



诺辉健康  
NEW HORIZON HEALTH

改变生命的轨迹

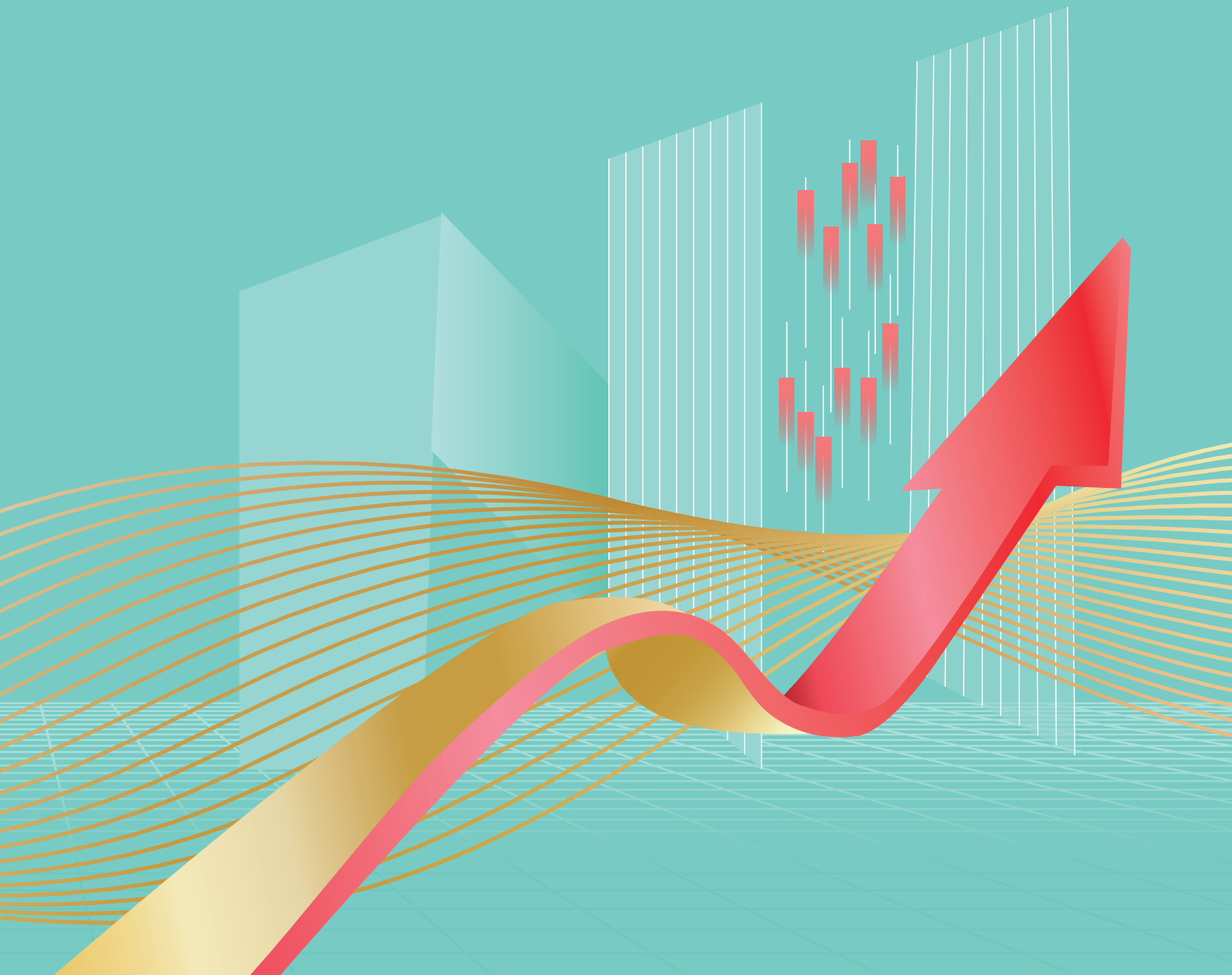
New Horizon Health Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6606.HK

2022

INTERIM 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.

<b>“2022 RSU Scheme”</b>	the restricted share unit scheme of the Company approved and adopted by the Company on June 24, 2022
<b>“2022 Share Option Scheme”</b>	the share option scheme of the Company approved and adopted by the Company on June 24, 2022
<b>“Actual Selling Price”</b>	the actual price at which the Awarded Shares are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of an Award pursuant to the 2022 RSU Scheme
<b>“Administration Committee”</b>	the administration committee of the 2022 RSU Scheme and 2022 Share Option Scheme, which includes the chief executive officer, the chief financial officer and the head of human resources of the Company to which the Board has delegated its power and authority to administer the 2022 RSU Scheme and 2022 Share Option Scheme
<b>“Articles of Association”</b>	articles of association of our Company adopted on October 9, 2020 with effect from the Listing Date, as amended from time to time
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Award(s)”</b>	RSU(s) granted by the Board to a Selected Participant pursuant to the 2022 RSU Scheme
<b>“Awarded Shares”</b>	Share(s) underlying the RSU(s) granted to the Selected Participants under the RSU Scheme Rules
<b>“Beijing Xincheng”</b>	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
<b>“Board”</b>	the board of directors of our Company
<b>“CEO” or “Chief Executive Officer”</b>	chief executive officer of our Company
<b>“CG Code”</b>	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
<b>“CerviClear”</b>	our non-invasive urine-based home-use screening test for cervical cancer
<b>“CerviClear IVD”</b>	CerviClear in vitro diagnostic kit
<b>“Chief Financial Officer”</b>	chief financial officer of our Company
<b>“China” or “PRC”</b>	the 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

<b>“ColoClear”</b>	ColoClear, a proprietary non-invasive stool-based FIT-DNA test
<b>“ColoClear IVD”</b>	ColoClear in vitro diagnostic kit, which is our Company’s proprietary reagents used in the testing process of ColoClear approved by the NMPA as a Class III medical device and constitutes our Core Product for purposes of this report
<b>“Company” or “Our Company”</b>	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
<b>“Contributed Amount”</b>	cash paid or made available to the trust by way of settlement or otherwise contributed by the Company, any member of the Group, and/or any party designated by the Company as permitted under the 2022 RSU Scheme to the trust as determined by the Board from time to time
<b>“Core Product”</b>	has the meaning ascribed thereto under Chapter 18A of the Listing Rules
<b>“Director(s)”</b>	the directors of the Company
<b>“Frost &amp; Sullivan”</b>	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company
<b>“Global Offering”</b>	the Hong Kong public offering and the international offering of the Shares
<b>“Grantee(s)”</b>	Employee(s) or Consultant(s) who accepts the offer or grant of an Option in accordance with the terms of the 2022 Share Option Scheme or (where the context so permits) a person or persons who is/are or become(s) entitled to exercise any such Option under the terms of the 2022 Share Option Scheme or by operation of law
<b>“Group”, “our Group”, “our”, “we” or “us”</b>	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
<b>“Hangzhou Nuohui”</b>	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
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“Latest Practicable Date”</b>	August 16, 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained in this report
<b>“Listing”</b>	the listing of the shares on the Main Board of the Stock Exchange
<b>“Listing Date”</b>	February 18, 2021

# Definitions

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
<b>“NHXC Holdings”</b>	NHXC Holdings Ltd., a company incorporated under the laws of the British Virgin Islands on July 16, 2018, and a shareholder of our Company as of the Latest Practicable Date
<b>“NMPA”</b>	the National Medical Products Administration of China (國家藥品監督管理局)
<b>“Nomination Committee”</b>	the nomination committee of the Board
<b>“Pre-IPO Share Incentive Plan”</b>	the pre-IPO share incentive plan effective as of October 10, 2018 and further amended and approved on August 17, 2020
<b>“Prospectus”</b>	the prospectus of the Company dated February 5, 2021
<b>“Pupu Tube”</b>	our proprietary non-invasive stool-based FIT screening product to detect hemoglobin biomarkers associated with colorectal cancer
<b>“Registered Shareholders”</b>	the registered shareholders of Beijing Xincheng, being Mr. Yeqing ZHU and Ms. Lijuan ZHU
<b>“Remuneration Committee”</b>	the remuneration committee of the Board
<b>“Reporting Period”</b>	the six months ended June 30, 2022
<b>“RSU Scheme Adoption Date”</b>	June 24, 2022, being the date on which the Shareholders approve the 2022 RSU Scheme
<b>“RSU Scheme Rules”</b>	the rules relating to the 2022 RSU Scheme, as amended, modified or supplemented from time to time
<b>“RSU(s)”</b>	restricted share unit(s) to be granted under the 2022 RSU Scheme, each of which represents a conditional right for the Selected Participant to obtain Awarded Shares or an equivalent value in cash with reference to the market value of such Awarded Shares on or about the date of vesting, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion. Each RSU represents one underlying Share
<b>“Selected Participant(s)”</b>	Participant(s) selected by the Board for participation in the 2022 RSU Scheme
<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

<b>“Share(s)”</b>	ordinary shares in the share capital of our Company with a nominal value of US\$0.00005 each
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)
<b>“Share Option Scheme Adoption Date”</b>	June 24, 2022, being the date on which the Shareholders approve the 2022 Share Option Scheme
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Trust Deed”</b>	the trust deed to be entered into between the Company and the trustee (as restated, supplemented and amended from time to time) in relation to the 2022 RSU Scheme
<b>“Trust Fund”</b>	<p>the funds and properties held under the trust and managed by the trustee for the benefit of the Selected Participants (other than the Excluded Participants), including without limitation:</p> <ul style="list-style-type: none"> <li>(a) HK\$100 as an initial sum;</li> <li>(b) all Shares acquired by the trustee for the purpose of the trust and such other scrip income (including but not limited to bonus Shares and scrip dividends declared by the Company) derived from the Shares held upon the trust;</li> <li>(c) any residual cash;</li> <li>(d) any Awarded Shares or other property to be vested or not vested with the Selected Participants under the terms of the 2022 RSU Scheme; and</li> <li>(e) all other properties from time to time representing (a), (b), (c) and (d) above</li> </ul>
<b>“Trust Period”</b>	the period beginning with the RSU Scheme Adoption Date and ending upon the expiry of the period of ten years beginning from the RSU Scheme Adoption Date or such date of early termination as determined by the Board
<b>“UU Tube”</b>	our stool-based self-conducted screening product for H. pylori

# Glossary of Technical Terms

<b>“Vesting Date”</b>	in respect of a Selected Participant, the date on which his or her entitlement to the Awarded Shares is vested in such Selected Participant in accordance with the 2022 RSU Scheme
<b>“cervical cancer”</b>	the development of cancer from the cervix
<b>“colorectal cancer”</b>	the development of cancer from the colon or rectum
<b>“COVID-19”</b>	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
<b>“DNA”</b>	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
<b>“FIT”</b>	fecal immunochemical test
<b>“GFA”</b>	gross floor area
<b>“GMP”</b>	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
<b>“H. pylori”</b>	Helicobacter pylori, a pathogenic bacteria
<b>“IVD”</b>	in vitro diagnostics products, including platforms and assays
<b>“KOLs”</b>	acronym for Key Opinion Leaders; refers to renowned physicians that influence their peers’ medical practice

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

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

### Independent non-executive Directors

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

13/F, T1 Building  
400 Jiang'er Road  
Binjiang District  
Hangzhou  
Zhejiang  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

## REGISTERED OFFICE

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

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## COMPLIANCE ADVISOR

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

## PRINCIPAL BANKS

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

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

## JOINT COMPANY SECRETARIES

Mr. Yu GAO  
Ms. Ming Wai MOK

## AUTHORIZED REPRESENTATIVES

Mr. Yeqing ZHU  
Ms. Ming Wai MOK

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## STOCK CODE

6606

## AUDITOR

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

## COMPANY WEBSITE

ir.newhorizonbio.com



# Financial Highlights and Business Highlights

## FINANCIAL HIGHLIGHTS

- Revenue was RMB225.7 million for the six months ended June 30, 2022, representing a 413.7% increase from RMB43.9 million for the same period in 2021.
- Gross profit was RMB185.1 million for the six months ended June 30, 2022, representing an increase of approximately 649.7% from RMB24.7 million for the same period in 2021. Gross profit margin was 82.0% for the six months ended June 30, 2022, and expanded by approximately 2,580 bps from 56.2% for the same period in 2021.
- For ColoClear, revenue was RMB73.6 million for the six months ended June 30, 2022, as compared to RMB14.2 million for the same period in 2021, representing an organic growth of 419.4%. The shipment volume of ColoClear also accelerated in the first half of 2022, which was approximately 294,600 units, representing a 142.5% increase over the same period in 2021. The revenue-recognizing volume of ColoClear was approximately 94,400 units in the first half of 2022, representing a 207% increase over the same period in 2021. The revenue and shipment volume growth were primarily driven by (a) the increase in the volume of ColoClear sold and recognized as revenue; and (b) the increase in revenue per test due to a higher proportion of revenue generated from channels with more favorable revenue per test (such as hospital and direct-to-consumer channels). The gross profit margin of ColoClear was 75.7% for the six months ended June 30, 2022, as compared to 56.6% for the same period in 2021, primarily due to (a) lower cost per test thanks to the economies of scale; (b) higher revenue per test within hospital and direct-to consumer channel; and (c) more favorable channel mix where an increased proportion of revenue came from hospital and direct-to-consumer channels which have higher revenue per test.
- For Pupu Tube, revenue was RMB68.5 million for the six months ended June 30, 2022, as compared to RMB29.6 million for the same period in 2021, representing an increase of 131.8%, primarily driven by (a) the increase in volume of Pupu Tube sold and recognized as revenue; and (b) higher revenue per product in direct-to-consumer channel and health check centers. The gross profit margin of Pupu Tube was 80.0% for the six months ended June 30, 2022, as compared to 59.0% for the same period in 2021, primarily due to higher revenue per test (both on blended basis and for each individual channel) and lower manufacturing cost per unit.
- For UU Tube, revenue was RMB83.5 million for the six months ended June 30, 2022 since product launch in January 2022. The gross profit margin of UU Tube was 90.0% for the six months ended June 30, 2022.

# Financial Highlights and Business Highlights

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

Notes:

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

# Financial Highlights and Business Highlights

## BUSINESS HIGHLIGHTS

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

- In January 2022, the Company received approval from the NMPA of the registration application for UU Tube as Class III medical device, the Company's stool-based self-conducted screening product for gastric cancer by detecting H. pylori, the pathogenic bacteria which is the major causative agent for gastric cancer. UU Tube was launched commercially in China in February 2022.
- In February 2022, FIT-DNA was recommended by a newly published medical guideline, Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer (《中國腫瘤整合診治指南》), which marked the third medical guideline to recommend FIT-DNA for the use of screening for high-risk colorectal cancer population in China.
- In June 2022, ColoClear was launched commercially in Hong Kong through the partnership with Prenetics (stock code: PRE.Nasdaq).
- In June 2022, CerviClear, our urine-based self-sampling screening test for cervical cancer has initiated registrational trial.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

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

### Our Products and Product Pipeline

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

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

Our two home-based colorectal cancer screening tests, ColoClear and Pupu Tube, synergistically address target populations with various risk levels. Pupu Tube, our proprietary, non-invasive, stool-based FIT test, is the first and only self-conducted FIT screening product approved by the NMPA in China. UU Tube is a stool-based self conducted H.Pylori test that is approved by NMPA as Class III medical device. We completed the registrational trial of UU Tube in November 2020 and submitted a registration application to the NMPA in the same month of 2020. We are also developing our CerviClear, a non-invasive urine-based home-use screening test for cervical cancer. We have initiated registrational trial for CerviClear in June 2022.

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

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

1. Prospective registrational trial (n=5,881) achieved colorectal cancer sensitivity of 95.5% and specificity of 87.1%, and advanced adenoma sensitivity of 63.5%; NMPA approval (Class III medical device) obtained in November 2020
2. NMPA approval (Class II medical device) obtained in March 2018 and CE Mark obtained in June 2018
3. NMPA approval (Class III medical device) obtained in January 2022
4. Early stage development refers to technical feasibility, product optimization and finalization of product prototype, and pilot production
5. Late stage development refers to efficacy testing and large scale manufacturing and completion of a proof-of-concept clinical study, and is ready for registrational trial

# Management Discussion and Analysis

## **ColoClear**

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

ColoClear consists of four integrated components, each designed and approved to work exclusively with the other components: (i) ColoClear IVD (Class III medical device), (ii) our risk assessment algorithm (Class II medical device), (iii) ColoClear sample collection kit (Class I medical device) and (iv) DNA extraction and purification technologies. Only ColoClear sample collection kit is directly used by end-users while the other three components are strictly used in our laboratories as of the Latest Practicable Date. Users collect a stool sample at home using our sample collection kit and then send it to one of our laboratories. In our laboratories, we utilize ColoClear IVD, our Core Product, along with our risk assessment algorithm to analyze the stool sample and determine a test result. ColoClear is the first and only molecular cancer screening test approved by the NMPA, according to Frost & Sullivan. In May 2018, ColoClear IVD was designated as breakthrough approval channel for innovative medical devices by the NMPA. We completed a registrational trial for ColoClear IVD in December 2019 and submitted application for IVD registration as Class III medical device in January 2020, which was approved by the NMPA with issuance of the registration certificate for Class III medical device in November 2020. Our risk assessment algorithm was registered with the NMPA as Class II medical device in November 2020. ColoClear sample collection kit was registered with the NMPA as Class I medical device in December 2016. DNA extraction and purification technologies were registered with the NMPA as Class I medical device in August 2020. All the NMPA certificates have a validity period that lasts for five years, and each component of ColoClear is currently qualified for re-certification upon renewal of the respective certificate. ColoClear was also included in three medical guidelines for colorectal cancer screening, i.e., China Guideline for the Screening, Early Detection and Early Treatment of Colorectal Cancer (2020, Beijing) 《中國結直腸癌篩查與早診早治指南》(2020·北京)) in January 2021, Chinese Society of Clinical Oncology (CSCO) Diagnosis and Treatment Guidelines for Colorectal Cancer 2021 《2021 CSCO結直腸癌診療指南》 in April 2021, and Chinese Anti-Cancer Association (CACA) Guideline for Holistic Integrative Management of Cancer 《中國腫瘤整合診治指南》 in February 2022.

## **Pupu Tube**

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

# Management Discussion and Analysis

## ***UU Tube***

UU Tube is our stool-based self-conducted screening product for gastric cancer by detecting *H. pylori*, the pathogenic bacteria which is the major causative agent for gastric cancer. We completed the registrational trial for UU Tube in November 2020, and submitted the application to the NMPA to register UU Tube as Class III medical device in November 2020. We received the approval from the NMPA of the registration application for UU Tube as Class III medical device.

## ***CerviClear***

CerviClear is our non-invasive urine-based home-use screening test for cervical cancer. In June 2022, we have initiated the registrational clinical trial for CerviClear and plan to submit application for the registration of CerviClear IVD as Class III medical device with the NMPA after the registrational clinical trial is completed. As of the Latest Practicable Date, there was no approved home-use urine-based cervical cancer screening test in China, according to Frost & Sullivan.

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

## ***LiverClear***

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

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

## **Research & Development**

We focus on developing innovative technologies to enhance our existing pipeline and to develop new cancer screening tests. We believe that our success has depended and will continue to depend to a large extent on our ability to develop new or improved cancer screening products. Our research and development capabilities are proven by our portfolio of proprietary technologies and patents. We have started research and development for ColoClear test since 2015. With over five years of dedicated research and development efforts, we have built a proprietary and extensive database of Asian-specific colorectal cancer methylation pattern profiles and developed our clinically-validated risk assessment algorithm (Class I medical device) for ColoClear which is the first algorithm-driven cancer screening test approved by the NMPA. Our multi-parameter risk assessment algorithm is the first and only one in China. It is tailored and optimized to work exclusively with our primers, reagents and the overall ColoClear testing process, therefore cannot be replicated by our competitors without conducting a large prospective clinical trial. Due to the fact that our clinically validated risk assessment algorithm, whose parameters are not publicly available and strictly confidential, is developed based on, and works exclusively with ColoClear

# Management Discussion and Analysis

IVD, any potential competitor who tries to develop its own IVD reagent, or replicate our ColoClear IVD, will not only have to develop its own risk assessment algorithm, but also have to validate such algorithm through a large-scale prospective clinical trial as required by the NMPA. Our proprietary DNA extraction technology (Class I medical device) enables us to purify evaluable DNA from highly-complex stool samples and achieve a success rate of approximately 99.4%, based on our operational data collected between October 2019 and September 2020. Our proprietary DNA sample stabilization technology preserves DNA and hemoglobin at room temperature for up to seven days.

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

We have a strong in-house research and development team primarily based in Beijing and Hangzhou, China as of the Latest Practicable Date, over 77% of whom possessed a master or doctorate degree. The team is led by our Chief Scientific Officer, Dr. Yiyu CHEN, and our Chief Technology Officer, Dr. Ning LU.

## Testing and Manufacturing Capacity

As of the Latest Practicable Date, we have three laboratories located in Beijing, Hangzhou and Guangzhou, China, with a gross floor area of approximately 2,000 sq.m., 3,700 sq.m. and 1,300 sq.m., respectively. Our Beijing, Hangzhou and Guangzhou laboratories have obtained National Center for Clinical Laboratories External Quality Assessment Certificates and PRC Practice Licenses of Medical Institution. All our laboratories have conducted registrations and obtained licenses as applicable, and are authorized to perform polymerase chain reaction (“PCR”) amplification for clinical use. Our testing capacity is enhanced by the fact that our testing laboratories and PCR platforms can be shared between ColoClear and CerviClear for testing services.

## Manufacturing Facilities

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

# Management Discussion and Analysis

## Commercialization

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

## Industry Overview

Colorectal cancer screening tests have huge market potential in China, given China has the highest colorectal cancer incidence in the world and colorectal cancer is one of the most curable and preventable cancers if detected early, which makes colorectal cancer screening tests in high demands. Despite its relatively high mortality rate, colorectal cancer is widely accepted by medical communities as one of the most curable and preventable cancers if detected early. Patients who are diagnosed early in the progression of the disease (i.e., with precancerous lesions or polyps or early-stage cancer) are more likely to have a complete recovery and incur less medical expenses. The colorectal cancer screening market in China is expected to experience accelerated growth mainly due to aging population, development of public awareness of colorectal cancer, increasing government support, prospective socioeconomic advantages and significant technology advancements. ColoClear is currently the only screening test in China with the ability to detect precancerous lesions such as advanced adenoma. As of the Latest Practicable Date, Pupu Tube is the first and only self-conducted FIT screening product approved by the NMPA for colorectal cancer screening in China.

## Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, cancer screening naturally became less a priority as compared to other more imminent health concerns. The worldwide COVID-19 outbreak had significantly impacted the cancer screening industry due to the restricted access to medical institutions. Health checkup centers are our major sales channels, and therefore, our revenue and profitability, as well as shipment, have been affected by the COVID-19 outbreak in the Reporting Period to a certain extent. Despite the foregoing, our revenue increased. Our revenue was RMB225.7 million for the six months ended June 30, 2022, representing a year-on-year increase of approximately 413.7% compared to the six months ended June 30, 2021. The increase in revenue was primarily attributable to the increased revenue and the gross profit of our products, namely, ColoClear and Pupu Tube, as well as new product launch of UU Tube in January 2022.



# Management Discussion and Analysis

The shipment volume of ColoClear accelerated in the first half of 2022, which was approximately 294,600 units, representing a 142.5% increase over the same period in 2021. The shipment volume growth was primarily driven by the increasing receptivity among customers and rising product awareness by physicians since ColoClear approval by the NMPA in November 2020. Shipment volume is generally considered a leading indicator for future ColoClear revenue which would be recognized when we complete the testing service and deliver the test results or when the delivered sample collection kits are expired.

With respect to Pupu Tube, the shipment volume of Pupu Tube in the first half of 2022 was 2,929,700 units, representing a year-on-year increase of 53.8%. The sales performance of Pupu Tube in the first half of 2022 improved since the strong market demand and the cooperation with major customers leads to the increase of sales volume.

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

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

## FINANCIAL REVIEW

### Overview

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

### Revenue

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

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

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

# Management Discussion and Analysis

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

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

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

## Cost of Sales

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

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

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

	For the six months ended June 30,			
	2022 (Unaudited) RMB'000	%	2021 (Unaudited) RMB'000	%
ColoClear	17,884	44.1	6,157	32.0
Pupu Tube	13,695	33.8	12,128	63.0
UU Tube	8,331	20.5	—	—
Others	121	0.3	145	0.8
Write-down of inventories	533	1.3	812	4.2
<b>Total cost of sales</b>	<b>40,564</b>	<b>100.0</b>	<b>19,242</b>	<b>100.0</b>

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

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

# Management Discussion and Analysis

## Gross Profit and Gross Profit Margin

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

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

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

	For the six months ended June 30,		2021	
	2022 (Unaudited)	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
ColoClear	55,754	75.7	8,021	56.6
Pupu Tube	54,843	80.0	17,441	59.0
UU Tube	75,130	90.0	–	–
Others	(106)	n/m	39	n/m

Note:

(1) “n/m” denotes “not meaningful”.

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

## Other gains and losses

Our other gains and losses consists of fair value loss of Preferred Shares, net foreign exchange loss or gain and others. The Group's other gains and losses for the six months ended June 30, 2022 was a gain of RMB53.0 million, compared to a loss of RMB2,760.2 million for the six months ended June 30, 2021. The gain was primarily attributable to the gain of foreign exchange and there is no fair value loss of preferred shares.

# Management Discussion and Analysis

## Other Income

Our other income consists of government subsidies, bank interest income and others. The Group's other income for the six months ended June 30, 2022 was RMB4.9 million, representing a decrease of 55.3% compared to RMB10.9 million for the six months ended June 30, 2021. The decrease was primarily attributable to the decrease of interest income.

## Selling and Marketing Expenses

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

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

## Research and Development Expenses

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

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

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

	For the six months ended June 30,			
	2022 (Unaudited) RMB'000	%	2021 (Unaudited) RMB'000	%
<b>Research and development expenses</b>				
Staff costs	14,448	35.3	8,821	41.6
Cost of research and development materials and equipment	18,126	44.3	8,748	41.2
Clinical trials and service expenses	6,736	16.5	1,725	8.1
Others	1,602	3.9	1,941	9.1
<b>Total</b>	<b>40,912</b>	<b>100.0</b>	<b>21,235</b>	<b>100.0</b>

Our staff cost primarily consists of salaries, welfare and pension for our research and development employees. Our costs of research and development materials and equipment consumed represent expenses on the raw materials used for developing our product candidates, and the depreciation of equipment and renovation of our research and development facilities as well as amortization of intangible assets. Our clinical trials and service expenses include expenses incurred for conducting clinical trials, including payment to contract research organisations in relation to our clinical trials. Others mainly comprise travel expenses, testing expenses and other general expenses incurred for the purpose of research and development.

# Management Discussion and Analysis

## Administrative Expenses

The administrative expenses for our Group primarily consist of staff cost, professional service fees, depreciation and amortisation and others. The Group's administrative expenses for the six months ended June 30, 2022 was RMB59.2 million, representing an increase of 29.2% compared to RMB45.8 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase of staff cost.

## Impairment Losses on Trade and Other Receivables

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

## Finance Costs

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

## Income Tax Expense

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

## Non-IFRS Measures

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

# Management Discussion and Analysis

fair value gain/loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Net loss for the period</b>	<b>(65,282)</b>	(2,891,805)
Fair value loss on Preferred Shares	–	2,757,028
Share-based payment expenses <sup>1</sup>	<b>11,499</b>	15,512
Net foreign exchange (gain) loss	<b>(52,396)</b>	2,998
Listing expenses	–	19,217
<b>Adjusted net loss<sup>2</sup></b>	<b>(106,179)</b>	(97,050)

Notes:

- 1: Item includes share-based payment expenses in selling & marketing expenses, research & development expenses and administrative expenses.
- 2: We consider fair value loss on Preferred Shares, share-based payment expenses, net foreign exchange gain/loss and listing expenses as non-operational or non-recurring expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the fair value loss on Preferred Shares, share-based payment expenses, and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period-to-period.

## Capital Management

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

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

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group's time deposits over three months, pledged bank deposits, as well as cash and cash equivalents as at June 30, 2022 were RMB1,648.9 million, representing a decrease of 12.4% compared to RMB1,882.1 million as at December 31, 2021. The decrease was primarily attributable to the funds consumed due to our business development. The major sources of the Group's liquidity are equity financing and bank borrowings.

Our secured bank borrowing was unguaranteed, originally repayable by monthly installments and will mature in November 2022, and carried with an original fixed rate interest rate of 6.5% per annum. Pursuant to a supplemental agreement date May 20, 2021 entered into by the Group and the relevant borrowing bank (the "**Supplemental Agreement**"), the interest rate of the bank borrowing was modified from a fixed interest rate of 6.5% per annum to a fixed interest rate of 4% per annum and the repayment term of the principal amount is modified from monthly instalment to full repayment at the maturity date of the bank borrowings on November 1, 2022. Such bank borrowing was originally secured by our historical and future trade receivables, which was released and substituted by the security of pledged bank deposits amounting to RMB110,000,000, which carried with a fixed interest rate of 2% per annum pursuant to the Supplemental Agreement. Furthermore, pursuant to the Supplemental Agreement, the Group is required to pay a 2% fee calculated based on the maximum amount of the borrowing drawdown by the Group during the loan period upon the successful listing of the Company. As of June 30, 2022, we had utilized RMB79.5 million from our banking facilities, and RMB20.5 million remained unutilized under our banking facilities. The utilization of the remaining balance of the secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements.

## Gearing ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at June 30, 2022 was 11%, representing an increase of 1% compared to 10% as at December 31, 2021.

## Foreign Exchange Exposure

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

## Pledge of Shares

The Company does not have any controlling shareholder. As at June 30, 2022, we did not have any pledging of shares by our largest shareholder.

## Significant Investment Held

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

## Future Plans Relating to Material Investment or Capital Asset

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

# Management Discussion and Analysis

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

## Capital Expenditure and Commitments

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

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

## Charge on Assets

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

## Contingent Liabilities

As at June 30, 2022, we did not have any contingent liabilities.

## Employee and Remuneration Policy

As at June 30, 2022, the Group had 861 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. We have also invested in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, projects and stock incentive plans to our employees especially key employees.

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

## OUTLOOK AND PROSPECTS

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

### Further develop the cancer screening market in China

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



# Management Discussion and Analysis

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

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

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

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

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

## **Expand our research and development capabilities and develop our pipeline products**

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

In addition to colorectal cancer, we plan to develop screening tests for other types of cancers which are curable or preventable at lower treatment costs if detected at early stages. We plan to advance our pipeline products, in particular the late stage candidates UU Tube for gastric cancer screening and CerviClear for cervical cancer screening, to further expand our coverage within the cancer screening market. We submitted registration application for UU Tube to the NMPA in November 2020 and plan to initiate the registrational clinical trial of CerviClear. Leveraging our multi-omics biomarker technology platform and expertise, including our next generation sequencing and proteomics technologies and infrastructure, we will further expand our proprietary data base and enhance our biomarker discovery capability and next generation sequencing platform for our future cancer screening product development.

# Management Discussion and Analysis

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

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

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

## **Selectively pursue geographic expansion, strategic partnerships and acquisition opportunities**

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

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

# Other Information

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies and enhance its transparency and accountability. The Company has adopted the principles and code provisions as set out in the CG Code in Appendix 14 to the Listing Rules.

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

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

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code during the six months ended June 30, 2022.

## **INTERIM DIVIDEND**

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

## **AUDIT COMMITTEE**

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

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

The unaudited condensed consolidated interim financial report of the Group for the six months ended June 30, 2022 has been separately reviewed by the Audit Committee and by the Company's external auditor in accordance with the International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Auditing and Assurance Standards Board.

## CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

### Change in Directors and Composition of Board Committees

During the Reporting Period, one of our non-executive Directors, namely Ms. Nisa Bernice Wing-Yu LEUNG, *J.P.*, resigned on February 28, 2022, upon which she ceased to be a member of the Audit Committee.

One of our executive Directors, namely Mr. Yeqing ZHU, has been appointed as the chairperson of Nomination Committee and has ceased to be a member of Remuneration Committee since June 20, 2022; and the other one of our executive Directors, namely Dr. Yiyu CHEN, has been appointed as a member of the Remuneration Committee and has ceased to be the chairperson of the Nomination Committee since June 20, 2022.

### Change in Biographies of Directors

Mr. Naxin Yao, a non-executive Director, resigned as a director of Shanghai Xiaoyi Technology Co., Ltd. since July 2022.

Dr. Donald Kwok Tung Li, an independent non-executive Director, retired as the chairman of the board of directors of Hong Kong Sheng Kung Hui Welfare Association Limited since August 2022 and was appointed as advisor of the board and executive committee of such company since August 2022. Dr. Donald Kwok Tung Li was appointed as the chairman of Elderly Commission, which is an advisory committee under the Government of Hong Kong, since August 2022.

Save as disclosed above, there were no changes in biographies of the Directors during the Reporting Period and up to the date of this report.

### Change in Senior Management

During the Reporting Period, there were no changes in senior management.

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

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

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

## Other Information

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

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

As at June 30, 2022, interests and/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 Stock Exchange pursuant to 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	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Total Shares in Issue of the Company*
Dr. Yiyou CHEN	Beneficial Interest <sup>(1)</sup>	41,042,925	9.55%
	Trustee <sup>(2)</sup>	9,840,981	2.29%
Mr. Yeqing ZHU	Beneficial Interest <sup>(3)</sup>	960,600	0.22%
	Settlor and beneficiary of a discretionary trust <sup>(4)</sup>	28,146,010	6.55%
Mr. Naxin YAO	Settlor and beneficiary of a discretionary trust <sup>(5)</sup>	38,125,893	8.87%

Notes:

\* The calculation is based on the total number of 429,739,898 Shares issued as at June 30, 2022.

- (1) Dr. Yiyou CHEN, one of the executive Directors, directly holds 35,383,555 Shares as beneficial owner. He is also entitled to receive up to 5,659,370 Shares pursuant to the options and restricted share units granted to him, subject to the conditions (including vesting conditions) of those options and restricted share units.
- (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 and chairman of the Board, is entitled to receive up to 960,600 Shares pursuant to options and restricted share units granted to him, subject to the conditions (including vesting conditions) of those options and restricted share units.
- (4) NHYJ Holdings Ltd. directly holds 15,092,940 Shares as beneficial owner. NHXT Holdings Ltd. directly holds 13,053,070 Shares as beneficial owner. NHYJ Holdings Ltd. is held as to 100% by NH Trinity Limited, an entity managed by Trident Trust Company (HK) Limited (the "Trustee"), and NHXT Holdings Ltd. is also owned and managed by the Trustee. Both NHYJ Holdings Ltd. and NHXT Holdings Ltd. hold Shares on trust for the benefit of Mr. Yeqing ZHU and certain of his family members. Mr. Yeqing ZHU is able to direct the Trustee as to its exercise of voting rights in NHYJ Holdings Ltd. and NHXT Holdings Ltd.. Under the SFO, as settlor and beneficiary of such trust, Mr. Yeqing ZHU is deemed to be interested in the Shares held by NHYJ Holdings Ltd. and NHXT Holdings Ltd.
- (5) NHXC Holdings directly holds 15,081,275 Shares as beneficial owner, and is held as to 46.91% by MST Development Limited. MST Development Limited itself directly holds 23,044,618 Shares as beneficial owner. MST Development Limited is held as to 100% by Bancasa Holding Limited and ultimately owned by Trident Trust Company (HK) Limited, and holds Shares on trust for the benefit of Mr. Naxin YAO, 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.

# Other Information

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

### *Beijing Xincheng*

#### *Long Position in the Shares*

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Amount of Registered Capital Subscribed (RMB) as at June 30, 2022</b>	<b>Approximate Percentage of Shareholding as at June 30, 2022</b>
Mr. Yeqing ZHU	Beneficial Interest	11,880,000	99%

Save as disclosed above, so far as the Directors are aware, as at June 30, 2022, none of our Directors or chief executive 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/OR 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 June 30, 2022, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### *Long Position in the Shares*

Name of Shareholder	Capacity/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 <sup>(1)</sup>	37,466,746	8.72%
SBCVC Fund V, L.P.	Interest in controlled corporation <sup>(2)</sup>	22,559,012	5.25%
Qiming Corporate GP V, Ltd.	Interest in controlled corporation <sup>(3)</sup>	35,891,538	8.35%
Trident Trust Company (HK) Limited	Trustee <sup>(4)</sup>	76,336,829	17.76%
Ms. Lili CHEN	Interest of spouse <sup>(5)</sup>	50,883,906	11.84%
Ms. Yang JIAO	Interest of spouse <sup>(6)</sup>	29,106,610	6.77%
The Capital Group Companies, Inc.	Interest in controlled corporation <sup>(7)</sup>	26,597,179	6.19%



# Other Information

## Notes:

\* The calculation is based on the total number of 429,739,898 Shares issued as at June 30, 2022.

- (1) High Diamond Limited directly holds 22,487,898 Shares and Good Rise Holdings Limited directly holds 14,978,848 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 22,487,898 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 14,978,848 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 37,466,746 Shares collectively held by High Diamond Limited and Good Rise Holdings Limited.

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

- (3) Qiming Venture Partners V, L.P. directly holds 34,805,418 Shares and Qiming Managing Directors Fund V, L.P. directly holds 1,086,120 Shares. Under the SFO, (i) as the general partner of Qiming Venture Partners V, L.P., Qiming GP V, L.P. (through its interest in a controlled corporation) is deemed to have an interest in the 34,805,418 Shares; and (ii) as the general partner of both Qiming GP V, L.P. and Qiming Managing Directors Fund V, L.P., Qiming Corporate GP V, Ltd. (through its interest in controlled corporations) is deemed to be interested in an aggregate of 35,891,538 Shares held by Qiming Venture Partners V, L.P. and Qiming Managing Directors Fund V, L.P.
- (4) NH Trinity Limited indirectly holds 15,092,940 Shares, through NHYJ Holdings Ltd., on trust for Mr. Yeqing ZHU and certain of his family members as beneficiaries. MST Development Limited directly holds 23,044,618 Shares and a 46.91% interest in NHXC Holdings on trust for Mr. Naxin YAO and certain of his family members as beneficiaries. NHXC Holdings directly holds 15,081,275 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 76,336,829 Shares (as trustee) held through NH Trinity Limited, MST Development Limited, NHXT Holdings Ltd. and Ever Thriving Ventures Limited. The exercise of voting rights in the Shares by Trident Trust Company (HK) Limited is nevertheless subject to the directions of (i) Mr. Yeqing ZHU, in relation to the Shares held through NH Trinity Limited, (ii) Mr. Naxin YAO, in relation to the Shares held through MST Development Limited, (iii) Mr. Yeqing ZHU and Dr. Ning LU, in relation to the Shares held through NHXT Holdings Ltd. and (iv) any person appointed by the Board to administrate the Pre-IPO Share Incentive Plan, in relation to the Shares held through Ever Thriving Ventures Limited.
- (5) Ms. Lili CHEN is the spouse of Dr. Yiyou CHEN. By virtue of the SFO, Ms. Lili CHEN is deemed to be interested in the Shares held by Dr. Yiyou CHEN.
- (6) 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.
- (7) Capital Research and Management Company directly holds 26,597,179 Shares. To the best knowledge of the Company, Capital Research and Management Company is a wholly-owned subsidiary of The Capital Group Companies, Inc. Therefore, The Capital Group Companies, Inc., through its interest in a controlled corporation, is deemed to be interested in the 26,597,179 Shares held by Capital Research and Management Company.

Except as disclosed in this section, as far as the Directors are aware, as at June 30, 2022, no person owns interests and/or 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.

# Other Information

## 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 Pre-IPO Share Incentive Plan shall be evidenced by an award agreement between the Company and the participant, the form of which shall be approved by the Administrator.

### Summary of Terms

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

#### **(a) Purpose**

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

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

The participants of Pre-IPO Share Incentive Plan are 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 Pre-IPO Share Incentive Plan, and (c) the Company has received any written statement required pursuant to the Pre-IPO Share Incentive Plan.
- (ii) **Restricted share units.** A restricted share unit 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 7.37% of the total issued share capital of the Company as at the date of this report.

**(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 June 30, 2022, 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 20,322,932 Shares had been exercised; (2) options to subscribe for 148,896 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 7,641,498 Shares were outstanding and held by grantees. As at June 30, 2022, 110,342 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 June 30, 2022, 3,463,100 restricted share units had been granted pursuant to the Pre-IPO Share Incentive Plan<sup>(1)</sup>.

Note:

- (1) Out of the 3,463,100 restricted share units granted, 1,198,800 restricted share units are based on the achievement level of performance targets for the years ending December 31, 2023 and 2024, which have not been set by the Board of the Company.

# Other Information

## List of grantees under the Pre-IPO Share Incentive Plan

As of June 30, 2022, share options granted to 149 grantees, including two Directors, two non-Director members of the senior management and 145 other employees of our Group (who were granted options to subscribe for 18,574,140 Shares, 4,000,000 Shares and 5,390,290 Shares, respectively), to subscribe for an aggregate of 27,964,430 Shares, of which a portion of the options corresponding to 20,322,932 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	
					Total Number of Shares Underlying the Exercised Options	Underlying the Outstanding and Unexercised Options as of June 30, 2022
Dr. Yiyu CHEN	Executive Director	0.4221	May 14, 2019	(Note 1)	0	5,521,070
Mr. Yeqing ZHU	CEO, executive Director and chairman of the Board	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)	778,378	1,221,622
Mr. Yu GAO	Chief Financial Officer	0.6000	June 1, 2020	(Notes 4,5)	2,000,000	0

Notes:

- The options granted on May 14, 2019 to Dr. Yiyu 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.

## Other Information

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.

<b>Exercise price (US\$/Share)</b>	<b>Date of Grant</b>	<b>Vesting Period</b>	<b>Total Number of Shares Underlying the Exercised Options</b>	<b>Total Number of Shares Underlying the Outstanding and Unexercised Options as of June 30, 2022</b>
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	258,000
0.6000	June 10, 2020	(Note 1)	0	302,104

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 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.

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

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

### Summary of Terms

#### **(a) Purpose**

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

#### **(b) Administration**

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

#### **(c) Selected Participants**

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



## Other Information

### **(d) Scheme Limit**

The maximum number of Awarded Shares underlying the RSUs awarded by the Board under the 2022 RSU Scheme shall not exceed 1% of the total issued share capital of the Company (i.e., 4,297,398 Shares) as of the RSU Scheme Adoption Date throughout the Trust Period.

The maximum number of Awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2022 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period. Awards lapsed in accordance with the terms of the 2022 RSU Scheme shall not be counted for the purpose of calculating the limit.

The maximum number of Awarded Shares underlying the RSUs which may be awarded by the Board under the Scheme and the total number of Shares to be issued under all other schemes of the Company granted and yet to be exercised shall not exceed 30% of the issued share capital of the Company from time to time. No RSUs may be granted under the 2022 RSU Scheme if this will result in the limit being exceeded.

### **(e) Restrictions**

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

- (i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;
- (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

**(f) Operation**

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

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

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

## Other Information

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

### **(g) Grant**

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

- (i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group;
- (ii) the general financial condition of the Group;
- (iii) the Group's overall business objectives and future development plan;
- (iv) the prevailing market price of the Shares; and
- (v) any other matter which the Board considers relevant.

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

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

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

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

### **(h) *Vesting and lapse***

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

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

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

## Other Information

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

### **(i) Voting Rights**

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

### **(j) Duration**

Unless terminated earlier by the Board pursuant to the RSU Scheme Rules, the 2022 RSU Scheme shall be valid and effective for ten years commencing from the RSU Scheme Adoption Date, after which period no further Awards will be granted.

### **(k) Alteration**

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

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

During the period from the RSU Scheme Adoption Date to June 30, 2022, no RSU had been granted pursuant to the 2022 RSU Scheme.

## **POST-IPO SHARE OPTION SCHEME**

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

## Summary of Terms

### **(a) Purpose**

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

### **(b) Eligible persons**

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

### **(c) Duration**

The 2022 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Share Option Scheme Adoption Date and has a remaining term of approximately 9.75 years as at the date of this report, after which period no further options will be granted but the provisions of the 2022 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the expiration of the 10-year period or otherwise as may be required in accordance with the terms of the 2022 Share Option Scheme.

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

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

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

## Other Information

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

The number of outstanding Shares subject to the options granted under the 2022 Share Option Scheme is 15,087,600 Shares, which represents approximately 3.5% of the issued Shares as at the Latest Practicable Date.

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

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

- (a) such grant has been approved by the Shareholders in general meeting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules with the prospective Grantee and his or her associates abstaining from voting;
- (b) a circular regarding the grant shall be sent to the Shareholders containing the information required under the Listing Rules; and
- (c) the number and terms of the options to be granted to such prospective Grantee shall be fixed before the Shareholders' approval of the grant of such options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the exercise price.

### **(f) Administration**

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

## **(g) Grant of Options**

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

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

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

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



# Other Information

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

No option shall be offered or granted:

- (a) to any Employee or Consultant after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;
- (b) to any Employee or Consultant during the period commencing one month immediately before the earlier of:
  - i. the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - ii. the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option shall be granted during any period of delay in publishing a results announcement.
- (c) to any director of the Company (except where the exercise price is to be determined by the Board at the time of exercise of the option):
  - i. during the period of 60 days immediately preceding the publication of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or
  - ii. during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

## **(i) Vesting period**

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

**(j) Exercise Price**

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

- (a) the nominal value of a Share on the Offer Date;
- (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day; and
- (c) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date.

**(k) Transferability of Options**

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

**(l) Value of the Options**

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

**Details of share options granted under the 2022 Share Option Scheme**

On June 27, 2022, share options granted to 42 grantees, including two Directors (subject to approval by Shareholders in general meeting), two non-Director members of the senior management and 38 other employees of our Group (who were granted 12,032,100 share options, 2,519,500 share options and 536,000 share options, respectively), to subscribe for an aggregate of 15,087,600 Shares. Of the total 15,087,600 share options granted, 10,233,000 are performance-based share options and 4,854,600 are time-based share options. For details of the aforesaid grant, please refer to the announcement of the Company dated June 27, 2022.

# Other Information

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

Category	Date of grant	Exercise period	Exercise price per Share	Vesting period	Outstanding as at January 1, 2022	Granted during the Reporting Period	Number of share options				Outstanding as at June 30, 2022	Company's shares immediately before the grant date	Weighted average closing price of the Company's shares immediately before the exercise date	At exercise date of options
							Exercised during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	Canceled during the Reporting Period	Company's shares immediately before the exercise date				
<b>Directors</b>														
Mr. Yeqing ZHU	June 27, 2022	From June 27, 2022 to June 27, 2032	HK\$24.70	Note <sup>(2)</sup>	N/A	10,835,300 <sup>(1)</sup>	0	0	0	0	10,835,300	HK\$24.75	N/A	N/A
Dr. Yiyu CHEN	June 27, 2022	From June 27, 2022 to June 27, 2032	HK\$24.70	Note <sup>(2)</sup>	N/A	1,196,800 <sup>(1)</sup>	0	0	0	0	1,196,800	HK\$24.75	N/A	N/A
<b>Others</b>														
Non-director members of the senior management	June 27, 2022	From June 27, 2022 to June 27, 2032	HK\$24.70	Note <sup>(2)</sup>	N/A	2,519,500	0	0	0	0	2,519,500	HK\$24.75	N/A	N/A
Employees	June 27, 2022	From June 27, 2022 to June 27, 2032	HK\$24.70	Note <sup>(2)</sup>	N/A	536,000	0	0	0	0	536,000	HK\$24.75	N/A	N/A
<b>Total:</b>					<b>N/A</b>	<b>15,087,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,087,600</b>			

Notes:

- (1) The grant of these share options are subject to approval by Shareholders in general meeting.
- (2) Time-based Option will be vested on the first anniversary of the Date of Grant, and the remaining portion of the Option will be vested in the following 36 successive equal monthly instalments thereafter. Performance-based Option will be vested (wholly or partially) in the relevant year to the relevant Grantee based on the achievement of performance indicators of the relevant Grantee.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

**德勤**

To the Board of Directors of New Horizon Health Limited  
(Incorporated in Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of New Horizon Health Limited (the “**Company**”) and its subsidiaries and consolidated affiliated entities (collectively referred to as the “**Group**”) set out on pages 53 to 76, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**ISRE 2410**”) issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

August 19, 2022

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	Notes	For the six months period ended June 30,	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	225,652	43,931
Cost of sales		(40,564)	(19,242)
Gross profits		185,088	24,689
Other income	4	4,876	10,903
Other gains and losses	5	52,978	(2,760,167)
Impairment losses on trade and other receivables	16	(7,629)	(3,862)
Selling and marketing expenses		(196,988)	(72,747)
Research and development expenses		(40,912)	(21,235)
Administrative expenses		(59,156)	(45,771)
Listing expenses		–	(19,217)
Finance costs		(3,509)	(4,398)
Loss before tax	6	(65,252)	(2,891,805)
Income tax expense	7	(30)	–
Loss for the period		(65,282)	(2,891,805)
Other comprehensive income for the period, net of income tax <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		2,549	–
Total comprehensive expenses for the period		(62,733)	(2,891,805)
Loss per share	8		
– Basic (RMB)		(0.15)	(8.58)
– Diluted (RMB)		(0.15)	(8.58)

# Condensed Consolidated Statement of Financial Position

At June 30, 2022

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

# Condensed Consolidated Statement of Financial Position

At June 30, 2022

	Notes	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
<b>Non-current liabilities</b>			
Other payables	13	993	1,543
Lease liabilities		39,609	32,307
		<b>40,602</b>	33,850
<b>Net assets</b>			
		<b>2,075,462</b>	2,126,660
<b>Capital and reserves</b>			
Share capital	14	141	141
Treasury shares		(1)	(1)
Share premium		6,416,220	6,412,484
Reserves		(4,340,898)	(4,285,964)
<b>Total equity</b>			
		<b>2,075,462</b>	2,126,660



# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the Company							Total equity (deficits) RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	
<b>At January 1, 2021 (audited)</b>	48	(1)	118,865	(72,297)	-	5,834	(1,142,363)	(1,089,914)
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	(2,891,805)	(2,891,805)
Recognition of equity-settled share-based payments	-	-	-	-	-	15,626	-	15,626
Automatic conversion of Preferred Shares upon the Listing (note 5)	65	-	4,437,319	-	-	-	-	4,437,384
Vesting of restricted shares	-	-	10,614	-	-	(10,614)	-	-
Issue of new shares of the Company (note 14)	28	-	1,956,204	-	-	-	-	1,956,232
Cost of issuing new shares	-	-	(115,471)	-	-	-	-	(115,471)
<b>At June 30, 2021 (unaudited)</b>	<b>141</b>	<b>(1)</b>	<b>6,407,531</b>	<b>(72,297)</b>	<b>-</b>	<b>10,846</b>	<b>(4,034,168)</b>	<b>2,312,052</b>
At January 1, 2022 (audited)	141	(1)	6,413,365	(72,297)	(594)	13,745	(4,227,699)	2,126,660
Loss for the period	-	-	-	-	-	-	(65,282)	(65,282)
Other comprehensive income for the period, net of income tax	-	-	-	-	2,549	-	-	2,549
Total comprehensive expenses for the period	-	-	-	-	2,549	-	(65,282)	(62,733)
Recognition of equity-settled share-based payments	-	-	-	-	-	11,535	-	11,535
Vesting of restricted shares	-	-	2,855	-	-	(2,855)	-	-
<b>At June 30, 2022 (unaudited)</b>	<b>141</b>	<b>(1)</b>	<b>6,416,220</b>	<b>(72,297)</b>	<b>1,955</b>	<b>22,425</b>	<b>(4,292,981)</b>	<b>2,075,462</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	<b>For the six months period ended June 30,</b>	
	<b>2022 RMB'000 (unaudited)</b>	2021 RMB'000 (unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(238,088)</b>	(137,377)
<b>INVESTING ACTIVITIES</b>		
Bank interest received	3,570	9,107
Placement of time deposits over three months	(505,563)	(1,277,396)
Withdrawal of time deposits over three months	1,234,140	129,508
Placement of structured deposits	(264,824)	–
Withdrawal of structured deposits	276,189	–
Payments for rental deposits	(1,277)	(259)
Purchase of intangible assets	(5,030)	(223)
Purchase of and deposits paid for property and equipment	(16,267)	(13,387)
Proceed from disposal of property and equipment	2	1
Investments in financial assets at FVTPL	(24,915)	–
Placement of pledged bank deposits	–	(110,000)
Repayments from related parties	–	7,156
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>696,025</b>	(1,255,493)
<b>FINANCING ACTIVITIES</b>		
Repayments of lease liabilities	(7,707)	(5,959)
Repayments of bank borrowings	–	(36,736)
Interest paid	(3,185)	(2,936)
Proceeds from exercise of share options	510	–
Proceeds from issue of shares	–	1,956,232
Issue cost paid	–	(100,113)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(10,382)</b>	1,810,488
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>447,555</b>	417,618
Effects of exchange rate changes	46,073	(1,206)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>686,817</b>	451,796
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTING BY BANK BALANCES AND CASH</b>	<b>1,180,445</b>	868,208

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

### General information

New Horizon Health Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from February 18, 2021 (the “**Listing**”). The respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the interim report.

### Basis of preparation

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

### Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
ColoClear	73,638	14,178
Pupu tube	68,538	29,569
UU tube	83,461	–
Others	15	184
	<b>225,652</b>	<b>43,931</b>

### Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 2. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

### Geographical information

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

## 4. OTHER INCOME

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Bank interest income	3,052	9,107
Government subsidies (note)	1,178	1,166
Interest income from subscription receivables and note receivables (note 12)	646	630
	<b>4,876</b>	<b>10,903</b>

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 5. OTHER GAINS AND LOSSES

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

Note: Details of the key terms, presentation, classification and fair value movement of Preferred Shares for the year ended December 31, 2020 were set out in note 26A to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2020.

Upon the Listing, all Preferred Shares were automatically converted into ordinary shares and the fair value of the Preferred Shares were measured at the IPO issue price of HK\$26.66 per share. As a result, all Preferred Shares were reclassified to share capital and share premium of the Company amounting to RMB65,000 and RMB4,437,319,000, respectively.

## 6. LOSS BEFORE TAX

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 7. INCOME TAX EXPENSE

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

## 8. LOSS PER SHARE

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

	Six months ended June 30,	
	2022 ( <i>unaudited</i> )	2021 ( <i>unaudited</i> )
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	<u>65,282</u>	<u>2,891,805</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	<u>421,856</u>	<u>337,040</u>

The computation of basic loss per share for both interim periods excluded the unvested share options (note 15a), unvested restricted shares (note 15b) and unvested restricted share units (note 15c) of the Company.

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

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

## 9. DIVIDENDS

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

## 10. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property and equipment of RMB16,411,000 (six months ended June 30, 2021: RMB9,994,000).

During the current interim period, the Group capitalised upfront payment of RMB3,176,000 (six months ended June 30, 2021: nil) and milestone payments of RMB2,600,000 (six months ended June 30, 2021: nil) made in accordance with the license in arrangements entered into with an associate of the Group and an independent third party, respectively, as intangible assets.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 to 4 years. The Group is required to make fixed quarterly payments during the contract period. On date of lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB17,845,000 (six months ended June 30, 2021: RMB16,090,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 11. TRADE AND OTHER RECEIVABLES

	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Trade receivables	288,257	114,628
Less: Impairment loss allowance	(16,262)	(8,633)
	<b>271,995</b>	105,995
Rental deposits	4,745	3,468
Prepaid expenses	14,106	16,792
Value added tax recoverables	1,527	5,209
Bank interest receivables	1,356	1,874
Loan receivables from employees (note i)	2,982	2,916
Early exercise promissory notes (note ii)	7,538	7,017
Other deposits	2,282	1,225
Others	3,426	1,916
	<b>37,962</b>	40,417
	<b>309,957</b>	146,412
Analysed as:		
Non-current	16,007	12,697
Current	293,950	133,715
	<b>309,957</b>	146,412

Notes:

- i. The amounts represent loans to certain employees in respect of withholding tax for employees' individual income tax arising from the exercise of their respective share options. These loans are unsecured and carried interest at 4.35% per annum if the loan is repaid within 1 year, 4.75% per annum if the loan is repaid between 1 to 5 years, or 4.90% per annum if the loan is repaid after 5 years. Furthermore, under the mutual agreement between the Group and each individual borrower, the loan can be further extended or repaid any time before the expiry of the loan. As at June 30, 2022, RMB2,982,000 (December 31, 2021: RMB2,916,000) is expected to be received after twelve months from the end of the reporting period and thus classified as non-current assets.
- ii. Details of the early exercise promissory notes are set out in note 15(a). As at June 30, 2022, RMB7,538,000 (December 31, 2021: RMB7,017,000) 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 are measured by using a discount rate of 4.35% per annum for the balances expected to be repaid within 1 year and 4.75% per annum for the remaining balances. The fair value change after initial recognition for the six months period ended June 30, 2022 amounted to a gain of RMB521,000 was included in other gains and losses, compared to a loss of RMB37,000 for the six months period ended June 30, 2021.

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

	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
0 – 60 days	165,953	78,143
61 – 90 days	36,753	13,985
91 – 180 days	14,349	4,763
181 – 365 days	49,211	4,886
Over 1 year	5,729	4,218
	<b>271,995</b>	105,995

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 12. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are disclosed as follows:

	Relationship and details	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Mr. Yeqing Zhu (“Mr. Zhu”)	(note i)		
– subscription receivables for issuance of restricted shares	(note ii)	13,218	12,292
– loan receivable	(note iii)	7,787	7,614
– early exercise promissory note	(note iv)	27,173	25,296
Dr. Ning Lu (“Dr. Lu”)	(note i)		
– subscription receivables for issuance of restricted shares	(note ii)	5,736	5,334
– receivables for exercise of share options	(note v)	–	510
Mr. Yu Gao (“Mr. Gao”)	(note i)		
– loan receivable	(note iii)	59	57
– early exercise promissory note	(note iv)	6,999	6,515
		<b>60,972</b>	<b>57,618</b>
Analysed as:			
Non-current		60,972	57,108
Current		–	510
		<b>60,972</b>	<b>57,618</b>

Notes:

- Being directors of the Company or key management personnel of the Group.
- 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 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 15).

In the opinion of the directors of the Company, the terms of the promissory notes are fair and on normal commercial terms. As at December 31, 2021 and June 30, 2022, the directors of the Company considered that Mr. Zhu and Dr. Lu may not settle the outstanding loan balances within the next 12 months from the date of issuance of these condensed consolidated financial statements, the outstanding subscription receivables for issuance of restricted shares are reclassified as non-current assets.

- These amounts represent the loans to Mr. Zhu and Mr. Gao in respect of withholding tax for individual income tax arising from the exercise of their respective share options. These 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 terms of the loans to Mr. Zhu and Mr. Gao are fair and on normal commercial terms, and the amounts are not expected to be settled within one year and as such the loan receivables are classified as non-current assets.
- Details of the early exercise promissory notes are set out in note 15(a). As at June 30, 2022, RMB27,173,000 and RMB6,999,000 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. These balances are measured by using a discount rate of 4.35% per annum for the balances expected to be repaid within 1 year and 4.75% per annum for the remaining balances. The fair value change after initial recognition for the six months period ended June 30, 2022 amounted to RMB2,361,000 (for the six months period ended June 30, 2021: RMB94,000) was included in other gains and losses.
- The balance represents the amounts due from Dr. Lu in respect of exercise of his fully vested share options. Such amount is unsecured, interest-free and repayable on demand. The balance was fully settled in 2022.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 13. TRADE AND OTHER PAYABLES

	<b>At June 30, 2022 RMB'000 (unaudited)</b>	At December 31, 2021 RMB'000 (audited)
Trade payables	<b>35,749</b>	23,592
Payables for:		
– security deposits	<b>341</b>	1,453
– acquisition of property and equipment	<b>876</b>	617
– others	<b>724</b>	1,536
Accruals for:		
– legal and professional fees	<b>1,512</b>	3,471
– selling and promotion expenses	<b>7,629</b>	4,288
– others	<b>3,956</b>	2,893
Accrued interest expense	<b>856</b>	532
Retention monies payable to constructors	<b>1,667</b>	1,598
Value added tax payable	<b>8,890</b>	–
Other tax payables	<b>317</b>	243
	<b>26,768</b>	16,631
	<b>62,517</b>	40,223
Analysed as:		
Non-current	<b>993</b>	1,543
Current	<b>61,524</b>	38,680
	<b>62,517</b>	40,223

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 14. SHARE CAPITAL

	Number of class A shares  (note i)	Number of class B shares  (note i)	Share capital <i>US\$'000</i>
<b>Ordinary shares</b>			
<b>Authorised</b>			
At January 1, 2021 (audited)	731,721,320	68,334,536	40
Automatic conversion of Preferred Shares to class A shares of the Company upon the Listing (note 5)	199,944,144	–	10
At June 30, 2021 (unaudited), December 31, 2021 (audited) and June 30, 2022 (unaudited)	<b>931,665,464</b>	<b>68,334,536</b>	<b>50</b>

	Number of class A shares	Number of class B shares	Total Amount <i>US\$'000</i>	Equivalent amount of ordinary shares <i>RMB'000</i>
<b>Issue and fully paid</b>				
At January 1, 2021 (audited)	78,311,566	63,097,476	7	48
Issuance of new shares upon the Listing (note ii)	88,087,500	–	4	28
Automatic conversion of Preferred Shares upon the Listing (note 5)	199,944,144	–	10	65
At June 30, 2021 (unaudited)	366,343,210	63,097,476	21	141
At December 31, 2021 (audited) and June 30, 2022 (unaudited)	<b>366,642,422</b>	<b>63,097,474</b>	<b>21</b>	<b>141</b>

- (i) Class B ordinary shares are held by the founder parties, i.e. Mr. Zhu and Dr. Chen. The holder with each Class A Ordinary 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.
- (ii) In connection with the Listing, 76,598,000 and 11,489,500 ordinary shares of US\$0.00005 par value each were issued at HK\$26.66 per share for the Company's global offering and the over-allotment of shares on February 18, 2021 and March 17, 2021 for gross cash proceeds of HK\$2,042,103,000 and HK\$306,310,000 (equivalent to RMB1,699,948,000 and RMB256,284,000), respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS

### Hangzhou Nuohui Share Incentive Plan and Pre-IPO Share Incentive Plan

On January 24, 2017, the board of directors of Hangzhou Nuohui resolved to grant to certain of its employees with options to purchase equity interests in NHXC Holdings (“**Hangzhou Nuohui Share Incentive Plan**”). Further on November 7, 2017, the Hangzhou Nuohui Share Incentive Plan was revised and the board of directors of Hangzhou Nuohui resolved to grant 187,236 restricted shares to a director and an employee through NHXC Holdings and Hangzhou New Horizon Zhihui Investment Management Partnership (“**Nuohui Zhihui**”). A portion of the ordinary shares of NHXC Holdings and the entire ordinary shares of Nuohui Zhihui are set up to hold the equity interest on behalf of Hangzhou Nuohui for future issuance of employees shares.

Upon completion of the group reorganisation and on October 10, 2018, the board of directors of the Company approved the Pre-IPO Share Incentive Plan (the “**Plan**”). The purpose of the Plan is to promote the success of the Company and to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons. For shares options, pursuant to a board resolution of the Company on October 10, 2018, the options granted to certain employees of Hangzhou Nuohui under the Hangzhou Nuohui Share Incentive Plan were replaced and exchanged for options to purchase the Company’s ordinary shares under the Plan. For restricted shares, upon the group reorganisation, the restricted shares under Hangzhou Nuohui through NHXC Holdings and Nuohui Zhihui were replaced by the restricted shares under the Company through NHXC Holdings and NHYJ Holdings Ltd. The Hangzhou Nuohui Share Incentive Plan was then terminated. The overall limit on the number of the underlying shares which may be delivered pursuant to all awards granted under the Plan is 15,843,384 shares of the Company.

### 2022 Share Option Scheme

Pursuant to a resolution passed on June 24, 2022, the directors of the Company further adopted an employee equity plan (the “**2022 Share Option Scheme**”) to grant option awards to senior management, key management and key employees of the Group by reason of his or her contribution to the Group. The maximum number of Shares in respect of which Options may be granted under the 2022 Share Option Scheme shall not exceed 6% of the issued share capital of the Company as of June 24, 2022.

#### (a) Share options

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. 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 per restricted share (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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. 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 six months ended June 30, 2022

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at 1.1.2022	Forfeited during the period	Outstanding as at 30.6.2022
<b>Director</b>						
Option C	Directors	May 14, 2019	US\$0.420	5,521,070	-	5,521,070
<b>Employees</b>						
Option B	Employees	October 10, 2018	US\$0.165	512,369	-	512,369
Option D	Employees	April 24, 2020	US\$0.600	1,185,955	(18,000)	1,167,955
Option F	Employees	June 10, 2020	US\$0.600	349,232	(38,426)	310,806
				<u>7,568,626</u>	<u>(56,426)</u>	<u>7,512,200</u>
						<u>4,686,642</u>
				<u>US\$0.439</u>	<u>US\$0.600</u>	<u>US\$0.438</u>

Exercisable at the end of the period

Weighted average exercise price

#### For the six months ended June 30, 2021

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at 1.1.2021	Outstanding as at 30.6.2021
<b>Director</b>					
Option C	Directors	May 14, 2019	US\$0.420	5,521,070	5,521,070
<b>Employees</b>					
Option B	Employees	October 10, 2018	US\$0.165	749,536	749,536
Option D	Employees	April 24, 2020	US\$0.600	1,289,000	1,289,000
Option F	Employees	June 10, 2020	US\$0.600	400,000	400,000
				<u>7,959,606</u>	<u>7,959,606</u>
					<u>3,024,354</u>
				<u>US\$0.434</u>	<u>US\$0.434</u>

Exercisable at the end of the period

Weighted average exercise price

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) Share options (Continued)

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 after share subdivision:

	<b>Numbers of unvested restricted shares</b>
Unvested at January 1, 2021	13,791,468
Vested	<u>(4,007,143)</u>
Unvested at June 30, 2021	<u>9,784,325</u>
Unvested at January 1, 2022	<b>7,174,225</b>
Vested	<b><u>(2,057,992)</u></b>
Unvested at June 30, 2022	<b><u>5,116,233</u></b>

On June 27, 2022, the Company legally granted 15,087,600 options to the directors of the Company and employees in accordance with the terms of the 2022 Share Option Scheme. The validity period of the options shall be 10 years from the date of grant and the options shall lapse at the expiry of the validity period. Out of the options granted, 4,854,600 options are time-based options, 25% of which shall vest and become exercisable on the first anniversary of the vesting commencement date, and 75% of which shall vest and become exercisable in equal monthly instalments over the subsequent thirty-six months thereafter. The remaining 10,233,000 options are performance-based options, which will be vested (wholly or partially) on the first anniversary of the date of grant for each year through 2022 to 2024 based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company at the beginning of each year. Since the performance targets for the year ending December 31, 2023 and 2024 have not set by the board of directors of the Company, 6,822,000 performance-based options are considered as not yet granted as at June 30, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) Share options (Continued)

The table below discloses movements of the share options held by grantees under 2022 Share Option Scheme:

Name of grantee	Date of grant	Exercise price	Outstanding as at 1.1.2022	Granted during the period	Outstanding as at 30.6.2022
Directors	June 27, 2022	HK\$24.70	–	6,136,500	6,136,500
Employees	June 27, 2022	HK\$24.70	–	2,129,100	2,129,100
			–	8,265,600	8,265,600
Exercisable at the end of the period					–
Weighted average exercise price			–	HK\$24.70	HK\$24.70

#### Fair value of share options granted

Binomial option pricing model was used to determine the fair value of the share options granted under the 2022 Share Option Scheme. Key assumptions, such as risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

Exercise price	HK\$24.70
Expected life	10 years
Expected volatility	60.90%
Expected dividend yield	0%
Risk-free rate	3.07%

The weighted average fair value of the 2022 Share Option Scheme options granted during the current interim period is HK\$14.96 per share option.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (b) Restricted shares

On November 7, 2017, the directors of Hangzhou Nuohui resolved to issue restricted shares that are equivalent to RMB187,236 paid-in capital of Hangzhou Nuohui to a director and an employee for an aggregate subscription price of RMB17,487,000 under the Hangzhou Nuohui Share Incentive Plan (the “**2017 Restricted Shares Plan**”).

#### (i) An employee

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 at January 1, 2021	531,350	1.06
Vested	(455,443)	1.06
Unvested at June 30, 2021	75,907	1.06
Unvested at January 1, 2022 and June 30, 2022	–	–

### (c) Restricted share units (“RSUs”)

On April 8, 2022, the Company granted 2,264,300 RSUs at nil consideration to the directors of the Company and employees in accordance with the Plan (the “**Pre-IPO RSUs**”). Out of the RSUs granted, 1,664,900 RSUs are time-based RSUs, 25% of which shall vest and become exercisable on the first anniversary of the vesting commencement date, and 75% of which shall vest and become exercisable in equal monthly instalments over the subsequent thirty-six months thereafter. The remaining 599,400 RSUs are performance-based RSUs, which will be vested (wholly or partially) on the first anniversary of the date of grant based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company at the grant date.

The grantees may not have any interest or right in the RSUs granted until such Pre-IPO RSUs have been vested.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (c) Restricted share units (“RSUs”) (Continued)

The following table discloses movements of the Company’s Pre-IPO RSUs held by grantees for the current year:

	Number of RSUs held by	
	Directors	Employees
At January 1, 2022	–	–
Granted	<b>1,098,900</b>	<b>1,165,400</b>
At June 30, 2022	<b>1,098,900</b>	<b>1,165,400</b>

The fair value of the RSUs is measured on the basis of an observable market price.

## 16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables under simplified approach:

	Lifetime ECL (not credit- impaired) RMB’000	Lifetime ECL (credit- impaired) RMB’000	Total RMB’000
At January 1, 2021 (audited)	1,448	2,343	3,791
Impairment loss allowance recognised	1,808	2,054	3,862
Transfer to credit-impaired	(201)	201	–
At June 30, 2021 (unaudited)	<b>3,055</b>	<b>4,598</b>	<b>7,653</b>
At January 1, 2022 (audited)	<b>2,014</b>	<b>6,619</b>	<b>8,633</b>
Impairment loss allowance recognised	<b>6,068</b>	<b>1,561</b>	<b>7,629</b>
Transfer to credit-impaired	<b>(468)</b>	<b>468</b>	–
At June 30, 2022 (unaudited)	<b>7,614</b>	<b>8,648</b>	<b>16,262</b>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2021.

During the current interim period, the Group provided impairment allowance of RMB9,937,000 (2021: RMB4,312,000).

During the current interim period, the Group reversed the impairment allowance of RMB2,308,000 (2021: RMB450,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 17. 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.

The fair values of these financial assets and 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.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

### (i) Fair value of the Group's financial asset and financial liability that are measured at fair value on a recurring basis

	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/6/2022 RMB'000 (unaudited)	31/12/2021 RMB'000 (audited)				
Structured deposit	-	10,000	Level 2	Discounted cash flow method – the key inputs are forward exchange rates of EUR/USD	N/A	N/A
Early exercise promissory notes receivables	41,710	38,828	Level 3	Discounted cash flow – the key inputs are time to repayment and discount rate	Time to repay: Based on the vesting term of the options of each Early Exercise Participants	The longer the time to repay, the lower the fair value
Investment in a convertible loan	21,090	20,933	Level 2	Recent transaction price	N/A	N/A
Investment in a private equity fund	57,309	34,535	Level 2	Recent transaction price	N/A	N/A
Investments in associates measured at FVTPL	9,843	9,351	Level 2	Recent transaction price	N/A	N/A

### (ii) Reconciliation of Level 3 fair value measurements

The reconciliation of Level 3 measurements of Preferred Shares and early exercise promissory notes receivables are set out as follows:

	Other receivables RMB'000	Amounts due from related parties RMB'000	Preferred Shares RMB'000
At January 1, 2021 (audited)	8,119	36,296	1,680,356
Fair value loss (included in other gains and losses)	(37)	(94)	2,757,028
Automatic conversion of Preferred Shares upon the Listing	-	-	(4,437,384)
At June 30, 2021 (unaudited)	8,082	36,202	-

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### (ii) Reconciliation of Level 3 fair value measurements *(Continued)*

	Other receivables RMB'000	Amounts due from related parties RMB'000
At January 1, 2022 (audited)	7,017	31,811
Fair value loss (included in other gains and losses)	521	2,361
At June 30, 2022 (unaudited)	<b>7,538</b>	<b>34,172</b>

### (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 condensed consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

## 18. CAPITAL COMMITMENT

	At June 30, 2022 RMB'000 <i>(unaudited)</i>	At December 31, 2021 RMB'000 <i>(audited)</i>
Capital expenditure contracted for but not provided in these condensed consolidated financial statements:		
– Property and equipment	6,950	328
– Intangible assets	339	–
	<b>7,289</b>	328

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

## 19. RELATED PARTY DISCLOSURES

Save for disclosed in elsewhere of these condensed consolidated financial statements, the Group has the following transactions and balances with its related parties in the current interim period.

### (a) Related party transactions

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income on subscription receivable (note 12)		
– Mr. Zhu	455	445
– Dr. Lu	122	118
– Mr. Gao	1	1
	<b>578</b>	564

### (b) Related party balances

Details of the outstanding balances with its related parties are set out in note 12.

### (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 current interim period are as follows:

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salary and other benefits	6,104	4,118
Retirement benefit scheme contribution	115	100
Share-based payments	9,192	14,762
	<b>15,411</b>	18,980