitigate the influence of greenhouse gases on the environment. In respect of inclement weather conditions on working days, we will alert employees in advance to secure their personal safety and safety at workplace, thereby reducing the influence caused on employees and the Company.

COMMUNITY CHARITABLE ACTIVITIES

As a company engaging in the R&D of cancer early detection products, we are able to alert customers to a precancerous condition with our products. We hope that our products can bring benefits to the public and contribute to the society. As such, we have actively explored and organized community charitable activities and participated in public service projects of the government, with a view to popularizing the awareness of cancer screening and identifying the population who is prone to cancer. Currently, our "Pupu Tube®" has been put into extensive application in urban cancer screening projects following understanding and recognition by the healthcare authorities of various provinces and municipalities across China. In the public service project organized by Zhejiang province in 2020, "Pupu Tube®" was also used as a tool for bowel cancer screening.

"Qingsilu"(青絲路) Charitable Activity

With the guidance of the colorectal cancer committee under the China Anti-Cancer Association and the colorectal oncology committee under the Chinese Medical Doctor Association as well as the support from the Cancer Foundation of China, we initiated the "Qingsilu"(青絲路) Charitable Activity, the first large-scale charitable activity theming gastrointestinal oncology in China. The activity focuses on healthcare education and also academic discussion and research, striving to enhance the public attention towards the prevention of gastrointestinal oncology and the public healthcare awareness of "early screening, diagnosis and treatment" of the gastrointestinal tract, thereby promoting the overall enhancement of gastrointestinal health of all citizens.

By organizing speech contests for the "Qingsilu" Charitable Activity, healthcare workers will be called to share scientific knowledge of gastrointestinal oncology according to past cases and their experience in treatment in diversified ways. New Horizon Health and the healthcare workers have taken up the mission of promoting health together and built the platform of "Qingsilu Speech Contest for Scientific Knowledge of Early Cancer Screening" (青絲路早癌篩查科普演講大賽), with an aim to encouraging and supporting healthcare workers in sharing their views. It is planned that nearly 100 contests will be organized under the "Qingsilu Speech Contest for Scientific Knowledge of Early Cancer Screening" nationwide. The contests in Zhejiang, Shanghai, southern China, northern China, northeastern China and other regions have been initiated in 2020 and a number of well-known professors participated in our kick-off ceremony. The "Qingsilu Speech Contest for Scientific Knowledge of Early Cancer Screening" is of great importance in enhancing the knowledge and acceptance of the public for early diagnosis and treatment of cancer. We hope that there will be more participants from the healthcare sector to contribute to a healthy China in joint efforts.

On December 12, 2020, the "China Gastroenterology NOSES Hundred Charitable Academic Events Series and the 10th Youth Expert Academic Seminar of Colorectal Oncology of China" ("中國胃腸 NOSES 百場公益系列學術活動暨第十屆中國結直腸腫瘤中青年專家學術會議") was organized in Chongqing. New Horizon Health donated 100 sets of ColoClear®, the first non-invasive early screening product for bowel cancer in China, to the youth commission of the colorectal cancer committee (大腸癌專委會青年委員會) under the China Anti-cancer Association, the organizer of the activity, with an aim to pass on positive vibes for caring doctors' health and establish the concept of "respecting doctors, respecting lives" in the society through early screening of colorectal cancer.

The "Qingsilu" Charitable Activity was initiated in the end of 2019. As at the end of 2020, our products were given to a total of over 10,000 healthcare workers under the "Qingsilu –Healthy Tour of Angels in White of China" ("青絲路 — 健康白衣天使中國行") activity to provide them with charitable early screening service of gastrointestinal diseases.

Photo: Donation of ColoClear® by New Horizon Health

Charitable Donation

Since the outbreak of the COVID-19 pandemic in 2020, we donated our stock of masks and protective suits out of concern for the society. We donated masks and protective suits valued at approximately RMB720,000 for fighting against the pandemic. Apart from the donation of supplies, we also donated money and supplies to various medical development foundations and education foundations in China. The donation amounted to approximately RMB8.35 million.

EMPLOYEES AND TALENT CULTIVATION

We are in strict compliance with the laws and regulations in relation to labor and employment, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》), the Special Rules on the Labor Protection of Female Employees (《女職工勞動保護特別規定》) and the Provisions on Prohibition of Using Child Labor (《禁止使用童工規定》). During the process of employment, we prohibit child labor, forced labor and exercise equality and diversity on male and female employees. Content in relation to employment, remuneration management, welfare, leave and training is provided in our Staff Handbook. The principle of equal recruitment is also stated for selection of talents, and the basic rights and interests of employees are protected and secured in accordance with national laws and regulations. We also have formulated the Internal Competition Policy (《內部競聘政策》), which indicates we will give our priority in job competition to our internal employees and regulates the procedure of internal competition.

Occupational Health and Safety

During the process of production and testing, we have strictly complied with the relevant laws and regulations, including the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Fire Control Law of the PRC (《中華人民共和國消防法》) and the Production Safety Law of Laboratory (《實驗室安全生產條例》), to secure health and safety of employees. We have developed the Operating Control Procedures for Environmental and Occupational Health and Safety (《環境職業健康安全運行控制程序》), which regulate the issues in relation to hazardous waste, noise management on production, firefighting measures and health and safety of employees.

We have established a set of refined procedures for risk management and control in respect of the management of occupational health and safety, which include identification, determination and assessment of environmental factors and sources of danger, the implementation of control and management by category, as well as updates on environmental factors and sources of danger. We have established the EHS Management Committee and appointed safety management staff who are responsible for the management of occupational health and safety and the self-inspection. In 2020, we have been granted the GB/T 45001-2020/ISO45001:2018 certification of the management system of occupational health and safety. Our production base is located in Hangzhou. We engage external qualified institutions to carry out examination on occupational hazards in our workplace annually and issue examination reports. Our production staff are mainly exposed to the occupational hazard of noise. Currently, all new recruits are subject to physical examination when joining the Company and annual physical examination. We also set up archive files for monitoring and safeguarding occupational health. Production staff exposed to occupational hazards are subject to an extra physical examination before resignation to secure their occupational health.


CQC

职业健康安全管理体系认证证书

证书编号：00120S32620R0M/3302

兹证明

杭州诺辉健康科技有限公司

注册地址：中国浙江省杭州市滨江区长河街道江二路 400 号 2 幢 13 层 1313 室

经营地址：中国浙江省杭州市滨江区长河街道江二路 400 号和瑞国际科技广场 2 幢 1 层(除 106 室)和 13 层、长河路 475 号和瑞国际科技广场 2 幢 2 层 201 室

建立的职业健康安全管理体系已经符合如下管理体系标准

GB/T 45001-2020 / ISO45001:2018

本证书适用于与下述相关的所有活动

资质范围内粪便检验预处理装置、便隐血检测试剂（胶体金法）的生产及相关管理活动

首次发证日期：2020年10月9日　本次发证日期：2020年10月9日　有效期至：2023年10月8日

在一个监督周期后，本证书必须与CQC签发的监督审核合格通知书合并使用方可有效。查询证书有效状态请登陆www.cqc.com.cn。本证书信息可在国家认证认可监督管理委员会官方网站（www.cnca.gov.cn）上查询

CNAS 中国认可 管理体系 MANAGEMENT SYSTEM CNAS C001-M

Signed by: Lu Mei

IQNet

CHINA QUALITY CERTIFICATION CENTRE

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2018年版

Photo: Certification of the management system of occupational health and safety

We have continued to organize educational training on safety management for employees which enables the employees to gain knowledge of and remember the standard operating procedures and rules and regulations in relation to safety. In 2020, we have organized a total of 27 training courses on EHS. Employees have to take on-site evaluation or online evaluation in all these trainings programs to make sure they have understood the relevant training content. For employees in special positions such as equipment operation, permits of qualification are required. Meanwhile, we have also arranged delivery of labor protection supplies, such as gloves, earplugs, work uniforms and slip-free shoes on regular basis. From 2018 to 2020, no work-related injury or fatality caused by work-related injury was recorded.

To facilitate effective response to emergencies, we have formulated emergency plans for different incidents, including the Emergency Plan for Hazardous Chemical Accidents (《危險化學品事故應急預案》), the Emergency Plan for Fire and Explosion Accidents (《火災爆炸事故應急預案》), the Emergency Rescue Plan for Elevator Accidents (《電梯應急救援預案》) and the COVID-19 Plan (《新冠預案》) for the COVID-19 pandemic in 2020. Following the outbreak of the COVID-19 pandemic, we promptly established the pandemic prevention and control team. Employees were notified of the flexible working arrangement at once and were encouraged to stay home and reduce social contact. Various supplies for pandemic prevention were purchased and employees were provided with masks. After resumption of operation, the ventilation in offices and laboratories has been enhanced and disinfection has been carried out. We monitor the health conditions of employees continuously.

Case study: In April 2020, we organized specific fire drills. Simulation on evacuation and the fire safety work after fire accidents was performed to enhance safety awareness and ability of evacuation of employees in case of emergencies.

Photo: Emergency fire drill

Labor Employment

Employees are the foundation of our sustainable development. Attracting and retaining talents is the talent cultivation strategy which we value. Performance-based employment is carried out adhering to the principle of fairness, impartiality and openness. Employees are treated equally irrespective of age, gender, ethnicity, marital status, politics or religion. We have complied with the relevant laws and regulations. Employees have to produce their identify cards and resumes before employment and their names, age, educational background, working experience and other information will be verified. Labor contracts will be signed between the Company and employees. The Company will make contribution to social insurance and housing funds on behalf of employees in accordance with the laws to secure their basic rights and interests.

As at December 31, 2020, we have a total of 297 employees. Among them, 153 are male and 144 are female, accounting for 51.52% and 48.48% of the total number of employees respectively.

We have strictly complied with the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》). For termination of labor contracts with employees, three scenarios are specified in the Staff Handbook and we will attend to all formalities with employees terminating the labor contracts according to the rules and sign all the relevant documents.

Remuneration and Benefits

We attach importance to the development of skills and abilities of employees, recognize their contribution to the Company and pay attention to the market value of their performance of roles and duties. We have always adhered to the principle of "performance-oriented to maintain market competitiveness and internal equality" regarding remuneration of employees. By benchmarking to the market rates, we have optimized the remuneration structure to provide employees with competitive remuneration packages. In addition to basic salary, variable bonuses based on comprehensive performance results of departments and individuals will be provided. Meanwhile, in consideration of the overall operation and development of the Company, the basic salary will be subject to annual adjustment according to the performance of employees.

Three working-hour systems have been implemented according to the positions of employees, namely the standard working hour system, the flexible working hour system and the working hour system of integrated calculation. Among them, the weekly working hours of employees under the standard working hour system and the working hour system of integrated calculation are 40 hours with Saturdays and Sundays being rest days. Employees have to submit application and fill in the Overtime Work Application Form for overtime work. Overtime work is arranged in accordance with the laws given that the health of employees is secured and there is no forced labor. Employees of the Company are entitled to all statutory holidays and leaves according to the laws, such as paid annual leave, marriage leave, maternity leave and sick leave.

Moreover, employees are provided with other benefits, including annual physical examination and additional three to four days of holiday during the Chinese New Year. Departments will arrange random group purchase such as internal purchase and giveaway for internal employees as a type of welfare on holidays. Under the impact of the COVID-19 pandemic in 2020, group activities among employees were reduced. In previous years, family day activities such as badminton club and basketball club were organized to enrich the work and life of employees, with a view to enhancing employees' sense of identity and sense of belonging, and hence the cohesiveness of the Company.

Training and Development

We value the development of talents and encourage continuous learning. As such, we have provided a series of training projects in relation to occupational skills and professional techniques to facilitate the growth of employees. We formulate the annual training plan every year, which include the induction training for new recruits organized by the human resource department, training on leadership for the management, training on corporate culture and soft skills for all staff as well as training on expertise and professional skills for different departments.

Case study: In 2020, we organized 2 online training courses for new recruits with a total of 115 participants. Such induction training helped new recruits to develop an understanding of the Company and its operations and learn about the requirements of cultural values and rules and regulations, which would help them to integrate themselves quickly into the Company. Besides, we also organized a number of specific training to achieve all-rounded development of employee's thinking skills and working abilities, thereby enhancing their working efficiency.

Photo: Group training for new recruits

Photo: Specific training

Case study: In 2020, we organized four training campaigns on leadership. Participants included senior management and potential management personnel of the Company totalling 19 people. The trainings were conducted in O2O model which combine online and offline approaches. It aimed at improving basic leadership skills of participants through introduction of the concept of core leadership.

Photo: Leadership training camp

We anticipate that employees can achieve improvement at work continuously. To encourage employees to achieve improvement in their career development, motivate staff, explore potential human resources and provide opportunities to employees with eagerness to move upward, we have formulated a comprehensive mechanism for internal talent selection. Our employees will be given priority to apply for internal vacancies, which provide employees with promotion path. Based on the principle of “openness, equality and performance-based”, the internal talent selection mechanism is open for individual application of employees and the management will assess the results of promotion with reference to the reports of their performance.

APPENDIX I ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA

Environmental Indicator	Unit	2020
A1.1: The types of emissions and respective emissions data		
NOx	tons	0
Particulate matter	tons	0
SOx	tons	0
A1.2: Direct and energy indirect greenhouse gas emissions and intensity		
Direct greenhouse gas emissions (Scope 1)	tons	0
Direct greenhouse gas emissions per employee	tons/person	0
Indirect greenhouse gas emissions (Scope 2)	tons	1,447.63
Indirect greenhouse gas emissions per employee	tons/person	4.17
Greenhouse gas emissions in total (Scope 1 & Scope 2)	tons	1,447.63
Greenhouse gas emissions in total per employee	tons/person	4.17
A1.3: Total hazardous waste produced and intensity		
Clinical waste	tons	29.18
Hazardous waste	tons	2.3
Other hazardous waste	tons	1.5
Total hazardous waste produced	tons	32.98
Hazardous waste produced per employee	tons/person	0.095
A1.4: Total non-hazardous waste produced and intensity		
Household waste	tons	34
Construction waste	tons	40
Total non-hazardous waste produced	tons	74
Non-hazardous waste produced per employee	tons/person	0.21
A2.1: Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity		
Electricity	kWh in '000s	1,791.08
Electricity consumption per employee	kWh in '000s/person	5.16
A2.2: Water consumption in total and intensity		
Water consumption in total	tons	7,134
Water consumption per employee	tons/person	20.56
A2.5: Total packaging material used for finished products and with reference to per unit produced		
Plastics	tons	58.5
Paper/cardboards	tons	225
Others	tons	0.6
Total consumption of packaging materials	tons	284.1
Packaging materials consumed per employee	tons/person	0.82

Social Indicator	Category	2020
B1.1: Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region		
Total number of employees		347
Gender	Male	178
	Female	169
Age	Under 30 years old	150
	30 to 50 years old	190
	Above 50 years old	7
Employment type	Full-time	295
	Part-time	11
	Outsourced staff	41
Rank	Senior management	3
	Middle management	20
	Ordinary employees	324
Geographical region[1]	Eastern China	223
	Northern China	71
	Southwestern China	9
	Southern China	19
	Central China	6
	Northeastern China	3
	Northwestern China	5
B1.2: Employee turnover rate by gender, age group and geographical region		
Total number of employee turnover[2]	Total	103
Employee turnover rate	Overall turnover rate	30.65%
Employee turnover rate by gender (%)	Male	59.22%
	Female	40.78%
Employee turnover rate by age (%)	Under 30 years old	50.49%
	30 to 50 years old	48.54%
	Above 50 years old	0.97%
Employee turnover rate by geographical region (%)	Beijing	18.45%
	Hangzhou	41.75%
	Other geographical regions	39.81%

1 Excluding part-time employees
2 Excluding part-time employees

Social Indicator	Category	2020
B2.1: Number and rate of work-related fatalities occurred in each of the past three years		
2018		0
2019		0
2020		0
Total of the past three years		0
B2.2: Lost days due to work injury		
Lost days		0
B3.1: The percentage of employees trained by gender and employee category (e.g. senior management, middle management)		
Total number of employees trained		306
Employees trained (by gender)	Male	158
	Female	148
Percentage of employees trained[3]	Total training rate	91.07%
Percentage of employees trained (by gender)	Male	51.63%
	Female	48.37%
Percentage of employees trained (by rank)	Senior management	0.33%
	Middle management	6.54%
	Ordinary employees	93.14%
B3.2: The average training hours completed per employee by gender and employee category		
Total training hours completed by employees		541
Training hours of employees (by gender)	Male	278
	Female	263
Average training hours of employees	Average training hours per person in total	1.77
Average training hours of employees (by gender)	Male	1.76
	Female	1.77
Average training hours of employees (by rank)	Senior management	2
	Middle management	1.8
	Ordinary employees	1.77
B5.1: Number of suppliers by geographical region		
Eastern China		118
Southern China		4
Central China		3
Northern China		13
Northwestern China		1
Northeastern China		0
Southwestern China		0
Outside of China (including Hong Kong, Macau and Taiwan)		40

[3] Excluding part-time employees

APPENDIX II CONTENT INDEX OF THE GUIDE OF THE STOCK EXCHANGE

Indicator	Description	Related Chapter
A: Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Building and Protection
A1.1	The types of emissions and respective emissions data	Emissions Management Appendix I Environmental and Social Performance Data
A1.2	Direct and energy indirect greenhouse gas emissions and intensity	Appendix I Environmental and Social Performance Data
A1.3	Total hazardous waste produced and intensity	Waste Management Appendix I Environmental and Social Performance Data
A1.4	Total non-hazardous waste produced and intensity	Waste Management Appendix I Environmental and Social Performance Data
A1.5	Description of emission target(s) set and steps taken to achieve them	Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Waste Management
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Environmental Building and Protection
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity	Energy Use Appendix I Environmental and Social Performance Data
A2.2	Water consumption in total and intensity	Resource Management Appendix I Environmental and Social Performance Data
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Energy Use
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Resource Management
A2.5	Total packaging material used for finished products and with reference to per unit produced	Appendix I Environmental and Social Performance Data

Indicator	Description	Related Chapter
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources	Environmental Building and Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Emissions Management Waste Management
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change Mitigation
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	
B：Social		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employees and Talent Cultivation
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region	Appendix I Environmental and Social Performance Data
B1.2	Employee turnover rate by gender, age group and geographical region	Appendix I Environmental and Social Performance Data
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years	Occupational Health and Safety Appendix I Environmental and Social Performance Data
B2.2	Lost days due to work injury	Occupational Health and Safety Appendix I Environmental and Social Performance Data
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Occupational Health and Safety

Indicator	Description	Related Chapter
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Appendix I Environmental and Social Performance Data
B3.2	The average training hours completed per employee by gender and employee category	Appendix I Environmental and Social Performance Data
B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	Employees and Talent Cultivation
B4.1	Description of measures to review employment practices to avoid child and forced labor	Labor Employment
B4.2	Description of steps taken to eliminate such practices when discovered	Compliance Management
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Quality Management
B5.1	Number of suppliers by geographical region	Appendix I Environmental and Social Performance Data
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Quality Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Quality Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Quality Management

Indicator	Description	Related Chapter
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Quality Management and Control Product Advertisement
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality Management and Control
B6.2	Number of products and service related complaints received and how they are dealt with	After-sales Service
B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property Protection
B6.4	Description of quality assurance process and recall procedures	Quality Management and Control
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Customer Data Protection
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Compliance Management
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Compliance Management
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Compliance Management
B7.3	Description of anti-corruption training provided to directors and staff	Compliance Management
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Charitable Activities
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Community Charitable Activities
B8.2	Resources contributed (e.g. money or time) to the focus area	Community Charitable Activities

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of New Horizon Health Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 108 to 198, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of the preferred shares classified as financial liabilities at fair value through profit or loss ("FVTPL")	
The Company has issued preferred shares with conversion and redemption features to investors as set out in note 26A to the consolidated financial statements. The Company classified it as financial liabilities at FVTPL for which no quoted prices in an active market exist. The preferred shares amounting to RMB1,680 million represented 88% of total liabilities as at December 31, 2020. For the year ended December 31, 2020, fair value loss of RMB579 million was recognized. The fair value of the preferred shares is established by using valuation techniques which include discounted cash flow, back-solve method and equity allocation based on the Black-Scholes Option Pricing Model. The valuation techniques are certified by an independent professional valuer engaged by the Group. Some inputs to the valuation model and the possibilities of different scenarios require significant management estimates, assumptions and complex calculation as set out in note 26A. If there is any change in the management estimates and assumptions of the inputs to the valuation model, it might lead to a change in the fair value to be recognised in profit or loss. We identified the valuation of the preferred shares classified as financial liabilities at FVTPL as a key audit matter because of the significant degree of complexity, management judgements and estimates involved in determination of its fair value and its significance to the results and financial position of the Group.	Our procedures in relation to the valuation of the preferred shares classified as financial liabilities at FVTPL included: • Understanding of the Company's key controls over the valuation process in respect of the fair value of the preferred shares; • Obtaining an understanding the terms of preferred shares agreements; • Evaluating the competence, capabilities and objectivity of the independent professional valuer engaged by the Group; • Understanding and evaluating the valuation model and methodology adopted by management for determining the fair value of the preferred shares, and challenging the key inputs and assumptions adopted by management for the appropriateness of the fair value; • Engaging internal valuation specialist to review and assess the appropriateness of the valuation techniques, estimates and key assumptions adopted in the valuation model; and • Evaluating the disclosures regarding the valuation of the preferred shares in note 26A to the consolidated financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment assessment of trade receivables

We identified impairment assessment of trade receivables as a key audit matter due to the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As at December 31, 2020, the Group's net trade receivables amounting to RMB32,419,000 represented 4% of the total assets of the Group, and out of these trade receivables of approximately RMB13,096,000 were past due.

As disclosed in note 32(b) to the consolidated financial statements, the management of the Group estimates amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors, after considering ageing, historical settlement record and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward looking information. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually. As disclosed in note 18 to the consolidated financial statements, the Group's lifetime ECL recognised on trade receivables as at 31 December 2020 amounted to approximately RMB3,791,000.</td><td>Our procedures in relation to impairment assessment of trade receivables included:

• Understanding key controls on how the management estimates the loss allowance for trade receivables;

• Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at December 31, 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents;

• Challenging management's basis and judgements in determining credit loss allowance on trade receivables as at December 31, 2020, including their identification of significant outstanding and credit-impaired balances, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and

• Evaluating the disclosures regarding the impairment assessment of trade receivables in notes 18 and 32(b) to the consolidated financial statements.</td></tr>
</table>

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 15, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended December 31, 2020 RMB'000	2019 RMB'000
Revenue	5	**70,567**	58,275
Cost of sales		**(33,318)**	(23,957)
Gross profits		**37,249**	34,318
Other income	6A	**9,386**	6,060
Other gains and losses	7	**(617,591)**	32,179
Impairment losses on trade receivables		**(2,569)**	(893)
Selling and distribution expenses		**(65,123)**	(75,609)
Research and development expenses		**(25,335)**	(26,371)
Administrative expenses		**(76,950)**	(53,862)
Listing expenses		**(26,900)**	(338)
Other expenses	6B	**(12,853)**	(20,468)
Finance costs	8	**(7,735)**	(1,251)
Loss before tax	9	**(788,421)**	(106,235)
Income tax expense	10	**(303)**	(230)
Loss and total comprehensive expenses for the year		**(788,724)**	(106,465)
Loss per share	12		
– Basic (RMB)		**(6.64)**	(0.92)
– Diluted (RMB)		**(6.64)**	(1.03)

Consolidated Statement of Financial Position

	Notes	At December 31, 2020 RMB'000	2019 RMB'000
Non-current assets			
Property and equipment	14	**40,061**	31,514
Intangible assets	15	**20,023**	19,119
Right-of-use assets	16	**30,123**	33,661
Deposits paid for acquisition of property and equipment		**2,567**	2,212
Other receivables and deposits	18	**6,425**	2,618
Amounts due from related parties	19A	**19,328**	–
		118,527	89,124
Current assets			
Inventories	17	**6,130**	4,719
Trade and other receivables	18	**56,664**	38,759
Amounts due from related parties	19A	**48,705**	61,831
Contract costs	20	**5,724**	4,973
Time deposits over three months	21	**130,498**	526
Bank balances and cash	21	**451,796**	346,434
		699,517	457,242
Current liabilities			
Trade and other payables	22	**48,132**	18,651
Accrued payroll and welfare expenses		**15,785**	12,469
Contract liabilities	23A	**10,872**	27,198
Refund liabilities	23B	**2,594**	3,291
Tax payable		**–**	230
Amounts due to related parties	19B	**–**	16,016
Bank borrowings	24	**70,209**	13,403
Lease liabilities	25	**8,997**	7,469
		156,589	98,727
Net current assets		**542,928**	358,515
Total assets less current liabilities		**661,455**	447,639
Non-current liabilities			
Bank borrowings	24	**46,025**	37,097
Other payables	22	**665**	782
Lease liabilities	25	**24,323**	24,969
Convertible redeemable preferred shares ("**Preferred Shares**")	26A	**1,680,356**	750,367
		1,751,369	813,215
Net liabilities		**(1,089,914)**	(365,576)

Consolidated Statement of Financial Position

	Note	At December 31, 2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	27	**48**	40
Treasury shares		**(1)**	–
Share premium		**118,865**	48,227
Reserves		**(1,208,826)**	(413,843)
Total deficit		**(1,089,914)**	(365,576)

The consolidated financial statements on page 108 to 198 were approved and authorised for issue by the board of directors on March 15, 2021 and are signed on its behalf by:

DR. YIYOU CHEN
Director

MR. YEQING ZHU
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total deficits RMB'000
At January 1, 2019	40	–	47,144	(72,297)	2,809	(247,174)	(269,478)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(106,465)	(106,465)
Recognition of equity-settled share-based payments (note 28)	–	–	–	–	10,367	–	10,367
Vesting of restricted shares	–	–	1,083	–	(1,083)	–	–
At December 31, 2019	40	–	48,227	(72,297)	12,093	(353,639)	(365,576)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(788,724)	(788,724)
Recognition of equity-settled share-based payments (note 28)	–	–	–	–	14,725	–	14,725
Exercise of share options (note 28a)	7	–	67,231	–	(17,577)	–	49,661
Vesting of restricted shares	–	–	3,407	–	(3,407)	–	–
Issuance of shares held on trust (note 27vii)	1	(1)	–	–	–	–	–
At December 31, 2020	48	(1)	118,865	(72,297)	5,834	(1,142,363)	(1,089,914)

Consolidated Statement of Cash Flows

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(788,421)**	(106,235)
Adjustments for:		
Fair value loss (gain) on Preferred Shares	**578,786**	(48,334)
Fair value loss on changes of other financial liabilities	**–**	19,616
Net investment gain on structured deposits	**(43)**	(571)
Investment loss on currency swap agreement	**–**	1,415
Write-down of inventories	**2,862**	1,603
Write-down of contract costs	**2,406**	452
Impairment losses on trade receivables	**2,569**	893
Written-off of advances and payments to a supplier	**11,128**	640
Bank interest income	**(2,294)**	(1,843)
Interest income from subscription receivables	**(1,829)**	–
Net loss (gain) on disposal of property and equipment	**106**	(21)
Depreciation of property and equipment	**7,370**	5,879
Depreciation of right-of-use assets	**6,703**	7,062
Amortisation of intangible assets	**801**	437
Amortisation of contract costs	**9,978**	9,284
Transaction costs directly attributable to the issuance of Preferred Shares	**1,720**	19,822
Finance costs	**7,735**	1,251
Share-based payment expenses	**14,725**	10,367
Initial fair value change recognised for early exercise promissory notes	**3,239**	–
Fair value loss on early exercise promissory notes	**1,467**	–
Non-cash settlement of director remuneration	**1,393**	–
Net unrealised foreign exchange loss (gain)	**33,661**	(2,393)
Operating cash flow before movements in working capital	**(105,938)**	(80,676)
Increase in trade and other receivables	**(25,966)**	(6,949)
Increase in inventories	**(45)**	(2,248)
Increase in contract costs	**(3,157)**	(2,138)
Increase in trade and other payables	**20,360**	3,583
(Decrease) increase in contract liabilities	**(16,326)**	10,458
(Decrease) increase in refund liabilities	**(697)**	2,982
Cash used in operations	**(131,769)**	(74,988)
Income tax paid	**(533)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(132,302)**	(74,988)

Consolidated Statement of Cash Flows

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Bank interest received	**2,294**	1,843
Placement of time deposits	**(264,205)**	(526)
Withdrawal of time deposits	**127,680**	–
Upfront payments for right-of-use assets	**–**	(3,000)
Payments for rental deposits	**(65)**	(706)
Purchase of intangible assets	**(3,232)**	(10,870)
Purchase of and deposits paid for property and equipment	**(20,825)**	(22,908)
Proceed from disposal of property and equipment	**129**	–
Placement of structured deposits	**(8,000)**	(162,050)
Disposal of structured deposits	**8,043**	162,621
Payments for a currency swap agreement	**–**	(63,108)
Receipt from a currency swap agreement	**–**	61,693
Advances to related parties	**(24,713)**	–
Repayments from related parties	**15,995**	1,000
Loans to employees	**(2,748)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(169,647)**	(36,011)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares for the group reorganisation	**–**	26,950
Proceeds from capital injection and additional capital injection of Beijing New Horizon Xincheng Health Technology Co., Ltd. ("**Beijing Xincheng**")	**22,080**	10,101
Proceeds from issuance of Series C Preferred Shares (note 26A)	**–**	457,517
Proceeds from issuance of Series D Preferred Shares (note 26A)	**141,658**	–
Proceeds from issuance of Series E Preferred Shares (note 26A)	**209,545**	–
Transaction costs directly attributed to the issuance of Preferred Shares paid	**(1,720)**	(22,297)
Proceeds from issuance of Preferred Shares for the group reorganisation	**14,041**	62,299
Acquisition of equity interest of Hangzhou New Horizon Health Technology Co., Ltd. ("**Hangzhou Nuohui**") by NHJK Holding Corporation Limited ("**NHJK Holding**")	**–**	(143,702)

Consolidated Statement of Cash Flows

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Acquisition of equity interest of Hangzhou Nuohui from Zhejiang Lingqing Venture Capital Investment Co., Ltd. ("**Zhejiang Lingqing**")	**–**	(55,965)
New bank borrowings raised	**70,000**	55,500
Repayments of bank borrowings	**(4,266)**	(5,000)
Repayments of lease liabilities	**(9,796)**	(8,412)
Interest paid	**(6,865)**	(1,153)
Issue cost paid	**(2,771)**	(28)
Advances from related parties	**5**	6
Repayment to related parties	**(16)**	–
Proceeds from exercise of share options	**540**	–
NET CASH FROM FINANCING ACTIVITIES	**432,435**	375,816
NET INCREASE IN CASH AND CASH EQUIVALENTS	**130,486**	264,817
Effects of exchange rate changes	**(25,124)**	4,926
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**346,434**	76,691
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH	**451,796**	346,434

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 share of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from February 18, 2021 (the "**Listing**"). The respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

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

The Company and its subsidiaries (the "**Group**") have consistently applied all the amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**"), that are effective for the Group's accounting period beginning on January 1, 2020.

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[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendment to IAS 8	Disclosure of Accounting Estimates[1]
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 IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after June 1, 2020
5 Effective for annual periods beginning on or after January 1, 2021

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

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

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the 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 the consolidated financial statements.

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

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

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

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

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

Refund liabilities

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

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

3.2 Significant accounting policies *(Continued)*

Sale with a right of return/exchange

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

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

(b) a refund liability/contract liability; and

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

Contract costs

Incremental costs of obtaining a contract

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

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

Costs to fulfil a contract

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

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

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

(c) the costs are expected to be recovered.

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

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

3.2 Significant accounting policies *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets *(Continued)*

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

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

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

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

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

Lease modifications

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

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

3.2 Significant accounting policies *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Shares/share options granted to employees

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

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

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

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

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognized. If the modification increases the fair value of the equity instruments granted, the Group is required to measured immediately before and after the modification and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

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

3.2 Significant accounting policies *(Continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in 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.

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss.

Property and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

3.2 Significant accounting policies *(Continued)*

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

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

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

(i) Significant increase in credit risk

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Preferred Shares

The Preferred Shares that the Group has contractual obligation to redeem and the conversion option of which may be settled by the exchange of variable number of the Group's own equity are measured at FVTPL. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of Preferred Shares is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 26A.

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

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Research and development expenses

Development expenses incurred on the Group's product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determine that certain of the Group's product pipelines met the above said capitalisation criteria. During the year ended December 31, 2020, development costs of RMB1,273,000 (2019: RMB13,863,000), respectively, are capitalised as intangible assets as set out in note 15.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of Preferred Shares

The Group has issued a series of Preferred Shares prior to and during the reporting period as set out in note 26A. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow, back-solve method and equity allocation based on the Black-Scholes Option Pricing Model ("**OPM**") involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios, such as qualified initial public offering, redemption, liquidation, and other inputs, such as time to liquidation, risk-free interest rate, expected volatility value and dividend yield, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the Preferred Shares of the Group as at December 31, 2020 is RMB1,680,356,000 (2019: RMB750,367,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES *(Continued)*

Provision of impairment loss allowance for trade receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for trade receivables which are individually insignificant. The provision rates are based on internal credit ratings as groupings of various debtors. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 32(b).

Estimation on refund liabilities

In estimating the amount of refund liabilities, the management of the Group has to make estimation based on its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. The estimation involves high degree of estimation and uncertainty. When the actual return rates are less than expected or more than expected, a material reversal or a material provision of refund liabilities may arise accordingly. As at December 31, 2020, the carrying amount of refund liabilities is RMB2,594,000 (2019: RMB3,291,000).

Estimate of breakage revenue of ColoClear

The sales of ColoClear consists of delivery of sample collection kits to customers and provision of screening test in the Group's laboratories upon the end users sending back their samples for testing. ColoClear sample collection kits have a shelf life of 12 months. In certain of the sales arrangements, customers may make payments of transaction prices to the Group upon the sample collection kits have been delivered to them in accordance with contractual terms and the amounts received by the Group are recognised as contract liabilities until when revenue is recognised at a point in time at the earlier of (i) the Group completed the testing service and delivered the screening report to the consumer; or (ii) the later of ColoClear product delivered to the customers are expired or the expiry of product exchange period granted to selected customers.

The transaction price received is generally nonrefundable and customers or the end users may not utilize all of their contracted rights within the services period, which referred as breakage. If the Group expects to be entitled to a breakage amount in contract liabilities, that amount is recognised as revenue in proportion to the pattern of service utilised by the customers. If the Group does not expect to be entitled to a breakage amount, revenue for the expected breakage amount should be recognised when the likelihood of the customer exercising its remaining rights becomes remote. As such, it requires estimation over the pattern of utilization services with reference to historical experience.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES *(Continued)*

Estimate of breakage revenue of ColoClear *(Continued)*

Since the Group has limited operating history particularly in marketing its products prior to 2018 and with the consideration of the ColoClear sample collection kits have a shelf life of 12 months, no breakage revenue was recognised during the year ended December 31, 2019 as there is no historical experience accumulated to form any valid expectation until full period of redemption pattern could be reflected thoroughly in the following year and hence, contract liabilities outstanding at the expiry of the product shall be recognized as revenue at the later of product expiry or the exchange period granted.

During the year ended December 31, 2020, the directors of the Company have referenced to the past two years historical utilisation pattern of customers and noted a stable redemption rate for certain sales channels that can be used to reasonably used to estimate the breakage amount in contract liabilities (if any) for future sales under those channel. For sales under those channels, the Group recognised revenue in proportion to the pattern of service utilised by the customers over the balance of contract liabilities (on individual customer basis) and true up any difference between contracted amount and the amount of breakage for revenue of tested services recognised prior to the point of receipt of payments. For other sales, breakage in contract liabilities is recognised upon expiry of product or the product exchange period granted.

Impairment assessment of capitalised development costs

Capitalised development costs are stated at cost less accumulated amortisation and impairment, if any. For intangible assets not yet available for use, the Group would assess the assets individually for impairment annually. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the estimations of cash inflows/outflows include budgeted sales and gross margin, could materially affect the net present value used in the impairment test.

As at December 31, 2020, the carrying amounts of capitalized development costs are RMB16,582,000 (2019: RMB15,486,000). Details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 15.

5. REVENUE AND SEGMENT INFORMATION

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

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
ColoClear	**37,566**	39,098
Pupu tube	**31,838**	15,101
Others	**1,163**	4,076
	70,567	58,275

The Group sells ColoClear, Pupu tube and other products to customers through its own network, contracted sales organisations ("**CSOs**") and internet sales or e-platform operated by healthcare clinics.

For sale through CSOs and certain internet sales, the Group receives the payment of the transaction price prior to the delivery of the product to the customer. For sale through other sale channels, the Group normally grants a credit period of 0 to 90 days upon issuance of invoice and may grant a credit term up to 180 days to certain long term customers. The Group may request advances from new or certain customers upon signing sales agreements or placing orders.

Based on the Group's sales contract with individual customers, selected customers can request for one-time exchange of products within 3 months upon expiry of ColoClear products and 2 months prior to expiry of Pupu tube products; whereas the other customers can only return or request for refund if the product delivered to the customer does not meet the pre-specified quality requirement.

ColoClear

The transaction price received by the Group is recognised as a contract liability until when revenue is recognised at a point in time at the earlier of (i) the Group completed the testing service and delivered the screening report to the consumer; or (ii) the later of ColoClear product delivered to the customers are expired or the expiry of product exchange period granted to selected customers.

Since the transaction price received is generally nonrefundable and customers or the end users may not utilise all of their contracted rights within the services period which is referred to as breakage, the Group recognised the breakage amount when the likelihood of customer exercising its remaining rights become remote i.e. upon the expiry of product prior to January 1, 2020. During the year ended December 31, 2020, the directors of the Company have referenced to the past two years historical utilisation pattern of customers and noted a stable redemption rate for certain sales channels that can be used to reasonably estimate the breakage amount in contract liabilities (if any) for future sales under those channels. For sales under those channels, the Group recognised revenue in proportion to the pattern of service utilised by the customers over the balance of contract liabilities (on individual customer basis) and true up any difference between contracted amount and the amount of breakage for revenue of tested services recognised prior to the point of receipt of payments. For other sales, breakage in contract liabilities is recognised upon expiry of product or the product exchange period granted.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Pupu tube and others

Revenue is recognised at a point in time when the Group delivers the products to the customers and/or service are rendered to its customers.

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of Pupu tube and others as the Group's contract has an original expected duration of less than one year.

Occasionally, customers enter into framework agreements with the Group and place orders when they require delivery. Advances received from customers with no orders have been placed are recognised as contract liabilities. The expected timing of revenue recognition is uncertain as it is based on the request by them.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in respect of sale of ColoClear as at the end of each reporting period and the expected timing of recognising revenue that orders have been placed.

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within one year	**8,346**	24,824

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 as a whole which are prepared based on the same accounting policies set out in note 4. 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the reporting period are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Customer A	**29,098**	19,999

6A. OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**2,294**	1,843
Government subsidies (note)	**5,202**	3,802
Interest income from subscription receivables (note 19A)	**1,829**	–
Others	**61**	415
	9,386	6,060

Note: The amount represents government grants received from various PRC government authorities in connection with the enterprise development support and fiscal subsidies which had no conditions imposed by the respective PRC government authorities.

6B. OTHER EXPENSES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Transaction costs directly attributable to the issuance of Preferred Shares	**1,720**	19,822
Written-off of advances and payments to a supplier (note)	**11,128**	640
Others	**5**	6
	12,853	20,468

6B. OTHER EXPENSES *(Continued)*

Note: In April 2018, the Group entered into a strategic collaboration agreement with a supplier pursuant to which the Group is committed to purchase the diagnostic testing kits of an aggregate amount of RMB80,000,000 with a pre-specified purchase amount on an annual basis from 2019 to 2023 (the "**Strategic Collaboration Agreement**"). During the year ended December 31, 2018 and 2020, the Group paid RMB1,000,000 and RMB4,000,000, respectively, as advances for the purchase of inventories. During the years ended December 31, 2019 and 2020, inventories amounting to RMB36,000 and RMB72,000, respectively, were supplied. However, the inventories did not meet with the quality control requirement of the Group, and after negotiation and taking into consideration of the production ability of the supplier, the directors of the Company considered that there is uncertainty that the supplier can refund the remaining advances or supply up to quality products in the foreseeable future. As such, the Group had written-off the amounts paid. In August 2020, the supplier brought a breach of contract claim against Hangzhou Nuohui and alleged that Hangzhou Nuohui did not perform the contractual payment obligations according to the Strategic Collaboration Agreement and sought for the second annual payment of RMB10 million plus any accrued interest from Hangzhou Nuohui. On November 18, 2020, Hangzhou Nuihui and the supplier entered into a settlement agreement that Hangzhou Nuohui agreed to pay a total amount of RMB7.2 million to terminate the Strategic Collaboration Agreement and the litigation was withdrawn. Therefore, the advances and the settlement amount has been recognised as other expenses during the year ended December 31, 2020. During year ended December 31, 2020, the Group paid RMB2.4 million to the supplier and the remaining RMB4.8 million will be paid by March 31, 2021.

7. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net investment gain on structured deposits	**43**	571
Investment loss on currency swap agreement	**–**	(1,415)
Net foreign exchange (loss) gain	**(37,275)**	4,284
Fair value (loss) gain of Preferred Shares (note 26A)	**(578,786)**	48,334
Fair value loss on other financial liabilities (note 26B)	**–**	(19,616)
Fair value loss of early exercise promissory notes	**(1,467)**	–
Net (loss) gain on disposal of property and equipment	**(106)**	21
	(617,591)	32,179

8. FINANCE COSTS

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Interest on bank borrowings	**5,583**	313
Interest on lease liabilities	**2,152**	938
	7,735	1,251

9. LOSS BEFORE TAX

	Year ended December 31,	
	2020 **_RMB'000_**	2019 _RMB'000_
Loss before tax for the year has been arrived at after charging (crediting):		
Depreciation of property and equipment	**12,534**	11,889
Depreciation of right-of-use assets	**14,216**	9,761
Amortisation of intangible assets	**1,045**	437
	27,795	22,087
Capitalised in inventories	**(12,921)**	(8,709)
	14,874	13,378
Analysed as:		
Charged in administrative expenses	**10,757**	11,250
Charged in selling and distribution expenses	**56**	27
Charged in research and development expenses	**4,061**	2,101
	14,874	13,378
Auditors' remuneration	**1,250**	153
Cost of inventories recognised as cost of sales	**25,769**	19,030
Write-down of inventories	**2,862**	1,603
Write-down of contract costs on finished goods delivered (included in cost of sales)	**2,406**	452
Directors' remuneration (note 11)	**16,455**	11,311
Other staff cost		
Salaries and other benefits	**61,028**	48,570
Retirement benefit scheme contributions	**2,322**	3,037
Discretionary bonus (note)	**7,429**	5,648
Share-based payments	**6,792**	3,459
	94,026	72,025
Capitalised in inventories	**(7,391)**	(7,914)
	86,635	64,111

9. LOSS BEFORE TAX *(Continued)*

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Analysed as:		
Charged in administrative expenses	**43,307**	28,601
Charged in selling and distribution expenses	**30,347**	24,771
Charged in research and development expenses	**12,981**	10,739
	86,635	64,111
Research and development expenses		
Staff cost	**12,981**	10,739
Depreciation and amortisation	**4,061**	2,101
Clinic test expenses	**1,380**	14,749
Materials consumed	**6,323**	9,587
Consultancy fee	**641**	1,822
Cooperative development fees	**–**	197
Travel expenses	**250**	332
Others	**972**	707
	26,608	40,234
Capitalised in intangible assets	**(1,273)**	(13,863)
	25,335	26,371

During the year ended December 31, 2020, pursuant to the notice released by the relevant PRC authority, certain domestic subsidiaries of the Company have been fully or partially waived to undertake a number of social securities contribution including endowment insurance, medical insurance, unemployment insurance and employment injury insurance due to the outbreak of COVID-19, totaling approximately RMB3,593,000 during the period from February to December 2020.

Note: Discretionary bonus is determined at the year end based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

10. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands.

Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first Hong Kong dollar ("**HK$**") 2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. No provision of Hong Kong Profits Tax was made in these consolidated financial statements as the group entities or entities comprising the group had no assessable profit subject to Hong Kong Profits Tax during the reporting period.

Under the US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21%.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

Hangzhou Nuohui has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Hangzhou City and relevant authorities on November 30, 2018, and has been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax ("**EIT**") rate from 2018 to 2020.

In addition, certain foreign subsidiary is subject to pay withholding tax on interest income related to the inter-company loan paid from PRC entities to foreign company and the related tax expenses amounting to RMB303,000 for the year ended December 31, 2020 (2019: RMB230,000).

The tax charge for the reporting period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive expenses as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(788,421)**	(106,235)
Tax charge at the PRC EIT rate of 25%	**(197,105)**	(26,559)
Tax effect of expenses not deductible for tax purpose	**168,108**	13,959
Tax effect of income not taxable for tax purpose	**–**	(11,896)
Tax effect of research and development expenses that are additionally deducted (note)	**(4,068)**	(5,645)
Tax effect of tax losses not recognised	**28,439**	28,238
Utilisation of tax losses previously not recognised	**(2)**	(3)
Tax effect of deductible temporary differences not recognised	**5,080**	2,312
Tax effect of tax concessionary rates	**–**	(98)
Tax effect of different tax rates of subsidiaries	**(452)**	(308)
Withholding tax charged on inter-company income	**303**	230
	303	230

Note: Pursuant to Caishui 2018 circular No. 99, Hangzhou Nuohui enjoys super deduction of 175% on qualifying research and development expenditures throughout the reporting period.

10. INCOME TAX EXPENSE *(Continued)*

As at December 31, 2020, the Group has unrecognised deductible temporary differences of RMB35,043,000 (2019: RMB14,723,000). The unrecognised deductible temporary difference mainly consists of expenses accruals and provision of impairment loss allowance for trade receivables. As at December 31, 2020, the Group has tax losses of approximately RMB378,954,000 (2019: RMB264,110,000), and taxable temporary difference on capitalisation of development expenses of RMB16,582,000 (2019: RMB15,486,000). As at December 31, 2020, deferred tax assets and liabilities on tax losses and development expense capitalisation of RMB2,487,000 (2019: RMB2,323,000), have been recognised and offset for presentation purpose. No deferred tax asset has been recognised in respect of the remaining deductible temporary differences or tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will be carried forward and expire in years as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
2021	**16**	16
2022	**7,542**	7,542
2023	**9**	11
2024	**1,761**	1,766
2025	**6,776**	–
2026	**15,253**	15,253
2027	**33,606**	33,606
2028	**79,244**	79,244
2029	**110,515**	110,515
2030	**102,719**	–
Indefinite	**4,931**	671
	362,372	248,624

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid to the individuals who were appointed as the directors and Chief Executive Officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the reporting period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

	Date of appointment as director of the Company	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Share-based payments *RMB'000*	Discretionary bonus *RMB'000* (note)	Total *RMB'000*
For the year ended December 31, 2020							
Chief Executive Officer and executive director:							
Mr. Yeqing Zhu ("**Mr. Zhu**")	June 7, 2018	–	**4,014**	**39**	**5,828**	**1,500**	**11,381**
Executive director:							
Dr. Yiyou Chen ("**Dr. Chen**")	June 7, 2018	–	**2,968**	**1**	**2,105**	**–**	**5,074**
Non-executive directors							
Mr. Naxin Yao ("**Mr. Yao**")	July 26, 2018	–	**–**	**–**	**–**	**–**	**–**
Zhou Quan	July 26, 2018	–	**–**	**–**	**–**	**–**	**–**
Leung Nisa Bernice Wing-Yu	July 26, 2018	–	**–**	**–**	**–**	**–**	**–**
Ng Siu Wai	May 14, 2019	–	**–**	**–**	**–**	**–**	**–**
		–	**6,982**	**40**	**7,933**	**1,500**	**16,455**
For the year ended December 31, 2019							
Chief Executive Officer and executive director:							
Mr. Zhu	June 7, 2018	–	1,948	52	6,053	540	8,593
Executive director:							
Dr. Chen	June 7, 2018	–	1,846	17	855	–	2,718
Non-executive directors							
Mr. Yao	July 26, 2018	–	–	–	–	–	–
Zhou Quan	July 26, 2018	–	–	–	–	–	–
Leung Nisa Bernice Wing-Yu	July 26, 2018	–	–	–	–	–	–
Ng Siu Wai	May 14, 2019	–	–	–	–	–	–
		–	3,794	69	6,908	540	11,311

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

During the year ended December 31, 2020, RMB1,393,000 (2019: nil) of the remuneration of Mr. Zhu was settled by offsetting its current account.

The directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group. None of the directors of the Company has waived any emoluments during the year.

During the both years, certain directors were granted restricted shares/share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 28.

Five highest paid employees

The five highest paid individuals of the Group included 2 directors of the Company (2019: two directors), details of whose remuneration are set out above. Details of the remuneration for the remaining 3 highest paid employees (2019: three) are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salary and other benefits	**4,260**	1,422
Retirement benefit scheme contribution	**71**	103
Share-based payments	**4,527**	1,636
Discretionary bonus (note)	**790**	734
	9,648	3,895

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of these employees (excluding the directors) are within the following bands:

	Number of individual	
	Year ended December 31,	
	2020	2019
HK$0 to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	–
	3	3

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 28.

12. LOSS PER SHARE

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

	Year ended December 31,	
	2020	2019
(RMB'000)		
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(788,724)**	(106,465)
Effect of dilutive potential ordinary shares: Fair value gain of Series B Preferred Shares	–	(48,930)
Loss for the purpose of diluted loss per share	**(788,724)**	(155,395)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**118,787,389**	115,199,241
Effect of dilutive potential ordinary shares: Series B Preferred Shares	–	35,640,220
Weighted average number of ordinary share for the purpose of diluted loss per share	**118,787,389**	150,839,461

The computation of basic loss per share for both years excluded the unvested restricted shares (note 28b) and unvested share options (note 28a) of the Company.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of potential ordinary shares which consists of unvested restricted shares of the Company (note 28), Preferred Shares issued by the Company (note 26A) and share options outstanding under the Plan (defined in note 28). For the year ended December 31, 2020, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2020 is the same as basic loss per share of the respective year.

Diluted loss per share for the year ended December 31, 2019, did not assume vesting of restricted shares, conversion of Series A-1 and A-2 and C Preferred Shares, and exercise of share options as their inclusion would be anti-dilutive.

13. DIVIDENDS

No dividend was paid or declared by the Company for the years ended December 31, 2019 and 2020.

14. PROPERTY AND EQUIPMENT

	Leasehold improvement *RMB'000*	Machinery *RMB'000*	Motor vehicle *RMB'000*	Furniture and fixture *RMB'000*	Assets under installation *RMB'000*	Total *RMB'000*
COST						
At January 1, 2019	19,004	12,813	82	3,337	–	35,236
Additions	15,143	4,512	–	482	866	21,003
Disposals	–	(146)	–	–	–	(146)
At December 31, 2019	34,147	17,179	82	3,819	866	56,093
Additions	2,461	4,122	–	754	13,979	21,316
Disposals	–	(339)	–	(228)	–	(567)
Transfers	6,764	402	–	–	(7,166)	–
At December 31, 2020	**43,372**	**21,364**	**82**	**4,345**	**7,679**	**76,842**
DEPRECIATION						
At January 1, 2019	8,567	3,153	2	981	–	12,703
Provided for the year	8,596	2,385	19	889	–	11,889
Eliminated on disposals	–	(13)	–	–	–	(13)
At December 31, 2019	17,163	5,525	21	1,870	–	24,579
Provided for the year	7,985	3,564	19	966	–	12,534
Eliminated on disposals	–	(222)	–	(110)	–	(332)
At December 31, 2020	**25,148**	**8,867**	**40**	**2,726**	**–**	**36,781**
CARRYING AMOUNT						
At December 31, 2020	**18,224**	**12,497**	**42**	**1,619**	**7,679**	**40,061**
At December 31, 2019	16,984	11,654	61	1,949	866	31,514

The above items of property and equipment, other than assets under installation, are depreciated on a straight-line basis, after taking into account of the residual value, at the rate per annum as follows:

Leasehold improvement	Shorter of the lease term or 20% per annum
Machinery	19% per annum
Motor vehicle	23.75% per annum
Furniture and fixture	19%-31.67% per annum

15. INTANGIBLE ASSETS

	Patent right RMB'000	Computer software RMB'000	Trademarks RMB'000	Development costs RMB'000	Software under development RMB'000	Total RMB'000
COST						
At January 1, 2019	350	902	120	1,623	1,495	4,490
Additions	–	–	–	13,863	1,489	15,352
Transfers	–	2,984	–	–	(2,984)	–
At December 31, 2019	350	3,886	120	15,486	–	19,842
Additions	–	353	–	1,273	323	1,949
At December 31, 2020	**350**	**4,239**	**120**	**16,759**	**323**	**21,791**
DEPRECIATION						
At January 1, 2019	79	195	12	–	–	286
Provided for the year	35	390	12	–	–	437
At December 31, 2019	114	585	24	–	–	723
Provided for the year	35	820	13	177	–	1,045
At December 31, 2020	**149**	**1,405**	**37**	**177**	**–**	**1,768**
CARRYING AMOUNT						
At December 31, 2020	**201**	**2,834**	**83**	**16,582**	**323**	**20,023**
At December 31, 2019	236	3,301	96	15,486	–	19,119

Patent right and trademarks consists of registration costs incurred for Pupu tube and development costs represents cost capitalised on developing ColoClear.

The above intangible assets, other than software under development, have finite useful lives, which are determined based on estimated economic lives of the relevant assets, and are amortised on a straight-line basis as follows:

Patent right	10% per annum
Computer software	20% per annum
Trademarks	10% per annum
Development costs	6.70% per annum

During the year ended December 31, 2020, the Group capitalised development costs of RMB1,273,000 (2019: RMB13,863,000). The majority portion of the capitalised development costs related to the application of the In Vitro Diagnostic certification for ColoClear which the Group obtained in November 2020 from the relevant authority.

15. INTANGIBLE ASSETS *(Continued)*

The management of the Group conducted impairment assessment on development costs that is yet available for use as it is required to test for impairment at least annually. The recoverable amounts have been determined based on a value in use calculation using cash flow projection which is based on financial forecast approved by the directors of the Company as at December 31, 2019 and December 31, 2020. The growth rate used to extrapolate the cash flows subsequent to the forecast period is 3%, which is closed to long-term inflation rate. The pre-tax discount rate applied to the cash flow projections is 26.7% (2019: 26.7%) and reference to the average discount rate with similar business risk and after taking into account the risk premium in connection with the related research and development efforts. Apart from the discount rate as stated above, the estimation of cash inflows/outflows include budgeted sales and gross margin which are based on management's expectation for the market development.

16. RIGHT-OF-USE ASSETS

	Office premises *RMB'000*	**Machinery** *RMB'000*	**Total** *RMB'000*
CARRYING AMOUNT			
At January 1, 2019	11,572	–	11,572
Additions	11,821	20,029	31,850
Depreciation charge for the year	(8,760)	(1,001)	(9,761)
At December 31, 2019	14,633	19,028	33,661
Additions	10,678	–	10,678
Depreciation charge for the year	(10,210)	(4,006)	(14,216)
At December 31, 2020	**15,101**	**15,022**	**30,123**

	Year ended December 31,	
	2020 *RMB'000*	2019 *RMB'000*
Total cash outflow for leases	**11,948**	12,350

For both years, the Group leases various offices and equipments for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

To optimise lease costs during the contract period, the Group leased a machinery in which the monthly lease payment is based on the actual number of production of the previous month and a minimum lease payment guarantee at the end of the lease term. The Group initially estimates and recognises amounts expected to be payable under minimum lease payment guarantees as part of the lease liability.

16. RIGHT-OF-USE ASSETS *(Continued)*

Restrictions or covenants on leases

As at December 31, 2020, lease liabilities of RMB33,320,000 (2019: RMB32,438,000) are recognised with related right-of-use assets of RMB30,123,000 (2019: RMB33,661,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INVENTORIES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Raw material	**4,530**	3,195
Work in process	**186**	123
Finished goods	**1,056**	1,238
Goods in transit to customers	**358**	163
	6,130	4,719

During the year ended December 31, 2020, write-down of inventories amounted to RMB2,862,000 (2019: RMB1,603,000) has been recognised and included in cost of sales.

18. TRADE AND OTHER RECEIVABLES

	At December 31, 2020 RMB'000	2019 RMB'000
Trade receivables	**36,210**	19,107
Less: Impairment loss allowance	**(3,791)**	(1,222)
	32,419	17,885
Rental deposits (non-current)	**2,683**	2,618
Prepayments for research and development services	**75**	732
Prepayments for property management services	**232**	418
Prepayments for legal and other professional services	**385**	590
Prepayments for listing fees	**538**	162
Prepayments for promotion and advertising activities	**2,660**	–
Advances to suppliers	**198**	151
Subscription receivables from shareholders and Preferred Shares holders of the Company (note i)	**–**	14,222
Deferred issue costs (note ii)	**5,620**	–
Value added tax recoverables	**4,762**	3,627
Loan receivables from employees (note iii)	**2,782**	–
Early exercise promissory notes (note iv)	**8,119**	–
Others	**2,616**	972
	30,670	23,492
	63,089	41,377
Analysed as:		
Non-current	**6,425**	2,618
Current	**56,664**	38,759
	63,089	41,377

Notes:

i. Amounts represent the amounts due from the onshore PRC investors for subscribing ordinary shares and Preferred Shares issued by the Company recognised upon the group reorganisation, and such amounts were fully settled in January 2020.

ii. Deferred issue costs represents the qualifying portion of issue costs incurred up to December 31, 2020, which will be charged to equity of the Group as share issue costs in respect of the issue of new shares upon the Listing.

iii. The amounts represent loans to certain employees in respect of withholding tax for employees' individual income tax arising from the exercise of their respective share options. The loans are unsecured and carried interest at 4.35% per annum if the loan is repaid within 1 year, 4.75% per annum if the loan is repaid between 1 to 5 years, or 4.90% per annum if the loan is repaid after 5 years. Furthermore, under the mutual agreement between the Group and each individual borrower, the loan can be further extended or repaid any time before the expiry of the loan. Since the employees are able to sell their shares after the Listing, in the opinion of the directors of the Company, the loan receivables are classified as current assets as the employees would repay thereafter.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

iv. Details of the early exercise promissory notes are set out in note 28(a). As at December 31, 2020, RMB3,742,000 of the balances are expected to be received after twelve months from the end of the reporting period and classified as non-current assets. The balances was measured by using a discount rate of 4.35% for the balances expected to be repaid within 1 year and 4.75% for the remaining balances, and the difference between the principal amount of promissory notes and initial fair value recognised was RMB537,000 included in respective employees' staff cost. The fair value loss after initial recognition amounted to RMB270,000 was included in other gains and losses.

The Group allows an average credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition dates at the end of the reporting period:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
0 – 60 days	**20,539**	8,921
61 – 90 days	**2,399**	1,670
91 – 180 days	**4,365**	3,480
181 – 365 days	**1,478**	2,719
Over 1 year	**3,638**	1,095
	32,419	17,885

At December 31, 2020, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB13,096,000 (2019: RMB9,432,000), which are past due as at reporting date. Out of the past due balances, receivables that have been past due 90 days or more and is not considered as in default as part of such receivables are substantially settled subsequent to the end of the reporting period.

Details of impairment assessment of trade and other receivables are set out in note 32.

As at December 31, 2020, trade receivables of RMB32,419,000 (2019: RMB17,885,000) and the Group's future trade receivables were pledged to secure the Group's bank borrowings as disclosed in note 24.

The Group's other receivables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
US$	**8,119**	14,222

19. AMOUNT(S) DUE FROM/TO RELATED PARTIES

(A) Amounts due from related parties

Particulars of the amounts due from related parties are disclosed as follows:

	Relationship and details	At December 31, 2020 RMB'000	2019 RMB'000
Mr. Yao	(notes i, iii)	–	100
Mr. Zhu	(note i)		
– current account	(notes iii, v)	–	38,633
– subscription receivables for issuance of restricted shares	(note ii)	**13,496**	13,145
– withholding tax	(note iv)	**4,240**	3,406
– loan receivable	(note vi)	**7,263**	–
– early exercise promissory note	(note vii)	**28,890**	–
Dr. Ning Lu ("**Dr. Lu**")	(note i)		
– subscription receivables for issuance of restricted shares	(note ii)	**5,221**	5,085
– withholding tax	(note iv)	**1,462**	1,462
Mr. Yu Gao ("**Mr. Gao**")	(note i)		
– loan receivable	(note vi)	**55**	–
– early exercise promissory note	(note vii)	**7,406**	–
		68,033	61,831
Analysed as:			
Non-current		**19,328**	–
Current		**48,705**	61,831
		68,033	61,831

Notes:

i. Being directors of the Company or key management personnel of the Group.

ii. The balance represents subscription receivables for issuance of restricted shares to Mr. Zhu and Dr. Lu and the amounts are unsecured, carried at interest at 5% per annum in accordance with the promissory notes issued to Mr. Zhu and Dr. Lu and will be due for payment upon transfer of interest in the restricted shares from restricted shares holders to other investors after vesting in accordance with the Share Incentive Plan (as defined in note 28). On July 9, 2020, 918,429 shares (before share subdivision) were transferred from Mr. Zhu to other investors. As at December 31, 2020, amount of RMB1,464,000 subscription receivables related to the transferred portion, which was settled in January 2021.

For the remaining balances, in the opinion of the directors of the Company, the terms of the promissory notes are fair and on normal commercial terms and the balances are expected to be repaid in accordance to the terms.

iii. The amounts due from related parties are non-trading in nature, unsecured, interest-free and repayable on demand.

19. AMOUNT(S) DUE FROM/TO RELATED PARTIES *(Continued)*

(A) Amounts due from related parties *(Continued)*

Notes: *(Continued)*

iv. The balance represents the amounts due from Mr. Zhu and Dr. Lu in respect of withholding tax for their individual income tax with vested restricted share. The receivables from Mr. Zhu and Dr. Lu are unsecured, interest-free and repayable on demand. The balance due from Mr. Zhu was settled subsequent to the year end.

v. Included in the current account, RMB22,738,000 represented the unsettled capital injection for Beijing Xincheng related to group reorganization as at December 31, 2019. The amounts has been settled in March 2020.

vi. The amounts represent the loans to Mr. Zhu and Mr. Gao in respect of withholding tax for individual income tax arising from the exercise of their respective share options. The amounts are unsecured and carried interest at 4.35% per annum if the loan is repaid within 1 year, 4.75% per annum if the loan is repaid between 1 to 5 years, or 4.90% per annum if the loan is repaid after 5 years. Furthermore, under the mutual agreement between the Group and each of individual borrower, the loan can be further extended or repaid any time before the expiry of the loan. In the opinion of the directors of the Company, the amounts are expected to be settled within one year and as such the loan receivables are classified as current assets. In the opinion of the directors of the Company, the terms of the loans to Mr. Zhu and Mr. Gao are fair and on normal commercial terms.

vii. Details of the early exercise promissory notes are set out in note 28(a). As at December 31, 2020, RMB15,528,000 and RMB3,800,000 due from Mr. Zhu and Mr. Gao, respectively, are expected to be received after twelve months from the end of the reporting period and therefore classified as non-current assets. The balances were measured by using a discount rate of 4.35% for the balances expected to be repaid within 1 year and 4.75% for the remaining balances, and the difference between the principal amount of promissory notes and initial fair value recognised was RMB2,702,000 included in the staff cost of Mr. Zhu and Mr. Gao.

The Group's amounts due from related parties that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
US$	**55,013**	40,968

19. AMOUNT(S) DUE FROM/TO RELATED PARTIES *(Continued)*

(A) Amounts due from related parties *(Continued)*

For amounts due from related parties of non-trade nature, the maximum amount outstanding during the reporting period is as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Mr. Yao	**100**	100
Dr. Chen	**902**	–
Mr. Zhu	**74,372**	65,540
Dr. Lu	**6,849**	6,547
Mr. Gao	**8,226**	–
High Diamond Limited	**–**	14,167
Qiming Venture Partners V, L.P.	**–**	24,613
Qiming Managing Directors Fund V, L.P.	**–**	769

(B) Amounts due to related parties

Particulars of the amounts due to related parties are disclosed as follows:

		At December 31,	
	Relationship	**2020**	2019
		RMB'000	*RMB'000*
Mr. Yao	(note i)	**–**	100
Mr. Zhu	(note i)	**–**	15,916
		–	16,016

i. Being directors of the Company.

These amounts were non-trading in nature, unsecured, interest-free and repayable on demand.

20. CONTRACT COSTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Costs to fulfill contracts		
– Finished goods delivered	**5,561**	4,973
– Commission	**163**	–
	5,724	4,973

Contract costs relating to the sales commission fees are capitalised when they are paid or payable to CSOs whose selling activities resulted in customers entering into contracts with the Group and finished goods delivered to customers to fulfil the sales of ColoClear.

Contract costs relating to sales commission fees are recognised as part of selling and distribution expenses while costs of finished goods delivered to the customers are recognised as part of the cost of goods sold in the consolidated statements of profit or loss and other comprehensive income upon revenue is recognised.

During the year ended December 31, 2020, capitalised sales commission fee paid or payable recognised in selling and distribution expenses amounting to RMB1,285,000 (2019: RMB118,000), and capitalised costs of finished goods delivered to customers recognised in cost of sales amounting to RMB8,693,000 (2019: RMB9,166,000). During the year ended December 31, 2020, contract costs relating to capitalised costs of finished goods delivered to customers amounted to RMB2,406,000 (2019: RMB452,000), have been impaired and included in cost of sales due to the termination of the relevant contracts under mutual agreement by the Group and the customers.

21. BANK BALANCES AND CASH/TIME DEPOSITS OVER THREE MONTHS

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rates ranging from 0.73% to 2.03% (2019: 1.43% to 2.05%) per annum as at December 31, 2020.

The Group's bank balances and cash that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
US$	**305,327**	196,019
HK$	**1,970**	4

21. BANK BALANCES AND CASH/TIME DEPOSITS OVER THREE MONTHS *(Continued)*

Time deposits over three months

The Group held time deposits of US$20,000,000 (equivalent to RMB130,498,000) (2019: US$75,000 (equivalent to RMB526,000)) as at December 31, 2020, with original maturity of more than 3 months which carried effective interest rates of 0.73% (2019: 1.98%) per annum. These time deposits will mature within 12 months.

22. TRADE AND OTHER PAYABLES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**8,561**	6,716
Payables for:		
– research and development fees	**265**	272
– security deposits	**2,010**	772
– customers deposits	**630**	–
– others	**932**	206
Accruals for:		
– legal and professional fees	**1,983**	474
– selling and promotion expenses	**2,706**	1,412
– research and development fees	**314**	2,247
– travel expenses	**957**	679
– service fees	**909**	697
– other expenses (note 6B)	**4,800**	–
– issue costs and fees in relation to the Listing	**16,210**	–
Accrued interest expense	**968**	98
Retention monies payable to constructors	**1,775**	929
Other tax payables	**5,777**	4,931
	40,236	12,717
	48,797	19,433
Analysed as:		
Non-current	**665**	782
Current	**48,132**	18,651
	48,797	19,433

The credit period on purchases of goods/services of the Group is ranging from 0 to 60 days.

22. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
0 – 60 days	**7,940**	5,811
61 – 90 days	**616**	802
Over 90 days	**5**	103
	8,561	6,716

The Group's other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
US$	**13,655**	26
HK$	**2,555**	–

23A. CONTRACT LIABILITIES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Amounts received in advance prior to the performance of services or delivery of products	**10,872**	27,198

The significant decrease in contract liabilities for the year ended December 31,2020 was mainly due to revenue recognised during the year as the relevant performance obligation was satisfied. During the year ended December 31, 2020, contract liabilities of RMB2,810,000 (2019: 7,033,000) were returned to customers due to the termination of the relevant contracts under mutual agreement by the Group and the customers.

The amount of revenue recognised related to carried-forward contract liabilities:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
ColoClear	**20,929**	3,283

There were no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

23B. REFUND LIABILITIES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Refund liabilities arising from Pupu tube	**2,594**	3,291

The refund liabilities relate to customers' right to exchange products within 2 months prior to expiry of Pupu tube products. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be exchanged. The Group based on accumulated historical experiences to estimate the number of exchanges on a portfolio level using the expected value method.

24. BANK BORROWINGS

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Secured (note i)	**96,234**	50,000
Unsecured (note ii)	**20,000**	500
	116,234	50,500
The carrying amounts of the above bank borrowing are repayable*:		
Within one year	**70,209**	13,403
Within a period of more than one year but not exceeding two years	**46,025**	19,355
Within a period of more than two years but not exceeding five years	**–**	17,742
	116,234	50,500
Less: Amounts due within 12 months shown under current liabilities	**(70,209)**	(13,403)
Amounts shown under non-current liabilities	**46,025**	37,097

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

24. BANK BORROWINGS *(Continued)*

Notes:

i. The amount was secured, unguaranteed, mature in November 2022, and carried at fixed interest rate (also being the effective interest rate) of 6.5% per annum. Such bank borrowing was secured by the Group's trade receivables amounting to RMB32,419,000 (2019: RMB17,885,000) as at December 31, 2020 and the Group's future trade receivables. Furthermore, upon the Listing, 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 ("**success fee**"). As at December 31,2020, the Group recognised RMB715,000 (2019:nil) success fee in finance costs, such amount was not paid as of December 31, 2020.

ii. The bank borrowing as at December 31, 2019 was unsecured, unguaranteed and carried at fixed interest rate (also being the effective interest rate) of 6% per annum. The borrowing was repaid in full in June 2020.

    The bank borrowing as at December 31, 2020, amounting to RMB20,000,000, was unsecured, unguaranteed and carried at fixed interest rate (also being the effective interest rate) of 4.80% per annum. The borrowing will be repayable in full in March 2021.

25. LEASE LIABILITIES

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**8,997**	7,469
Within a period of more than one year but not exceeding two years	**5,857**	5,131
Within a period of more than two years but not exceeding five years	**18,466**	19,838
	33,320	32,438
Less: Amounts due for settlement with 12 months shown under current liabilities	**(8,997)**	(7,469)
Amounts due for settlement after 12 months shown under non-current liabilities	**24,323**	24,969

26A. PREFERRED SHARES

The Company and Hangzhou Nuohui entered into share purchase agreements with independent investors and issued five series of Preferred Shares as follows:

	Notes	Date of subscription	Number of investors	Subscription price per paid-in capital	Subscription price per share	Total consideration	Equivalent to RMB'000	Total number of shares of the Company subscribed (after the group reorganization and share subdivision)
Series A-1	i & iv	December 30, 2015	4	RMB320	–	RMB90,000,000	90,000	37,404,250
Series A-1-2	ii & iv	April 11, 2017	1	–	–	–	–	7,065,380
Series A-2	i, iii & iv	December 29, 2017	5	RMB320	–	RMB15,000,000	15,000	6,234,042
Series B	i & iv	June 16, 2017	5	US$71.5298	–	US$20,000,000	134,005	37,185,342
Series C		April 15, 2019	15	–	US$1.6884	US$66,500,000	457,517	78,774,492
Series D		May 15, 2020	12	–	US$2.4038	US$20,000,001	141,658	16,640,320
Series E		July 1, 2020	8	–	US$3.6057	US$29,999,998	209,545	16,640,318
Total								199,944,144

Notes:

(i) Subscribed by onshore PRC investors and their relevant investments were paid into capital of Hangzhou Nuohui. As at the date of group reorganisation, the aggregate paid-in capital subscribed by onshore PRC investors for their subscription on Series A (including Series A-1 and Series A-2) and Series B Preferred Shares amounting to RMB328,125 and RMB279,604, respectively. Each yuan of the paid-in capital in Hangzhou Nuohui was converted into 66.4964 shares of the Company in accordance with Group Reorganisation Agreement.

(ii) On April 17, 2017, Hangzhou Nuohui, NHJK Holding, Zhejiang Lingqing and an onshore PRC investor entered into a share purchase agreement. Pursuant to which, the board of directors of Hangzhou Nuohui agreed with NHJK Holding and Zhejiang Lingqing, both being equity owners of Hangzhou Nuohui, to transfer an aggregate of RMB53,126 equivalent equity interest in paid-in capital to an onshore PRC investor as Series A-1-2 Preferred Shares. Upon the transfer of shares, no consideration had been received by Hangzhou Nuohui and the difference between the paid-in capital of the ordinary shares transferred and the fair value of the Preferred Shares of RMB12,888,000 was recognised as deemed distribution to equity owners and debited to "other reserves" in the consolidated statements of changes in equity.

(iii) On December 29, 2017, one of the onshore PRC investors transferred its Series A Preferred Shares to 5 other onshore PRC investors which were named as Series A-2. The transaction was an internal shares transfer among the PRC investors and no consideration had been received by the Company.

26A. PREFERRED SHARES *(Continued)*

Notes: *(Continued)*

(iv) On July 26, 2018, the Company entered into a share transfer agreement with its onshore PRC Preferred Shares holders, except for Beijing Junlian Yikang Equity Investment Partnership (Limited Partnership ("**Junlian**")), one of the Exit Investors. Pursuant to which, NHJK Holding agreed to purchase all the equity interests held by the onshore PRC Preferred Shares holders at a consideration of US$8,901,000 (equivalent to RMB60,301,000). The settlement of the consideration was financed by the subscription consideration received from Series C Preferred Shares holders in July 2019, and as a result, the subscription payables to the onshore PRC investors remained unpaid and recognised as other payables and amounts due to related parties as at December 31, 2019. The subscription payables were fully settled in 2020.

The key terms of Preferred Shares are as follows:

(a) Dividend rights

Each holder of a Preferred Share shall be entitled to receive dividend on an as converted basis, for each Preferred Share held by such holder, payable in cash when and as such cash becomes legally available thereof on parity with each other, prior and in preference to any dividend on any other shares; provided that such dividends shall be payable only when, as, and if declared by the board of directors. All accrued but unpaid dividends shall be paid in cash when and as such cash becomes legally available to the holders of Preferred Shares immediately prior to the closing of a qualified IPO or a liquidation event.

(b) Conversion feature

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective conversion price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The conversion price shall initially be the respective issue price per Preferred Share. Such initial conversion price shall be subject to adjustment from time to time (including but not limited to dividends and distributions, share splits and combinations, capital reorganisation, mergers, consolidations, exchanges, substitutions or reclassification, and adjustment upon issuance of new securities for consideration per shares less than conversion price) and the initial conversion ratio for Preferred Shares to ordinary shares is 1:1.

Each Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a Qualified Public Offering (as defined below), or (ii) for each class or series of Preferred Shares, the written consent of the holders of a majority of such class or series of Preferred Shares.

Qualified Public Offering defines as a firm underwritten public offering of the ordinary shares of the Company on Hong Kong Stock Exchange, Nasdaq Stock Market, New York Stock Exchange, London Stock Exchange or recognised regional or national securities exchange approved by the holders of a majority of the outstanding Preferred Shares.

26A. PREFERRED SHARES *(Continued)*

(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company in the sequence as follows:

(1) Series E Preferred Shares

(2) Series D Preferred Shares

(3) Series C Preferred Shares

(4) Series B Preferred Shares

(5) Series A Preferred Shares

Except for (i) the holders of Series E Preferred Shares shall be entitled to receive an amount per share equal to one hundred percent of the issue price, plus a simple interest of 8% per annum and (ii) the holders of Series D Preferred Shares shall be entitled to receive an amount per share equal to one hundred and forty percent of the applicable Original Series D Issue Price, all other Preferred Shares holders shall be entitled to receive an amount per share equal to one hundred percent of the applicable original issue price, plus all the declared but unpaid dividends on such Preferred Share up to the date of the liquidation, dissolution, or winding up of the Company, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers or the like.

In the event of Trade Sales (as defined below) of the Company, any proceeds resulting to the shareholders of the Company therefrom shall be distributed in accordance with the terms stated above except that the applicable Series C liquidation amount for each of the holders of Series C Preferred Shares shall equal one hundred percent of its applicable Series C aggregate purchase price plus an internal rate of return of 16.5% per annum (compounded rate), and all the declared but unpaid dividends on each Series C Preferred Share held by such holder up to the closing date of such Trade Sales of the Company, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers or the like.

"Trade Sales" refer a transaction or series of related transactions involving (i) any consolidation, amalgamation, scheme of arrangement or merger of the Company with or into any other person in which the shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than 50% of the voting power of the Company or the surviving or successor entity in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization; or (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Company or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Company.

26A. PREFERRED SHARES *(Continued)*

(d) Voting rights

The holder of any ordinary share issued and outstanding shall have one vote for each Class A ordinary share held by such holder, and the holder of any Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class except as otherwise provided herein. Holders of ordinary shares and Preferred Shares shall be entitled to notice of any members' meeting. Ordinary shares and Preferred Shares shall vote together as a single class and calculated on an as converted basis on matters to be voted by the holders of ordinary shares and Preferred Shares.

(e) Redemption rights

In the event that the Company fails to effect a Qualified Public Offering on or after the fourth anniversary from the Series E Preferred Shares issue date, then, subject to the approval of the holders holding two-third of outstanding Series E Preferred Shares, any holder of the then outstanding Series E Preferred Shares shall be entitled to request the Company to redeem all or any part of the then outstanding Series E Preferred Shares held.

Further, upon the written request of each majority series Preferred Shares holders, the Company shall redeem the outstanding Series D Preferred Shares, at the option of any holder of the Preferred Shares on the optional redemption date, i.e. in the event that (1) the Company fails to effect a Qualified Public Offering on or before the fourth anniversary from the Series D Preferred Shares closing date; (2) the Company fails to effect a qualified trade sale on or before the fourth anniversary from the latest series of Preferred Shares closing date; (3) any group company and/or any founder party has committed material breach of covenants or undertakings by it under the transaction documents and such breach fails to be cured within a reasonable period of time as requested by the majority Series D Preferred Shares holders, provided that such breach and the failure to cure such breach shall be due to reasons not attributable to any holder of Preferred Shares; (4) any representations or warranties by any group company and/or any founder party under the transaction documents has been proven to be false, incomplete, inaccurate or misleading in any material respects, which has resulted in a material adverse effect; (5) Mr. Zhu voluntarily resigns as the Chief Executive Officer of the Company or Dr. Chen voluntarily resigns as the Chief Scientific Officer of the Company, in each case, for reasons other than serious illness, death or disability; or (6) Junlian requests the Company to redeem all or any part of the then outstanding Series A Preferred Shares or Series B Preferred Shares, subject to the approval of the majority Series D Preferred Shares holders, any holder of the then outstanding Series D Preferred Shares shall be entitled to request the Company to redeem all or part of the then outstanding Series D Preferred Shares held by it. Any holder of the Preferred Shares may give a written notice by hand or letter mail or courier service to the Company at its principal executive offices at any time or from time to time requesting redemption of all of their Preferred Shares.

26A. PREFERRED SHARES *(Continued)*

(e) Redemption rights *(Continued)*

Pursuant to Amended Article of Association of the Company, similar redemption events are offered to Series A, B & C Preferred Shares holders of other series which subject to respective approval requirement specific for the relevant series of Preferred Shares except that one of the Preferred Shares holders shall be entitled to request the Company to redeem all or any part of its outstanding Preferred Shares held in the event that the Company fails to effect an IPO on or before May 31, 2023.

The redemption price for each Series E Preferred Shares shall be equal to the amount applicable original Series E issue price plus 8% simple interest per annum and all declared but unpaid dividends, calculated from the applicable original Series E issue date, until the date of receipt by the holder thereof of the full Series E redemption price. The redemption price for each Series D Preferred Shares shall be equal to the amount of the applicable original Series D issue price plus 12% internal rate of return (compounded rate), calculated from the applicable original Series D issue date, until the date of receipt by the holder thereof of the full Series D redemption price. The redemption price for each Series C Preferred Shares shall be equal to the amount of the applicable original Series C issue price plus 16.5% internal rate of return (compounded rate), calculated from the original Series C issue date, until the date of receipt by the holder thereof of the full Series C redemption price. The redemption price for each Series B, Series A-2 and Series A-1 Preferred Shares redeemed shall be equal to the amount of the applicable original series B issue price plus 10% annual interest, calculated from the deemed series issue date, until the date of receipt by the holder thereof of the full series redemption price.

In addition to the rights of holders of the Series D Preferred Shares set forth above, if ColoClear fails to obtain the Class-3 Medical Device Registration Certificate from the National Medical Products Administration within eighteen months following the Series D initial closing, each holder of the Series D Preferred Shares shall have the right to require the Company to redeem all or any part of the Series D Preferred Shares and with respect to such redemption, the redemption price shall be equal to the amount of the applicable original Series D issue price plus 10% internal rate of return per annum (compounded rate), calculated from the applicable original Series D Issue Date, until the date of receipt by such holder of the full Series D redemption price.

Presentation and Classification

The Preferred Shares are regarded as financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the Preferred Shares attributable to the change in credit risk of the Group is minimal. Changes in fair value of the Preferred Shares are charged to profit or loss and included in “other gains and losses”.

The Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by independent qualified professional valuers, ValueLink Management Consultants Limited and Shanghai PG Advisory Co., Ltd, which have appropriate qualifications and experiences in valuation of similar instruments. The address of ValueLink Management Consultants Limited which valuation report was referenced to for the year ended December 31, 2019 is Room 1201, Jing Guang Centre Business Building, 1 Chaoyangmen Outer Street, Chaoyang District, Beijing, the PRC. The Address of Shanghai PG Advisory Co., Ltd, which valuation report was referenced to for the year ended December 31, 2020, is Room 2408-2411, 24th Floor, 333 Chengdu North Road, Jing’an District, Shanghai.

26A. PREFERRED SHARES *(Continued)*

(e) Redemption rights *(Continued)*

Presentation and Classification (Continued)

The Company used the discounted cash flow and back-solve method to determine the underlying share value of the Company and performed an equity allocation based on OPM to arrive the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by the discounted cash flow method, other key valuation assumptions used in OPM to determine the fair value are as follows:

	At December 31, 2020	At December 31, 2019
Time to liquidation	**3.54 years**	3.42 years
Risk-free interest	**0.22%**	1.63%
Expected volatility value	**60%**	46%
Dividend yield	**0%**	0%
Possibilities under liquidation scenario	**20%**	30%
Possibilities under redemption scenario	**20%**	30%
Possibilities under IPO scenario	**60%**	40%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Dividend yield is based on management estimate at the valuation date.

	Preferred Shares ***RMB'000***
At January 1, 2019	293,450
Issuance of Series C Preferred Shares	457,517
Changes in fair value (note i)	(48,334)
Junlian resubscription (note ii)	47,734
At December 31, 2019	750,367
Issuance of Series D Preferred Shares	141,658
Issuance of Series E Preferred Shares	209,545
Changes in fair value (note i)	578,786
At December 31, 2020	**1,680,356**

26A. PREFERRED SHARES *(Continued)*

(e) Redemption rights *(Continued)*

Presentation and Classification (Continued)

Notes:

(i) Changes in fair value presented in RMB includes effect of exchange on translation from US$ balances.

(ii) Junlian was one of the onshore investors of Series A-1, Series A-2 and Series B Preferred Shares and pursuant to the group reorganisation agreement signed on July 26, 2018, Junlian redeemed all of its invested Preferred Shares and the redemption consideration was calculated based on terms set out in note 26B.

On July 2, 2019, the Company, NHJK Holding and Junlian further entered into share transfer agreement, pursuant to which Junlian re-subscribed for 6,234,042 Series A-1, 489,015 Series A-2 and 1,549,367 Series B Preferred Shares of the Company and transferred its equity interest in Hangzhou Nuohui to NHJK Holding at a consideration of US$2,039,000 (equivalent to RMB14,221,000).

26B. OTHER FINANCIAL LIABILITIES

Pursuant to the group reorganisation agreement entered in 2018, Hangzhou Nuohui repurchased certain of its own equity and NHJK Holding acquired certain of Preferred Shares from the Exit Investors and recognised consideration payables to them. The consideration was determined based on agreed discount over equity value prior to Series C Preferred Shares issuance in April 2019. As such, the relevant consideration is accounted for as financial liabilities at FVTPL and subject to re-measurement until Series C Preferred Shares were issued.

	Consideration payables *RMB'000*
At January 1, 2019	83,525
Fair value changes	
– prior to transfer out from other financial liabilities	19,616
– exchange gain	558
Transfer out Zhejiang Lingqing payable from Level 3 financial liabilities (note i)	(55,965)
Transfer out Junlian payable to Preferred Shares (note 26A)	(47,734)
At December 31, 2019 and 2020	–

Note:

(i) The consideration of Zhejiang Lingqing payable was fixed upon the Series C Preferred Shares were issued in April 2019 and the consideration payable was fully settled in August 2019.

26B. OTHER FINANCIAL LIABILITIES *(Continued)*

The Company used the back-solve method to determine the underlying value of the Company as of the date of recognition and at the end of each reporting date and performed equity allocation based on OPM to arrive the fair value of the Preferred Shares upon recognition and derecognition of Junlian payable.

	At December 31, 2018	**At date of derecognition**
Time to liquidation	4.42 years	3.92 years
Risk-free interest	2.5%	1.73%
Expected volatility value	60%	55%
Dividend yield	0%	0%
Possibilities under liquidation scenario (Note)	N/A	35%
Possibilities under redemption scenario (Note)	N/A	35%
Possibilities under IPO scenario (Note)	N/A	30%

Note: These parameters only used for OPM on equity allocation.

27. SHARE CAPITAL

	Number of class A shares (note iv)	**Number of class B shares** (note iv)	**Share capital** ***US$'000***
Ordinary shares			
Ordinary shares of US$0.0001 each (before share subdivision) and US$0.00005 each (after share subdivision)			
Authorised			
At January 1, 2019	430,160,649	34,167,268	47
Reclassification and re-designation on issuance of Series C Preferred Shares (note i)	(39,387,246)	–	(4)
Reclassification and re-designation on issuance of Series A and B Preferred Shares (note ii)	(8,272,424)	–	(1)
At December 31, 2019	382,500,979	34,167,268	42
Reclassification and re-designation on issuance of Series D Preferred Shares (note iii)	(8,320,160)	–	(1)
Reclassification and re-designation on issuance of Series E Preferred Shares (note v)	(8,320,159)	–	(1)
Share subdivision (note viii)	365,860,660	34,167,268	–
At December 31, 2020	**731,721,320**	**68,334,536**	**40**

27. SHARE CAPITAL *(Continued)*

	Number of class A shares	Number of class B shares	Total Amount *US$'000*	Equivalent amount of ordinary shares *RMB'000*
Issue and fully paid				
At January 1, 2019 and December 31, 2019	24,738,672	34,167,267	6	40
Transferred and converted from Class B ordinary shares into Class A ordinary shares (note vi)	2,618,530	(2,618,530)	–	–
Issuance of ordinary shares in relation to exercise of share options (note 28)	10,011,860	–	1	7
Issuance of shares held on trust (note vii)	1,786,721	–	–	1
Share subdivision (note viii)	39,155,783	31,548,737	–	–
At December 31, 2020	**78,311,566**	**63,097,474**	**7**	**48**

Notes:

(i) On April 15, 2019, the Company re-designated and reclassified 39,387,246 class A shares in its authorised share capital into Series C Preferred Shares with details set out in note 26A.

(ii) On July 2, 2019, upon Junlian re-subscription of Preferred Shares, the Company re-designated and reclassified 6,234,042, 489,015 and 1,549,367 class A shares in its authorised share capital into Series A-1, A-2 and B Preferred Shares, respectively, with details set out in note 26A.

(iii) On March 31, 2020, the Company re-designated and reclassified 8,320,160 class A shares in its authorised share capital into Series D Preferred Shares with details set out in note 26A.

(iv) Class B ordinary shares are held by the founder parties, i.e. Mr. Zhu and Dr. Chen. The holder with each Class A Ordinary Shares shall have one vote for each share held while the holder with each Class B ordinary shares shall have 1.14052169 vote for each share held. Each of the Preferred Shares, Class B ordinary shares and Class A Ordinary Shares will be converted into shares on a one-to-one basis by way of re-designation and re-classification before the Listing.

(v) On July 1, 2020, the Company re-designated and reclassified 8,320,159 class A shares in its authorised share capital into Series E Preferred Shares with details set out in note 26A.

(vi) On July 9, 2020, an aggregate of 2,618,530 Class B Ordinary Shares have been transferred by the founder parties, i.e. Mr. Zhu and Dr. Chen to other investors. The Class B Ordinary Shares transferred were immediately converted into Class A Ordinary Shares.

(vii) On September 2, 2020, the Company allotted and issued 1,786,721 Class A Ordinary Shares to Ever Thriving Ventures Limited, to be held on trust for the benefit of eligible participants under the Share Incentive Plan (as defined in note 28).

(viii) On October 9, 2020, the Company underwent the share subdivision whereby each issued and unissued share of par value US$0.0001 each in the Company's authorised share capital was subdivided into two shares of US$0.00005 par value each, such that immediately following such share subdivision, the Company's authorised share capital was US$50,000 with par value of US$0.00005 each divided into (a) 731,721,320 Class A ordinary shares, (b) 68,334,536 Class B ordinary shares each, (c) 44,469,630 Series A-1 Preferred Shares, (d) 6,234,042 Series A-2 Preferred Shares, (e) 37,185,342 Series B Preferred Shares, (f) 78,774,492 Series C Preferred Shares, (g) 16,640,320 Series D Preferred Shares and (h) 16,640,318 Series E Preferred Shares.

28. SHARE-BASED PAYMENT TRANSACTIONS

On January 24, 2017, the board of directors of Hangzhou Nuohui resolved to grant to certain of its employees with options to purchase equity interests in NHXC ("**Hangzhou Nuohui Share Incentive Plan**"). Further on November 7, 2017, the Hangzhou Nuohui Share Incentive Plan was revised and the board of directors of Hangzhou Nuohui resolved to grant 187,236 restricted shares to a director and an employee through NHXC and Nuohui Zhihui. A portion of the ordinary shares of NHXC and the entire ordinary shares of Nuohui Zhihui are set up to hold the equity interest on behalf of Hangzhou Nuohui for future issuance of employees shares.

Upon completion of the group reorganisation and on October 10, 2018, the board of directors of the Company approved the Pre-IPO Share Incentive Plan (the "**Plan**"). The purpose of the Plan is to promote the success of the Company and to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons. For shares options, pursuant to a board resolution of the Company on October 10, 2018, the options granted to certain employees of Hangzhou Nuohui under the Hangzhou Nuohui Share Incentive Plan were replaced and exchanged for options to purchase the Company's ordinary shares under the Plan. For restricted shares, upon the group reorganization, the restricted shares under Hangzhou Nuohui through NHXC and Nuohui Zhuhai was replaced by the restricted shares under the company through NHXC and NHYJ Holding. The Hangzhou Nuohui Share Incentive Plan was then terminated. The overall limit on the number of the underlying shares which may be delivered pursuant to all awards granted under the Plan is 15,843,384 shares of the Company.

(a) Share options

Except as provided otherwise in the grant letter or offer in any other form by the board of directors, the option shall vest and become exercisable as to 25% of the total number of option granted on the first anniversary of the vesting commencement date, and the option shall vest and become exercisable as to the remaining 75% of the total number of options granted in equal monthly instalments over the subsequent thirty-six months thereafter.

Option C is subject to non-market conditions that the respective portions of options shall be vested upon the relevant milestones are reached. On April 24, 2020, the Company entered into a supplementary option agreement with Option C holders that one milestone date was extended. On October 9, 2020, the Company entered into another supplementary agreement with Option C holders that two milestone dates were further extended. The fair value of the share-based payments arrangement has been remeasured on the modification date using Binomial Option Pricing Model and the incremental of fair value is considered to be insignificant.

200,000 share options granted under Option E are subject to the market performance that the entire share options granted shall vest and become exercisable when the diluted market capitalisation of the Company reaches US$3,000,000,000 for any 60 transaction days within 5 years.

On August 31, 2020, 9,772,277 share options granted to certain participants (the "**Early Exercise Participants**") under the Plan were early-exercised and concurrently transferred to the Trident Trust Company (HK) Limited (the "**Trustee**"). The exercise price of the share options was paid by delivering a promissory note to the Company payable by each of the Early Exercise Participants (the "**Early Exercise Promissory Notes**"). As a result, on the same day, an aggregate of 9,772,277 Class A Ordinary Shares underlying the early-exercised share options were issued to NHXT Holdings Ltd. and Ever Thriving Ventures Limited, both being entities owned by the Trustee, to be held on trust for the benefit of the Early Exercise Participants.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options *(Continued)*

Pursuant to share vesting agreements entered into between the Company and each of the Early Exercise Participants on August 31, 2020, it was agreed that the shares held by NHXT Holdings Ltd. and Ever Thriving Ventures Limited would be subject to the same vesting schedule as that set out in the relevant option agreements at the time of grant. The Early Exercise Promissory Notes are not interest bearing and will mature on the earlier of (i) the severance date of the Early Exercise Participant's employment or consulting relationship with the Group, whereby the note will be due and payable with respect to the exercise price of the restricted shares that have not become vested, and (ii) the date on which the restricted shares are transferred, assigned, encumbered or disposed of, whereby the note will be due and payable with respect to the restricted shares transferred, assigned, encumbered or disposed of. The Early Exercise Participant shall pay the amounts due under the Early Exercise Promissory Note in full to the Company within 90 days after the maturity date.

Further, in the event of termination of the employment or consulting relationship between the Early Exercise Participant and the Group, the Company shall upon the severance date have an irrevocable, exclusive option at any time from such date to (i) in the event of a termination without cause, to repurchase all or any portion of the restricted shares that have not yet vested at a price per restricted share equal to the exercise price (adjusted for any share subdivision, share dividends and the like), or (ii) in the event of a termination with cause, unless otherwise approved by the board, to repurchase all or any portion of the restricted shares, whether such restricted shares have vested or not, at an aggregate repurchase price of US$1.00 (the "**Early Exercise Repurchase Option**"). As such, the shares issued upon the early exercise is considered as restricted shares and shall vest in accordance with the original vesting schedules as set out in the relevant option agreements at the time of grant. In the opinion of the directors of the Company, the above said early exercise arrangement did not modify the underlying terms and conditions of the equity instruments granted, and do not expect to have material impact to fair value of the original options.

On September 21, 2020, Dr. Lu exercised 239,583 fully vested share options and the Company allotted and issued 239,583 Class A ordinary shares to Dr. Lu for a total consideration of US$79,000 (equivalent to RMB540,000).

During the year ended December 31, 2020, an aggregate amount of RMB17,577,000 was transferred from share-based payments reserve to share premium upon the exercise of fully vested options.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options *(Continued)*

Set out below are details of the movements of the outstanding options granted under the Hangzhou Nuohui Share Incentive Plan and the Plan during the reporting period:

For the year ended December 31, 2020

Option	Name of grantee	Date of grant	Exercise price (after share subdivision)	Outstanding as at 1.1.2020	Granted during the period	Exercised and converted to restricted shares as at 31.8.2020	Exercised as at 21.9.2020	Share Subdivision on 9.10.2020	Outstanding as at 31.12.2020
Director									
Option B	Director	October 10, 2018	US$0.165	2,500,000	–	(2,500,000)	–	–	–
Option C	Director	May 14, 2019	US$0.42	5,521,070	–	(2,760,535)	–	2,760,535	5,521,070
Option D	Director	April 24, 2020	US$0.6	–	1,250,000	(1,250,000)	–	–	–
Employees									
Option A-1	Employees	January 24, 2017	US$0.165	236,093	–	(236,093)	–	–	–
Option B	Employees	October 10, 2018	US$0.165	1,995,000	–	(1,380,649)	(239,583)	374,768	749,536
Option D	Employees	April 24, 2020	US$0.6	–	1,289,500	(645,000)	–	644,500	1,289,000
Option E	Employees	June 1, 2020	US$0.6	–	1,000,000	(1,000,000)	–	–	–
Option F	Employees	June 10, 2020	US$0.6	–	200,000	–	–	200,000	400,000
				10,252,163	3,739,500	(9,772,277)	(239,583)	3,979,803	7,959,606
	Exercisable at the end of the year								380,067
	Weighted average exercise price (after share subdivision)			US$0.03	US$0.6	US$0.36	US$0.165		US$0.02

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options *(Continued)*

For the year ended December 31, 2019

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at 1.1.2019	Granted during the year	Cancelled during the year	Outstanding as at 12.31.2019
Director							
Option B	Director	October 10, 2018	US$0.33	2,500,000	–	–	2,500,000
Option C	Director	May 14, 2019	US$0.84	–	5,521,070	–	5,521,070
Employees							
Option A-1	Employees	January 24, 2017	US$0.33	236,093	–	–	236,093
Option B	Employees	October 10, 2018	US$0.33	1,995,000	–	–	1,995,000
				4,731,093	5,521,070	–	10,252,163
	Exercisable at the end of the year						1,483,193
	Weighted average exercise price			US$0.33	US$0.84	–	US$0.60

The shares issued upon the Early Exercise Participants exercised their share options were converted to restricted shares subject to the original vesting terms and the following table summarised the Group's unvested restricted shares movement:

	Numbers of unvested restricted shares
Issue of shares upon early exercise of options on August 31, 2020	9,772,277
Vested	(3,132,829)
Share subdivision	7,152,020
Unvested as at December 31, 2020	**13,791,468**

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share options *(Continued)*

The fair value of the options granted was determined using the Binomial Option Pricing Model. These fair values and corresponding inputs into the model (prior to share subdivision) were as follows:

	Option A/A-1 Employee	Option B Directors	Option B Employee	Option C Directors	Option D Directors	Option D Employee	Option E Employee	Option F Employee
Share price	US$20.82/US$0.31	US$0.72	US$0.72	US$0.7	US$0.86	US$0.86	US$1.55	US$1.55
Exercise price	US$21.94/US$0.33	US$0.33	US$0.33	US$0.84	US$1.20	US$1.20	US$1.20	US$1.20
Expected volatility	68%	65%	65%	58%	57%	57%	57%	57%
Risk-free rate	2.47%	3.22%	3.22%	2.42%	0.60%	0.60%	0.66%	0.66%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Grant date option fair value per share	US$12.37/US$0.19	US$0.53	US$0.52	US$0.40	US$0.45	US$0.42	US$0.97	US$0.91
Fair value at grant date	RMB302,000	RMB9,173,000	RMB7,202,000	RMB15,294,000	RMB4,004,000	RMB3,931,000	RMB6,825,000	RMB1,295,000

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognised the total expense of RMB14,615,000 (2019: RMB9,994,000) for the year ended December 31, 2020 in relation to share options granted by the Company.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Restricted shares

On November 7, 2017, directors of Hangzhou Nuohui resolved to issue restricted shares that are equivalent to RMB187,236 paid-in capital of Hangzhou Nuohui to a director and an employee under the Hangzhou Nuohui Share Incentive Plan (the "**2017 Restricted Shares Plan**").

(i) A director

On November 7, 2017, Hangzhou Nuohui granted restricted shares that are equivalent to RMB99,900 and RMB27,396 paid-in capital of Hangzhou Nuohui to Mr. Zhu at a subscription price of RMB10,000,000 and RMB2,428,000 through NHXC and Nuohui Zhihui, respectively.

The restricted shares shall initially be unvested and subject to repurchase by Hangzhou Nuohui at subscription price paid by the employees upon voluntary or involuntary termination of employment and upon the group reorganisation, a new share repurchase option has been signed with the Company (the "**Repurchase Option**"). One forth (25%) of the restricted shares shall vest on the first anniversary year from the commencement date and the remaining portion (75%) of the restricted shares shall be vested rateably on a monthly basis over a 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons. First vesting commencement date for restricted shares issued under NHXC and Nuohui Zhihui was July 1, 2015 and July 18, 2017, respectively.

(ii) An employee

On November 7, 2017, Hangzhou Nuohui granted restricted shares that are equivalent to RMB59,940 paid-in capital of Hangzhou Nuohui to Dr. Lu at a subscription price of RMB5,059,000 through NHXC.

The restricted shares shall initially be unvested. Among the 59,940 shares, 9,500 shares are vested on July 26, 2018. For the remaining 50,440 shares, one forth (25%) of the restricted shares shall vest on July 1, 2015 and the remaining portion (75% of the restricted shares) shall be vested rateably on a monthly basis over a 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons. Upon the group reorganisation, each unvested share was converted at a conversion ratio of 66.4964 which is the same as other conversion ratio of other equity investors in the group reorganisation.

The eligible employee shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employee shall not transfer any vested shares, or any interest therein until the employee have offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to an employee and a director of the Company are RMB110,000 (2019: RMB373,000) for the year ended December 31, 2020.

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Restricted shares *(Continued)*

(ii) An employee (Continued)

The restricted shares were valued by the directors with reference to the valuation carried out by ValueLink Management Consultants Limited, on the grant date of the restricted shares. The fair value of the restricted shares was determined by discounted cash flow and back-solve method and equity allocation using the OPM. The fair value of the restricted shares was determined to be US$20.84 (equivalent to RMB141.08) per paid-in capital.

The following table summarised the Group's unvested restricted shares movement under the 2017 Restricted Shares Plan:

	Numbers of unvested restricted shares	Weighted average grant date fair value per paid-in capital/share *RMB*
Unvested as at January 1, 2019	2,426,212	2.12
Vested	(1,705,094)	2.12
Unvested as at December 31, 2019	721,118	2.12
Vested	(569,304)	2.12
Share subdivision	379,536	
Unvested as at December 31, 2020	**531,350**	**1.06**

29. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the consolidated financial statements, the Group has the following transactions and balances with its related parties during the reporting period.

(a) Related party transactions

	Year ended December 31,	
	2020 ***RMB'000***	2019 *RMB'000*
Interest income on subscription receivable (note 19A)		
– Mr. Zhu	**1,318**	–
– Dr. Lu	**465**	–
– Mr. Gao	**1**	–
	1,784	–

29. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances

Details of the outstanding balances with related parties are set out in note 19.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

The emoluments of these employees are within the following bands:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Salary and other benefits	**10,527**	3,794
Retirement benefit scheme contribution	**73**	69
Share-based payments	**12,177**	7,878
Discretionary bonus (note)	**1,690**	540
	24,467	12,281

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

30. CAPITAL COMMITMENT

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property and equipment	**4,037**	3,873
– Intangible assets	**43**	256
	4,080	4,129

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of net debts, 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 management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Financial assets		
Amortised cost	**654,531**	444,488
Early exercise promissory notes at FVTPL	**44,415**	–
	698,946	444,488
Financial liabilities		
Amortised cost	**130,407**	75,411
Designated as at FVTPL		
– Preferred Shares	**1,680,356**	750,367
	1,810,763	825,778

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount(s) due from/to related parties, time deposits over three months, bank balances and cash, trade and other payables, bank borrowings, other financial liabilities and Preferred Shares at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Certain time deposits, bank balances and cash, other receivables, amounts due from/to related parties, other payables, other financial liabilities, and Preferred Shares at FVTPL are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	At December 31,	
	2020	2019
	RMB'000	*RMB'000*
Assets		
US$	**498,957**	251,735
HK$	**1,970**	4
Liabilities		
US$	**1,680,356**	750,393

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ or HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens 5% against US$ or HK$. For a 5% weakening of RMB against US$ or HK$, there would be an equal and opposite impact on loss for the year.

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Impact on profit or loss		
US$	**59,070**	24,933
HK$	**(99)**	–

The directors of the Company considered the sensitivity analysis is unrepresentative of the foreign exchange risk as the exposure at the end of each reporting period and does not reflect the exposure during the relevant periods.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate time deposits, fixed-rate bank borrowings and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

(iii) Other price risk

The Group is exposed to other price risk arising from Preferred Shares and other financial liabilities which were classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the Group had been changed based on the 5% higher/lower:

- the post-tax loss of the Group for the year ended December 31, 2020 would increase by approximately RMB77,624,000 (2019: RMB21,180,000) and decrease by approximately RMB77,808,000 (2019: RMB21,017,000).

Credit risk

The Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group grants a credit period of 0-90 days and grant credit term up to 180 days for certain long term customers. The Group may request advances from new or certain customers upon signing sales agreements or placing orders to minimise the credit risks.

The Group has concentration of credit risk as 51% (2019: 61%) of the total trade receivables was due from the Group's largest customer, and 56% (2019: 66%) of the total trade receivables was due from the five largest customers, as at December 31, 2020, respectively.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for debtors with significant outstanding balances, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit-risk characteristics by reference to debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Assessment is performed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. Details of the quantitative disclosures are set out below in this note.

Bank balances and time deposits over three months

The credit risks on bank balances and time deposits over three months are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assesses 12m ECL for bank balances and time deposits over three months by reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the ECL on bank balances and time deposits over three months is considered insignificant.

Other receivables and refundable deposits

The management of the Group makes periodic individual assessment on the recoverability of other receivables and refundable deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivables and refundable deposits.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Amounts due from related parties

For the purpose of impairment assessment of amounts due from related parties, the loss allowance is measured at an amount equals to 12m ECL. In assessing the probability of defaults of amounts due from related parties, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. Management considered the ECL provision of amounts due from related parties is insignificant.

The Group's credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/items
Low	Low risk types customers represent the counterparty with good reputation and repayment history (refer to as Stage 1)	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Amounts due from related parties (Continued)

The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

December 31, 2020

	Notes	**External credit ratings**	**Internal credit ratings**	**12m or lifetime ECL**	**Gross carrying amount** *RMB'000*
Trade receivables	18	N/A	Note	Lifetime ECL (provision matrix)	**15,214**
			Low	Lifetime ECL	**18,551**
			Loss	Lifetime ECL – credit-impaired	**2,445**
					36,210
Other receivables	18	N/A	Low	12m ECL	**8,081**
Amounts due from related parties	19A	N/A	Low	12m ECL	**31,737**
Time deposits over three months	21	AAA	N/A	12m ECL	**130,498**
Bank balances and cash	21	AA to AAA	N/A	12m ECL	**451,796**

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Amounts due from related parties (Continued)

December 31, 2019

	Notes	External credit ratings	Internal credit ratings	12m or lifetime ECL	Gross carrying amount *RMB'000*
Trade receivables	18	N/A	Note	Lifetime ECL (provision matrix)	6,182
			Low	Lifetime ECL	11,714
			Loss	Lifetime ECL – credit-impaired	1,211
					19,107
Other receivables	18	N/A	Low	12m ECL	17,812
Amounts due from related parties	19A	N/A	Low	12m ECL	61,831
Time deposits over three months	21	AA to AA+	N/A	12m ECL	526
Bank balances and cash	21	AA to AAA	N/A	12m ECL	346,434

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix for debtors grouped by internal credit rating and by past due status. As part of the Group's credit risk management, the Group applies internal credit rating for its customers.

As at December 31, 2020, trade receivables with significant outstanding balances and with aggregate gross carrying amount of RMB18,551,000 (2019: RMB11,714,000) are assessed individually. These balances are from counterparties which have low risk of default as the counterparties with good reputation. The exposure to credit risk for these balances are assessed within lifetime ECL with an average loss rate of approximately 6.03% (2019: 2.65%) as at December 31, 2020 and impairment allowance of RMB1,119,000 (2019: RMB310,000) was provided by the Group as at December 31, 2020.

Trade receivables that are credit-impaired with an aggregate gross carrying amount of RMB2,445,000 (2019: RMB1,211,000) as at December 31, 2020. The exposure to credit risk for these balances is assessed within lifetime ECL (credit-impaired) with an average loss rate of approximately 95.83% (2019: 62.51%) as at December 31, 2020 and impairment allowance of RMB2,343,000 (2019: RMB757,000) was provided by the Group as at December 31, 2020.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Amounts due from related parties (Continued)

As part of the assessment of the lifetime ECL for each credit-impaired trade receivables, the management of the Group has obtained an analysis on the counterparties' credit risk characteristics by reviewing the trading history and historical settlement pattern with the Group. The management of the Group estimates the amount of lifetime ECL based on expectation on cash flows that take into account the credit risk characteristics of individual debtors taking into consideration of historical settlement record adjusted to reflect current conditions and forward-looking information that is reasonably and supportably available to directors of the Company without undue cost or effort, and are updated at each reporting date if considered to be required.

The remaining trade receivables with gross carrying amount of RMB15,214,000 (2019: RMB6,182,000) as at December 31, 2020 are assessed based on debtors' aging. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired):

Gross carrying amount as at December 31, 2020

	Average loss rate *(%)*	Trade receivables *RMB'000*
0 – 90 days past due	**0.00**	**10,746**
91 – 180 days past due	**0.51**	**2,537**
181 – 365 days past due	**10.60**	**717**
1 – 2 years past due	**19.77**	**1,214**
		15,214

Gross carrying amount as at December 31, 2019

	Average loss rate *(%)*	Trade receivables *RMB'000*
0 – 90 days past due	0.00	4,155
91 – 180 days past due	1.65	1,212
181 – 365 days past due	16.20	753
1 – 2 years past due	20.97	62
		6,182

During the year ended December 31, 2020, the Group recognised net loss allowance based on the provision matrix for trade receivables of RMB174,000 (2019: RMB55,000). Net loss allowance of RMB2,395,000 (2019: RMB838,000) were made on trade receivables with significant balances and credit-impaired debtors during the year ended December 31, 2020.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Amounts due from related parties (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach:

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
At January 1, 2019	189	140	329
Impairment loss allowance recognised	512	381	893
Transfer to credit-impaired	(236)	236	–
At December 31, 2019	465	757	1,222
Impairment loss allowance recognised	1,333	1,236	2,569
Transfer to credit-impaired	(350)	350	–
At December 31, 2020	**1,448**	**2,343**	**3,791**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings and issuance of Preferred Shares as a significant source of liquidity.

As at December 31, 2020, the Group has bank borrowings of approximately RMB116,234,000 (2019: RMB50,500,000) and details of which are set out in note 24. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due for a period of twelve months from December 31, 2020 after review of the Group's cashflow projection covering the same period and the expected working capital requirements.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Within 1 year and on demand *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2020						
Trade and other payables	–	14,173	–	–	14,173	14,173
Bank borrowings	6.50%	75,252	47,728	–	122,980	116,234
Preferred Shares	13%	–	–	2,073,831	2,073,831	1,680,356
Lease liabilities	6.09%	9,616	5,884	25,251	40,751	33,320
		99,041	53,612	2,099,082	2,251,735	1,844,083

	Weighted average effective interest rate %	Within 1 year and on demand *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At December 31, 2019						
Trade and other payables	–	8,895	–	–	8,895	8,895
Amounts due to related parties	–	16,016	–	–	16,016	16,016
Bank borrowings	6.50%	16,473	21,214	18,320	56,007	50,500
Preferred Shares	14%	–	–	1,374,262	1,374,262	750,367
Lease liabilities	5.79%	8,051	5,401	26,486	39,938	32,438
		49,435	26,615	1,419,068	1,495,118	858,216

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports any findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at December 31,		Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2020 *RMB'000*	2019 *RMB'000*				
Preferred Shares	**1,680,356**	750,367	Level 3	Discounted cash flow method and OPM – the key inputs are time to liquidity, risk-free interest rate, volatility and dividend yield	Time to liquidity 2020: 3.54 years 2019: 3.42 years	The longer the time to liquidity, the lower the fair value (note i)
Early exercise promissory notes receivables	**44,415**	–	Level 3	Discounted cash flow – the key inputs are time to repayment and discount rate	Time to repay: 2020 Based on the vesting term of the options of each Early Exercise Participants.	The longer the time to repay, the lower the fair value (note ii)

Notes:

(i) A 0.5 year increase/decrease in the time to liquidity, while all other variables keep constant, would decrease the carrying amount of Preferred Shares as at December 31, 2020 by RMB1,828,000 (2019: RMB2,904,000)/increase the carrying amount as at December 31, 2020 by RMB1,760,000 (2019: RMB3,248,000).

(ii) A 0.5 year increase in time to repay, while all other variables keep constant, would decrease the carrying amount by RMB344,000 of early exercise promissory notes receivables as at December 31, 2020.

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

The reconciliation of Level 3 measurements of Preferred Shares and other financial liabilities are set out in notes 26A and 26B, respectively. Fair value gains or losses on financial liabilities at FVTPL are included in "other gains and losses".

The reconciliation of Level 3 measurements of early exercise promissory notes receivables are set out as follows:

	Other receivables	Amounts due from related parties	Total
At the date of issuance	8,926	40,195	49,121
Initial fair value charge to profit or loss (included in staff cost)	(537)	(2,702)	(3,239)
	8,389	37,493	45,882
Fair value loss on early exercise promissory notes (included in other gains and losses)	**(270)**	**(1,197)**	**(1,467)**
As at December 31, 2020	**8,119**	**36,296**	**44,415**

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

33. RETIREMENT BENEFIT PLANS

The total amount provided by the Group to the schemes and charged to profit or loss are RMB2,362,000 (2019: RMB3,106,000) for the year ended December 31, 2020.

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. Subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

34. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in laboratory testing of medical diagnostics technology for cancer screening business, Hangzhou Nuohui entered into various contractual arrangements with Beijing Xincheng (the "**Contractual Arrangement**") which held equity interest in Beijing Nuoan Medical Examination Lab Co., Ltd. ("**Beijing Nuoan Lab**"), Hangzhou Nuokang Medical Examination Lab Co., Ltd ("**Hangzhou Nuokang Lab**") and Guangzhou Nuohui Medical Examination Lab Co., Ltd ("**Guangzhou Nuohui Lab**") (collectively referred to as "**Consolidated Affiliated Entities**") and Mr. Zhu and his sister, collectively being the registered shareholders of Beijing Xincheng, through which Hangzhou Nuohui is entitled to all economic benefits generated by the business operated by Beijing Xincheng.

Hangzhou Nuohui does not have any equity interest in these Consolidated Affiliated Entities. However, the directors of the Company considered that the Contractual Arrangements enable Hangzhou Nuohui to have the power over these Consolidated Affiliated Entities, rights to variable returns from its involvement with these Consolidated Affiliated Entities and the ability to affect those returns through its power over these Consolidated Affiliated Entities and is therefore considered to have control over these Consolidated Affiliated Entities. Consequently, these Consolidated Affiliated Entities are regarded as indirect subsidiaries of the Company.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of the legal counsel, consider that the Contractual Arrangements among the Consolidated Affiliated Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

As at December 31, 2020, the Consolidated Affiliated Entities attributed approximate to 4.1% (2019: 6.3%) and 0.2% (2019: 2.2%) of total assets and total liabilities, respectively. In addition, according to the Contractual Arrangement, Hangzhou Nuohui further agreed that, when it deems necessary, it could at its sole discretion provide financial assistance to Beijing Xincheng or assist Beijing Xincheng to obtain financial assistance. During the year ended December 31, 2020, Hangzhou Nuohui provides financial assistance to Consolidated Affiliated Entities (including but not limited to purchase of services and cash advances) amounting to RMB9,041,000 (2019: RMB9,989,000) and as at December 31, 2020, the balance due from the Consolidated Affiliated Entities to Hangzhou Nuohui is RMB15,593,000 (2019: RMB13,780,000).

34. PARTICULARS OF SUBSIDIARIES/CONSOLIDATED AFFILIATED ENTITIES *(Continued)*

As at December 31, 2020, the Group's subsidiaries/Consolidated Affiliated Entities are as follows:

Name of subsidiary/ Consolidated Affiliated Entities	Place and date of establishment/ incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group as at December 31, 2020 %	2019 %	Principal activities
NHJK Holding	Hong Kong May 29, 2015	1 issued share and paid-in capital of HK$1	**100%**	100%	Investment holding company
NH Health USA Inc.	USA June 26, 2019	1,000 issued shares and paid-in capital of US$1	**100%**	100%	Research & Development
Hangzhou Nuohui	The PRC November 19, 2015 (note)	Registered capital of RMB44,222,000 and paid-up capital of RMB44,222,000	**100%**	100%	Research and development of medical diagnostic technology, technical service, technical transfer, technical consultation, manufacturing and sales of medical and laboratory equipment, technological import and export
Beijing Xincheng	The PRC February 29, 2016 (note)	Registered capital of RMB12,000,000 and paid-up capital of RMB12,000,000	**100%**	100%	Investment holding company
Beijing Nuoan Lab	The PRC March 9, 2016 (note)	Registered capital of RMB6,000,000 and paid-up capital of RMB6,000,000	**100%**	100%	Development of medical diagnostics technology, technical service, technical consultation, medical services
Hangzhou Nuokang Lab	The PRC June 3, 2016 (note)	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	**100%**	100%	Development of medical diagnostics technology, technical service, technical consultation, manufacturing of fecal occult blood test kit
Guangzhou Nuohui Lab	The PRC May 28, 2019 (note)	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	**100%**	100%	Laboratory medical research and development
Shanghai Linnuo Biotechnology Limited	The PRC December 11, 2020 (note)	Registered capital of RMB5,000,000 and paid-up capital of Nil	**100%**	N/A	Financing company

None of the subsidiaries has issued any debt securities as at December 31, 2019 and 2020.

Note: Hangzhou Nuohui, Beijing Xincheng, Beijing Nuoan Lab, Hangzhou Nuokang Lab, Guangzhou Nuohui Lab and Shanghai Linnuo Biotechnology Limited are domestic limited liability companies incorporated in PRC.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank Borrowings	Accrued interest expense	Consideration payable for acquiring interest from Zhejiang Lingqing	Preferred Shares	Consideration payables for Junlian	Lease liabilities	Amounts due to related parties	Accruals for issue costs	Amounts due from related parties - Mr. Zhu (non-trade)	Amounts due to related parties - Mr. Zhu (non-trade)	Subscription receivables from other preferred shares and ordinary shareholders	Consideration payables to other preferred shares and ordinary shares holders	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	–	–	31,004	293,450	52,521	12,000	5	–	(32,307)	40,383	(88,422)	88,422	397,056
Financing cash flows	50,500	(215)	(55,965)	457,517	–	(9,350)	6	(28)	10,101	(40,596)	89,249	(103,106)	398,113
Interest expenses	–	313	–	–	–	938	–	–	–	–	–	–	1,251
New leases entered	–	–	–	–	–	28,850	–	–	–	–	–	–	28,850
Foreign exchange loss (gain)	–	–	558	–	–	–	–	–	(532)	213	(827)	462	(126)
Fair value changes	–	–	24,403	(48,334)	(4,787)	–	–	–	–	–	–	–	(28,718)
Junlian	–	–	–	47,734	(47,734)	–	–	–	–	–	(14,222)	14,222	–
At December 31,	50,500	98	–	750,367	–	32,438	11	(28)	(22,738)	–	(14,222)	–	796,426
Financing cash flows	65,734	(4,713)	–	351,203	–	(11,948)	(11)	(2,771)	22,080	–	14,041	–	433,615
Interest expenses	–	5,583	–	–	–	2,152	–	–	–	–	–	–	7,735
New leases entered	–	–	–	–	–	10,678	–	–	–	–	–	–	10,678
Fair value changes	–	–	–	578,786	–	–	–	–	–	–	–	–	578,786
Accrued issue costs	–	–	–	–	–	–	–	5,620	–	–	–	–	5,620
Foreign exchange loss (gain)	–	–	–	–	–	–	–	–	658	–	181	–	839
At December 31, 2020	**116,234**	**968**	**–**	**1,680,356**	**–**	**33,320**	**–**	**2,821**	**–**	**–**	**–**	**–**	**1,833,639**

36. STATEMENTS OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

		At December 31,	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Investments in subsidiaries		**718,564**	462,742
Other receivables		**3,742**	–
Amounts due from related parties		**19,328**	–
		741,634	462,742
Current assets			
Other receivables		**10,535**	14,384
Amounts due from related parties		**35,685**	40,968
Amount due from a subsidiary		**–**	132,543
Time deposits over three months		**130,498**	–
Bank balances		**297,125**	193,248
		473,843	381,143
Current liabilities			
Other payables		**16,210**	–
Amount due to a subsidiary		**3,485**	500
		19,695	500
Net current assets		**454,148**	380,643
Total assets less current liabilities		**1,195,782**	843,385
Non-current liability			
Preferred Shares		**1,680,356**	750,367
Net (liabilities) assets		**(484,574)**	93,018
Capital and reserves			
Share capital	27	**48**	40
Treasury shares		**(1)**	–
Share premium		**118,865**	48,227
Reserves		**(603,486)**	44,751
Total (deficit)/equity		**(484,574)**	93,018

36. STATEMENTS OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

	Share premium *RMB'000*	Treasury shares *RMB'000*	Share-based payments reserve *RMB'000*	Accumulated profits/losses *RMB'000*	Total *RMB'000*
At January 1, 2019	47,144	–	2,809	(3,957)	45,996
Profit and total comprehensive income for the year	–	–	–	36,615	36,615
Recognition of equity-settled share-based payments (note 28)	–	–	10,367	–	10,367
Vesting of restricted shares	1,083	–	(1,083)	–	–
At December 31, 2019	48,227	–	12,093	32,658	92,978
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**(641,978)**	**(641,978)**
Recognition of equity-settled share-based payments (note 28)	**–**	**–**	**14,725**	**–**	**14,725**
Exercise of share options (note 28a)	**67,231**	**–**	**(17,577)**	**–**	**49,654**
Vesting of restricted shares	**3,407**	**–**	**(3,407)**	**–**	**–**
Issuance of shares held on trust (note 27vii)	**–**	**(1)**	**–**	**–**	**(1)**
At December 31, 2020	**118,865**	**(1)**	**5,834**	**(609,320)**	**(484,622)**

37. SUBSEQUENT EVENTS

Except as disclosed elsewhere of the consolidated financial statements, the Group has the following subsequent events entered into subsequent to December 31, 2020:

(a) On February 18, 2021, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issue of 76,598,000 new shares of par value of US$0.00005 each at the price of HK$26.66 per share. The gross proceeds arising from the Listing amounted to approximately HK$2,042 million.

(b) On March 12, 2021, the over-allotment option has been exercised in full such that an additional 11,489,500 shares has been issued.