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Suzhou Basecare Medical Corporation Limited
蘇州貝康醫療股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 2170)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2022

The Board of Suzhou Basecare Medical Corporation Limited hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021.

FINANCIAL SUMMARY

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	68,568	50,162
Cost of sales	(38,350)	(28,007)
Gross profit	30,218	22,155
Loss from operations	(31,603)	(36,671)
Loss before taxation	(32,036)	(37,382)
Loss for the period from continuing operations	(33,551)	(42,093)
	As of	
	June 30,	December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial Positions		
Non-current assets	135,478	98,195
Current assets	1,668,468	1,702,693
Non-current liabilities	48,241	25,517
Current liabilities	48,086	60,332
Net assets	1,707,619	1,715,039
Total equity attributable to equity shareholders of the Company	1,694,181	1,715,466
Non-controlling interests	13,438	(427)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are an innovative platform of genetic testing solutions for assisted reproduction in China. Our mission is to help more families have healthy babies. Our vision is to become a leading global medical technology company.

Our PGT-A kit, which screens for aneuploidy, a chromosomal disorder frequently associated with implantation failure in *in vitro* fertilization, or IVF, in embryos prior to implantation, is the first third-generation IVF genetic test kit which has been approved by the NMPA, compared to other PGT-A products based on fluorescence in situ hybridization (FISH) and quantitative polymerase chain reaction (qPCR) technologies. The NMPA registration of our PGT-A kit, in February 2020, as a Class III “innovative medical device”, marked the birth of a regulated third-generation IVF market in China. For the six months ended June 30, 2022, we recorded revenue of RMB16.4 million from sales of our PGT-A kits with gross profit margin of 67.9%.

We are developing two other pre-implantation genetic testing, or PGT, products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on next-generation sequencing, or NGS, technologies. We have developed our PGT-M kit with better sensitivity and specificity, which detects single-gene, or monogenic, defects in pre-implantation embryos. It eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time thereby reducing testing costs for patients as well. To date our PGT-M kit is the first and only product of its kind that has completed the registration testing in China. All over the globe, our self-developed PGT-SR kit is the first technology that effectively detects chromosome balanced translocations through high-throughput sequencing platform, granted as a national invention proprietary technology (patent number: 202011094180.6). Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application. Our PGT-SR kit has high market potential, offering one test with broad disease detectability and eliminating the need for patient-specific pre-exam validation, which translates to faster result turnaround time from several months to just two weeks and significantly lower the testing cost. We expect to obtain NMPA registration approval for PGT-M and PGT-SR kits in 2023 and 2024, respectively, which would further our dominance in the third-generation IVF genetic test kit market in China, well ahead of our competitors in potential competition.

We have transformed from a single-product company to a comprehensive scenario solutions provider in the assisted reproduction industry. Scenario solutions provided by the Company include PGT laboratory related solutions, andrology laboratory related solutions and cryopreservation room related solutions. Currently, we collaborate with over 200 medical institutions across the PRC, including 60 leading reproductive centers, having achieved a high market penetration rate. Through a parallel business model consisting of both R&D and marketing, as well as a closed loop of business chain based on actual clinical needs, we provide custom-made scenario solutions for our customers, which has resulted in better customer satisfaction.

It is expected that a peak in the approval and delivery of our self-developing products and pipeline will be achieved in the coming two to three years. We will satisfy the evolving needs of the assisted reproductive market, further develop scenario solutions of assisted reproductive products, better serve the infertile and eugenic public and create more value for our customers. Looking at the international pioneering medical industry development from a broader perspective, the industry development comprised of accumulated experience from the early development to the robust growth in the latter stage. We consider the continuous R&D innovation and customer value created by our rich product pipelines as the greatest highlight of the Company's future growth.

Leveraging our core strength in PGT, we have positioned ourselves to become an innovative platform in China's broader assisted reproduction market. Beyond test kits, we have developed a number of innovative devices and instruments that can improve work flow in molecular genetic laboratories using our kits, as well as industrial chain layout of embryo cryopreservation equipment, and have provided intelligent and automated integrated solutions for clinical trials to improve the Company's competitiveness.

The following diagram sets forth key details of our product portfolio as of the date of this interim results announcement:



* Includes principal raw material selection, manufacturing process validation and reaction system development

** Includes analytical performance evaluations and stability study

*** Refers to tests conducted by NMPA-recognized institutions to evaluate the performance of a medical device candidate. Passing the tests is a prerequisite to commencing the clinical trial

**** Unlike drugs, only one clinical trial is required for a medical device candidate, without phasing

1. For women undergoing IVF treatment who are 35 years old or older, couples who have experienced three or more IVF failures, couples who have experienced three or more spontaneous miscarriages or abnormal pregnancies, couples who have previously given birth to a child with chromosomal abnormalities or couples with chromosomal numerical alternations.
2. For carriers of thalassemia.
3. For carriers of chromosomal reciprocal translocation, Robertsonian translocation or inversion.
4. For patients who have experienced miscarriage.
5. For carriers of over 200 genetic diseases.

Manufacturing

We own a manufacturing center in Suzhou with an area of 1,364 sq.m., the manufacturing facility of which is designed in compliance with the GMP requirements. We have designed two purifying rooms which satisfy the ISO7/8 requirements under the ISO14644 cleaning standard with an annual production capacity of 400,000 reactions for testing kit production. In order to satisfy the potential market needs, we have set up an instrument production area in the manufacturing center for our devices production. The manufacturing center has passed both the ISO9001 and ISO13485 quality standards.

Commercialization

We sold a significant portion of products directly to hospitals and testing institutions. To a lesser extent, we also sold our testing kits to distributors, who in turn sold our products to hospitals. We have an outstanding marketing team which serves the key customers, such as third-generation IVF licensed hospitals and testing institutions, which is a major component of our customers. Our marketing team is also responsible for the promotion of our products to hospitals through academic marketing activities and interactions with KOLs as well as other industry professionals. As of June 30, 2022, we entered into cooperation agreements with 60 hospitals.

With the first NMPA-approved PGT kit in China, we believe that we enjoy first-mover advantages in building and solidifying our sales channels and customer base. We plan to focus our commercialization strategy on key hospitals. We will increase our coverage and penetration of hospitals licensed to conduct PGT, and develop stronger relationships with them to enhance customer stickiness and lay the foundation to offer other products to them in the future. Moreover, we plan to expand our share of wallet in these hospitals by offering comprehensive solutions, with new products that target other medical specialties, such as the neonatal and pediatrics units, in these institutions.

Impact of the COVID-19 Outbreak

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then. We have employed various measures to mitigate any impact the COVID-19 outbreak may have on our operations in China or the development of our products, including offering personal protection equipment such as masks to our employees, regularly checking the body temperature of our employees and closely monitoring their health conditions.

As of the date of this announcement, certain restrictions and containment measures has been implemented to stem the spread of COVID-19, resulting in temporary suspension of operation of hospitals and travel restrictions, which has affected our business and the turnover days of our trade receivables. Save as discussed above, the COVID-19 outbreak did not have a material and adverse impact on our business, financial condition and results of operations.

It is uncertain when and whether COVID-19 could be contained globally. We cannot guarantee you, however, that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects.

Important Events after the End of the Reporting Period

As disclosed in the announcement of the Company dated July 29, 2022, the Company entered into a share transfer agreement with, among others, Ningbo Huoke Investment Management Partnership (Limited Partnership) (寧波霍克投資管理合夥企業(有限合夥)) (“**Ningbo Huoke**”) (the “**Disposal**”), pursuant to which the Company agreed to sell 35% of the equity interest in Zhejiang Cellpro Biotech Co., Ltd. (浙江星博生物科技股份有限公司) (“**Cellpro Biotech**”) to Ningbo Huoke at a consideration of RMB64,170,000, and the Company will record an expected gains of approximately RMB5.8 million. Prior to the completion of the Disposal, Cellpro Biotech was held by the Company as to 51%, and upon completion of the Disposal, Cellpro Biotech would be held by the Company as to 16%. Cellpro Biotech is a company mainly focusing on the research and development, production, sales and technical services of assisted reproductive technology diagnosis and treatment products.

Save as disclosed above, there is no important event occurred after the end of Reporting Period and up to the date of this interim results announcement.

FUTURE AND OUTLOOK

To accomplish the Company's vision, we intend to implement the following business strategies: (i) continuing to capture and solidify PGT-A's sales channels and maintain established customer relationships; (ii) accelerating the registration process of PGT-M and PGT-SR to establish a comprehensive product pipeline of the third-generation assisted reproduction; (iii) expanding product portfolio to occupy full reproductive cycle; (iv) developing automated and intelligent hardware to upgrade industry infrastructure; and (v) maintaining technological leadership by leveraging advancements of global leaders.

To be specific, we have below short-term business plan:

- To expand the Company's product pipeline, provide comprehensive solutions from upstream testing kits, consumables to instruments and equipment;
- To enhance the collaboration with clients such as head reproductive centers, provide effective clinical support and strengthen the education for patients, in order to promote in-depth penetration of the products of the third-generation assisted reproduction;
- To promote national academic conferences and public welfare projects, further enhance the Company's brand awareness and accelerate the growth of our industry; and
- To promote the upgrading of hardware equipment in reproductive center laboratories in order to improve the Company's competitiveness.

Cautionary Statement required under Rule 18A.08(3) of the Listing Rules: We cannot guarantee that we will ultimately develop or market our Core Product successfully.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022 — unaudited

		Six months ended June 30,	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing Operations			
Revenue	3	68,568	50,162
Cost of sales		<u>(38,350)</u>	<u>(28,007)</u>
Gross profit		30,218	22,155
Other income	4	9,073	12,502
Other net gain/(loss)	5	35,862	(1,190)
Selling and distribution expenses		(30,668)	(29,103)
Administrative expenses		(30,570)	(18,222)
Research and development expenses		<u>(45,518)</u>	<u>(22,813)</u>
Loss from operations		(31,603)	(36,671)
Finance costs	6(a)	<u>(433)</u>	<u>(711)</u>
Loss before taxation	6	(32,036)	(37,382)
Income tax	7	<u>(1,515)</u>	<u>(4,711)</u>
Loss for the period from continuing operations		(33,551)	(42,093)
Discontinued operations			
Profit for the period from discontinued operations	11	<u>12,459</u>	<u>—</u>
Loss for the period		(21,092)	(42,093)
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>(21,092)</u>	<u>(42,093)</u>

		Six months ended June 30,	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Profit/(loss) for the period attributable to equity shareholders of the Company:			
— from continuing operations		(33,191)	(42,093)
— from discontinued operations		11,906	—
		<hr/>	<hr/>
Loss for the period attributable to equity shareholders of the Company		(21,285)	(42,093)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Profit/(loss) for the period attributable to non-controlling interests:			
— from continuing operations		(360)	—
— from discontinued operations		553	—
		<hr/>	<hr/>
Profit for the period attributable to non-controlling interests		193	—
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Loss for the period		(21,092)	(42,093)
Other comprehensive income		<hr style="border-top: 1px solid black;"/> —	<hr style="border-top: 1px solid black;"/> —
Total comprehensive income for the period		(21,092)	(42,093)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		(21,285)	(42,093)
Non-controlling interests		193	—
		<hr/>	<hr/>
Total comprehensive income for the period		(21,092)	(42,093)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Loss per share (RMB)	<i>14</i>		
Basic and diluted (RMB)			
— from continuing operations (RMB)		(0.1)	(0.2)
— from discontinued operations (RMB)		—*	—
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

* This represents an amount less than RMB0.05.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022 — unaudited

		As at June 30, 2022	As at December 31, 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	8	118,596	41,640
Right-of-use assets		11,828	12,563
Intangible assets		54	—
Other non-current assets		5,000	42,477
Deferred tax assets		—	1,515
		<u>135,478</u>	<u>98,195</u>
Current assets			
Inventories		52,067	33,308
Trade and other receivables	9	138,028	125,247
Other current assets		489	5,214
Financial assets measured at fair value through profit or loss (FVPL)	10	25,007	—
Restricted cash		—	15,730
Cash and cash equivalents		1,337,662	1,523,194
Assets held for sale	11	115,215	—
		<u>1,668,468</u>	<u>1,702,693</u>
Current liabilities			
Trade and other payables	12	40,249	37,283
Bank loans		—	20,000
Lease liabilities		3,629	3,049
Liabilities held for sale	11	4,208	—
		<u>48,086</u>	<u>60,332</u>
Net current assets		<u>1,620,382</u>	<u>1,642,361</u>
Total assets less current liabilities		<u>1,755,860</u>	<u>1,740,556</u>

		As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Bank loans	13	47,290	23,645
Lease liabilities		585	1,872
Deferred income		366	—
		<u>48,241</u>	<u>25,517</u>
NET ASSETS		<u>1,707,619</u>	<u>1,715,039</u>
CAPITAL AND RESERVES			
Share capital		273,526	273,526
Reserves		1,420,655	1,441,940
Total equity attributable to equity shareholders of the Company		<u>1,694,181</u>	<u>1,715,466</u>
Non-controlling interests		<u>13,438</u>	<u>(427)</u>
TOTAL EQUITY		<u>1,707,619</u>	<u>1,715,039</u>

Notes:

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on August 29, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The financial information relating to the financial year ended December 31, 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these financial statements for the year ended December 31, 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated March 30, 2022.

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the Reporting Period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue and segment reporting

During the period, the Group derives revenue from the sales of testing kits and sales of testing devices and instruments.

(a) Disaggregation of revenue

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Revenue from contracts with customers		
within the scope of IFRS 15		
Sales of testing kits	43,860	40,404
Sales of testing devices and instruments	24,708	9,758
	<u>68,568</u>	<u>50,162</u>

During the six months ended June 30, 2022 and 2021, the Group recognised its revenue from contract with customers at point in time.

(b) Information about major customers

Revenue from major customers contributing over 10% of the Group's revenue are set out as below:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Customer A	12,970	N/A*
Customer B	10,808	6,837
Customer C	N/A*	5,244
	<u>23,778</u>	<u>12,081</u>

* Less than 10% of the Group's revenue in the respective periods.

(c) Geographic information

All of the non-current assets of the Group are physically located in the PRC. The geographical location of customers is based on the location at which the customers operate and the revenue of the Group is almost all derived from operations in the PRC during the period.

(d) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of testing kits and sales of testing devices and instruments.

4 Other income

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Government grants ⁽ⁱ⁾	1,124	4,544
Interest income from bank deposits	7,405	7,561
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	7	—
Others	537	397
	<u>9,073</u>	<u>12,502</u>

- (i) Government grants comprise primarily subsidies received from the government for encouragement of research and development projects, compensation on the incurred rental expenditure on the buildings rented for research and development activities and incentives for the Group's successful listing on the Hong Kong Main Board.

5 Other net gain/(loss)

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Net foreign exchange gain/(loss)	35,948	(1,040)
Others	(86)	(150)
	<u>35,862</u>	<u>(1,190)</u>

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
(c) Other items		
Continuing operations		
Depreciation of property, plant and equipment	2,015	1,436
Depreciation of right-of-use assets	1,814	1,367
Amortisation of intangible assets	2	—
	<hr/>	<hr/>
Total amortisation and depreciation	3,831	2,803
Less: depreciation expense of land use rights capitalised into properties under construction	(143)	—
	<hr/>	<hr/>
Amortisation and depreciation charged directly to profit or loss	<u>3,688</u>	<u>2,803</u>
Impairment losses on trade and other receivables	6,198	4,077
Auditors' remuneration	1,410	907
Research and development expenses ⁽ⁱ⁾	45,518	22,813

- (i) During the the six months ended June 30, 2022, research and development expenses include staff costs and depreciation expenses of RMB19,835,000 (six months ended June 30, 2021: RMB10,771,000), which amounts are also included in the respective total amounts disclosed separately above.

7 Income tax in the consolidated statement of profit or loss and other comprehensive income

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Current tax — PRC Tax	—	12
Deferred taxation	<u>1,515</u>	<u>4,699</u>
Total	<u><u>1,515</u></u>	<u><u>4,711</u></u>

- (i) Effective from January 1, 2008, the PRC statutory income tax rate is 25% under the PRC Corporate Income Tax Law. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.
- (ii) According to the PRC income tax law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Suzhou Basecare Medical Device Co., Ltd. obtained its renewed certificate of high-technology enterprise on December 2, 2020 and is subject to income tax at 15% for a three years period.
- (iii) According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC from January 1, 2021, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from the taxable income.
- (iv) According to the PRC income tax law and its relevant regulations issued in 2021, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 2.5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Certain entities of the Group were qualified as small and low profit enterprises and entitled to the preferential income tax rate of 2.5% for the six months ended June 30, 2022.

8 Property, plant and equipment

During the six months ended June 30, 2022, the Group acquired items of plant and equipment with a cost of RMB12,242,000 (six months ended June 30, 2021: RMB5,072,000) and capitalised construction in progress which comprised primarily new buildings for office headquarter, research and development center and plants of RMB66,897,000 (six months ended June 30, 2021: RMB1,172,000).

9 Trade and other receivables

As of the end of the Reporting Period, the ageing analysis of trade debtors receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Within 6 months	94,047	65,266
6 – 12 months	27,072	28,072
12 – 18 months	5,545	14,462
18 – 24 months	—	4,051
Over 2 years	—	—
	<hr/>	<hr/>
Trade debtors receivable, net of loss allowance	126,664	111,851
Prepayments to suppliers	8,762	9,315
Deposits	1,064	883
Other debtors	1,538	3,198
	<hr/>	<hr/>
	<u>138,028</u>	<u>125,247</u>

Trade debtors are normally due within 60 to 240 days from the date of billing.

10 Financial assets measured at fair value through profit or loss

	As at June 30, 2022 <i>RMB'000</i>	As at December 31, 2021 <i>RMB'000</i>
Bank's wealth management products	<u>25,007</u>	<u>—</u>

Bank's wealth management products comprise the investments in wealth management products purchased from banks in the PRC.

11 Disposal group held for sale and discontinued operations

On November 3, 2021, the Company entered into an investment agreement with Cellpro Biotech and its original shareholders, pursuant to which the Company agreed to acquire 51% of the equity interest in Cellpro Biotech at a cash consideration of RMB85 million. The transaction was completed on March 1, 2022 and Cellpro Biotech became a non-wholly owned subsidiary of the Company.

An analysis of the fair value of the identifiable net assets of Cellpro Biotech as at the acquisition date and consideration were as follows:

	<i>RMB'000</i> <i>unaudited</i>
Fair value of total identifiable net assets	27,904
Non-controlling interests	(13,672)
Goodwill on acquisition	<u>53,335</u>
Consideration transferred for equity investment	67,567
Add: Derivative financial instruments ⁽ⁱ⁾	<u>17,433</u>
Total consideration paid	<u>85,000</u>

- (i) Pursuant to the above investment agreement, the Company has been granted with a written put option to sell its entire or part of interest in Cellpro Biotech to Cellpro Biotech or its original shareholders upon the occurrence of certain specific events at a consideration of the original investment amount plus an annual compound rate of 10% for the period commencing from the initial investment payment date to the settlement date of total repurchase consideration. The Group recognised the put option as derivative financial instruments measured at fair value through profit or loss. The put option was not yet exercised by the Group as at June 30, 2022.

The Company has engaged an external valuer to perform valuations for the derivative financial instruments, and the fair value of the derivative financial assets was RMB28,763,000 as at June 30, 2022 with the fair value change being recognised in profit or loss from discontinued operations of RMB11,330,000.

As at June 30, 2022, the Group had determined to sell its equity interests in Cellpro Biotech and had initiated an active programme to locate a purchaser with an objective of completing the equity transfer within 2022. Accordingly, relevant interests in Cellpro Biotech have been presented as a disposal group held for sale as at June 30, 2022 and as discontinued operations for the period.

12 Trade and other payables

As of the end of the Reporting Period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Within 3 months	9,284	8,133
3 – 6 months	342	309
6 – 9 months	298	996
9 – 12 months	—	1,262
Over 1 year	709	—
Total trade payables	10,633	10,700
Amount due to related parties	—	10,695
Payroll payables	7,654	12,261
Interest payables	62	47
Other payables and accruals	21,900	3,580
	<u>40,249</u>	<u>37,283</u>

All of the trade and other payables are expected to be settled within one year.

13 Bank loans

	As at June 30, 2022 RMB'000	As at December 31, 2021 RMB'000
Secured bank loans due over one year ⁽ⁱ⁾	47,290	23,645
Unsecured bank loans due within one year	<u>—</u>	<u>20,000</u>
	<u>47,290</u>	<u>43,645</u>

- (i) As at June 30, 2022, the secured bank loans were pledged by the Group's land use right with an interest rate of 4.5% per annum (2021: 4.5%).

14 Loss per share

The calculation of basic loss per share for the six months ended June 30, 2022 is based on the loss attributable to equity shareholders of the Company of RMB33,191,000 from continuing operations and profit attributable to equity shareholders of the Company of RMB11,906,000 from discontinued operations (six months ended June 30, 2021: loss of RMB42,093,000 from continuing operations) and the weighted average of 273,526,000 ordinary shares (six months ended June 30, 2021: 256,936,889 ordinary shares) in issue.

There were no potential dilutive ordinary shares for the periods ended June 30, 2022 and 2021, and therefore dilutive loss per share are the same as the basic loss per share.

15 Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the period.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we generated revenue from the sales of testing kits and testing instruments and devices.

Our revenue increased by 36.7% from RMB50.2 million for the six months ended June 30, 2021 to RMB68.6 million for the six months ended June 30, 2022. This increase was primarily driven by (i) the revenue related to PGT laboratory related solutions increased by 53.4% from RMB26.6 million for the six months ended June 30, 2021 to RMB40.8 million for the six months ended June 30, 2022, among which the revenue generated from PGT-A kits increased by 17.1% from RMB14.0 million to RMB16.4 million, and (ii) the revenue increased from nil to RMB354,000 related to andrology laboratory related solutions, mainly contributable to the sales of flow cytometer.

Cost of Sales

Our cost of sales consists of (i) material costs, representing purchase costs of the distributed products and raw material cost for our self-developed products; (ii) staff costs; (iii) depreciation expenses, which primarily include depreciation of property, plant and equipment and right-of-use assets; (iv) testing service fees, which primarily include outsourcing service fees we paid to third-party medical laboratories for certain sequencing services; and (v) others, which primarily include utility fees, property rental expenses, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by 37.1% from RMB28.0 million for the six months ended June 30, 2021 to RMB38.4 million for the six months ended June 30, 2022, which was in line with the growth in revenue.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 36.0% from RMB22.2 million for the six months ended June 30, 2021 to RMB30.2 million for the six months ended June 30, 2022. The Group's overall gross profit margin was 44.1% for the six months ended June 30, 2022, which remained stable compared to the same period of 2021.

Other Income

Our other income decreased by 27.2% from RMB12.5 million for the six months ended June 30, 2021 to RMB9.1 million for the six months ended June 30, 2022, primarily due to the decrease in government grants received.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 5.5% from RMB29.1 million for the six months ended June 30, 2021 to RMB30.7 million for the six months ended June 30, 2022, primarily due to the expansion of our selling and distribution team.

Administrative Expenses

Our administrative expenses increased by 68.1% from RMB18.2 million for the six months ended June 30, 2021 to RMB30.6 million for the six months ended June 30, 2022, primarily due to the expansion of our administrative team and the impairment losses on trade and other receivables.

Research and Development Expenses

The following table sets forth the components of our research and development expenses for the period indicated.

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	18,667	9,838
Clinical trial expenses	17,210	5,801
Consumables expenses	6,428	5,559
Depreciation expenses	1,168	873
Others	2,045	742
Total	<u>45,518</u>	<u>22,813</u>

Our research and development expenses increased significantly from RMB22.8 million for the six months ended June 30, 2021 to RMB45.5 million for the six months ended June 30, 2022, primarily due to the expansion of our research and development team and an increase in clinical trial expenses, in particular the increase in research and development expenses for PGT products and sequencers.

Finance Costs

Our financial costs consist of (i) interest on interest-bearing bank loans, and (ii) interest on lease liabilities. We recorded financial costs of RMB0.7 million and RMB0.4 million for the six months ended June 30, 2021 and June 30, 2022, respectively.

Income Tax

We recorded income tax expenses of RMB4.7 million and RMB1.5 million for the six months ended June 30, 2021 and June 30, 2022, respectively, the changes of which were resulted from the movement of deferred tax.

Inventories

Our inventories primarily consist of raw materials, finished goods and devices and instruments. We generally purchase raw materials mainly for our in-house products based on the orders received. We maintain a finished goods inventory for our PGT-A, PGT-M, PGT-SR, CNV kits and distributed kits. We also maintain laboratory related testing devices and instruments.

Our inventories increased by 56.5% from RMB33.3 million as of December 31, 2021 to RMB52.1 million as of June 30, 2022, primarily due to the advance in stocking of raw materials caused by the pandemic, and the increase of finished goods based on the expectation of the rising demands.

Trade and Other Receivables

Our trade and other receivables increased by 10.2% from RMB125.2 million as of December 31, 2021 to RMB138.0 million as of June 30, 2022, primarily due to (i) an increase in our revenue from sales; and (ii) our customer's delayed payment affected by the pandemic and economic environment.

Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Trade and Other Payables

Our trade payables remained stable at RMB10.7 million as of December 31, 2021 and RMB10.6 million as of June 30, 2022.

Our other payables increased by 11.3% from RMB26.6 million as of December 31, 2021 to RMB29.6 million as of June 30, 2022, primarily attributable to the increased payables in relation to projects under constructions.

Financial Resources, Liquidity and Capital Structure

During the Reporting Period, we primarily funded our working capital requirements from equity financing and cash generated from our operations. We monitor our uses of cash and cash flows on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs.

Our net current assets remained relatively stable at RMB1,642.4 million as of December 31, 2021 and RMB1,620.4 million as of June 30, 2022.

As of June 30, 2022, we did not have any unsecured bank loans. As of the same date, we had secured bank loans of RMB47.3 million with an interest rate of 4.5% per annum, which is determined based on LPR. The secured bank loans were pledged by the Group's land use right.

During the Reporting Period, we did not have any financial instruments for hedging purposes.

Due to the Global Offering, we have received net proceeds of approximately HK\$1,898.7 million (after deduction of underwriting fees, commissions and relevant expenses). The Company intends to apply such net proceeds in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution — Proposed Change in Use of Proceeds".

Significant Investments, Material Acquisitions and Disposals

On March 1, 2022, we have fully settled the consideration of RMB85 million for acquisition of 51% of the equity interest in Cellpro Biotech. For further details on the acquisition, please refer to the announcements of the Company dated November 3, 2021 and November 16, 2021.

Save as disclosed above, during the Reporting Period, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Contingent Liabilities

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

Capital Commitments

Capital commitments outstanding as of June 30, 2022 and December 31, 2021 not provided for in the consolidation financial statements were as follows:

	June 30, 2022	December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised and contracted for		
— Property, plants, and equipment	112,187	75,546
— Equity investment	<u>—</u>	<u>42,523</u>
Total	<u>112,187</u>	<u>118,069</u>

Charge on Assets

Save for the secured bank loans of RMB47.3 million pledged by the Group's land use right, there was no charge on other assets of the Group as of June 30, 2022.

Gearing Ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of June 30, 2022, the Company was in a net cash position and thus, gearing ratio is not applicable.

Employees and Remuneration

As of June 30, 2022, the Group had 430 employees. The number of employees employed by the Group varies depending on our business requirement. The remuneration package of our employees includes salary, bonus and equity-settled share-based payment, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was approximately RMB50.6 million, as compared to RMB26.3 million for the six months ended June 30, 2021, primarily attributable to an increase in the staff cost for our research and development team and selling and distribution team.

During the six months ended June 30, 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

We recruit our personnel primarily through different methods, such as recruiting websites, recruiters and job fairs. All of our new employees are required to attend orientation and on-job training for certain so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their compliance awareness.

The employees of the Group based in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

OTHER INFORMATION

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code during the Reporting Period, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and general manager of the Company are not separate and are both performed by Dr. Liang.

The Board believes that vesting the roles of both chairman of the Board and general manager of the Company in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the general manager of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Directors' and Supervisors' securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' and Supervisors' securities transactions since the Listing Date. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the Reporting Period.

No incident of non-compliance of the Model Code was noted by the Company during the Reporting Period.

Company's Compliance with relevant Laws and Regulations

During the Reporting Period and up to the date of this announcement, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the date of this announcement, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

Use of Proceeds from the Global Offering

The net proceeds received by the Company from its initial Global Offering (including the partial exercise of the over-allotment option) amounted to HK\$\$1,898.7 million (equivalent to RMB1,584.1 million) (after deducting the underwriting commissions and relevant expenses).

The table below sets out the planned applications of the net proceeds:

Use of Proceeds	Planned applications <i>HK\$ in million</i>	Percentage of total Proceeds	Actual amount of proceeds utilized as of June 30, 2022	Expected timeframe for unutilized net proceeds
Core Product — PGT-A kit	379.7	20%	113.7	Within the next two to four years
Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China	151.9	8%	106.8	
Upgrading our existing manufacturing machinery and equipment, as well as procuring and installing new automated operational equipment and instruments	227.8	12%	6.9	
Clinical trial, registration filing and commercialization of PGT-M kit	189.9	10%	22.9	Within the next two to four years
Clinical trial and registration filing of our PGT-M kit (including the relevant labor and consumables costs)	132.9	7%	13.0	
Commercialization, sales and marketing activities of our PGT-M kit	57.0	3%	9.9	
Development, clinical trials, registration filings and commercialization of our other products	569.6	30%	113.9	Within the next two to four years
Development, clinical trials, registration filings and commercialization of our other genetic test kit products	227.8	12%	44.9	
Research, development, manufacturing and commercialization of our genetic testing devices and instruments	341.8	18%	69.0	

Use of Proceeds	Planned applications <i>HK\$ in million</i>	Percentage of total Proceeds	Actual amount of proceeds utilized as of June 30, 2022	Expected timeframe for unutilized net proceeds
Improving our research and development capabilities and enhancing our technologies	284.8	15%	143.9	Within the next two to four years
Constructing and decorating of our R&D center and expanding the manufacturing plant for our test kit products, testing devices and instruments	189.9	10%	0.4	Within the next two to four years
Working capital and general corporate purposes	284.8	15%	159.0	Within the next two to four years
Total	1,898.7	100%	553.8	

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. The net proceeds have applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus dated January 27, 2021 and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed “Ordinary Resolution — Proposed Change in Use of Proceeds”.

Interim Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2022 (2021 interim dividend: Nil).

Purchase, Sale or Redemption of the Company’s Listed Securities

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

Review of Interim Results

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. CHAU Kwok Keung, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. CHAU Kwok Keung, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the interim results for the six months ended June 30, 2022.

KPMG, the Group's external auditor, has carried out a review of the unaudited interim consolidated financial statements for the six months ended June 30, 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Publication of Interim Results and Interim Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.basecare.cn). The interim report for the six months ended June 30, 2022 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By Order of the Board
Suzhou Basecare Medical Corporation Limited
Dr. Liang Bo
Chairman and General Manager

Suzhou, PRC, August 29, 2022

As of the date of this announcement, the Board comprises Dr. LIANG Bo, Mr. KONG Lingyin and Ms. YANG Ying as executive Directors; Mr. XU Wenbo, Mr. ZHANG Jiecheng and Mr. WANG Weipeng as non-executive Directors; and Dr. KANG Xixiong, Dr. HUANG Taosheng and Mr. CHAU Kwok Keung as independent non-executive Directors.

DEFINITION

“Audit Committee”	the audit committee of the Board
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Basecare Investment”	Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業 (有限合夥)), a limited partnership established on May 23, 2016, through which, certain former employees, employees and advisors of our Group were indirectly beneficially interested in approximately 13.19% of the equity interests in our Company as of the date of this announcement. Basecare Investment is one of our Controlling Shareholders
“Board”	the board of directors of the Company
“Cellpro Biotech”	Zhejiang Cellpro Biotech Co., Ltd. (浙江星博生物科技股份有限公司), a joint stock company established in the PRC on June 1, 2012
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “Our Company” or “the Company”	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Liang and/or Basecare Investment
“Core Product(s)”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this announcement, our Core Product refers to our PGT-A kit
“CSRC”	the China Securities Regulatory Commission

“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
“Dr. Liang”	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
“Global Offering”	the offer of H Shares for subscription as described in the Prospectus
“Group”, “we” or “us”	the Company and its subsidiaries
“H Shares”	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	February 8, 2021, being the date on which dealings in our H Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LPR”	Loan Prime Rate
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“Prospectus”	the prospectus issued by the Company dated January 27, 2021
“Reporting Period”	the six months ended June 30, 2022
“RMB”	Renminbi Yuan, the lawful currency of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of Shares
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent