BASECARE
贝康医疗

蘇州貝康醫療股份有限公司

SUZHOU BASECARE MEDICAL CORPORATION LIMITED

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

Stock Code : 2170

INTERIM REPORT 2022

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) *(Chairman and General Manager)*
Mr. KONG Lingyin (孔令印)
Ms. YANG Ying (楊瑩) *(appointed on April 30, 2022)*
Mr. RUI Maoshe (芮茂社) *(resigned on April 30, 2022)*

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. ZHANG Jiecheng (張劼鋮)
Mr. WANG Weipeng (王偉鵬)

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Dr. HUANG Taosheng (黃濤生)
Mr. CHAU Kwok Keung (鄒國強)

AUDIT COMMITTEE

Mr. CHAU Kwok Keung *(Chairman)*
Dr. KANG Xixiong
Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong *(Chairman)*
Dr. LIANG Bo
Mr. CHAU Kwok Keung

NOMINATION COMMITTEE

Dr. LIANG Bo *(Chairman)*
Dr. KANG Xixiong
Mr. CHAU Kwok Keung

SUPERVISORS

Ms. HUANG Bing (黃冰) *(Chairwoman)*
Dr. LIN Yi (林藝)
Ms. ZHU Tingting (朱婷婷)

AUTHORISED REPRESENTATIVES

Dr. LIANG Bo
Mr. YIM Lok Kwan (嚴洛鈞) *(resigned on August 29, 2022)*
Mr. CHUNG Ming Fai (鍾明輝)
(appointed on August 29, 2022)

JOINT COMPANY SECRETARIES

Ms. WANG Yan (王燕)
Mr. YIM Lok Kwan (嚴洛鈞) *(Fellow member of The Hong Kong Chartered Governance Institute)*
(resigned on August 29, 2022)
Mr. CHUNG Ming Fai (鍾明輝) *(Fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia) (appointed on August 29, 2022)*

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

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Central
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PRC LEGAL ADVISER

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Certified Public Accountants
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STOCK CODE

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COMPANY WEBSITE

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PRINCIPAL BANK

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Jiangsu Province, PRC

Financial Summary

The financial highlights of the Group for the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

	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 Position		
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)

* The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on February 8, 2021.

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%.

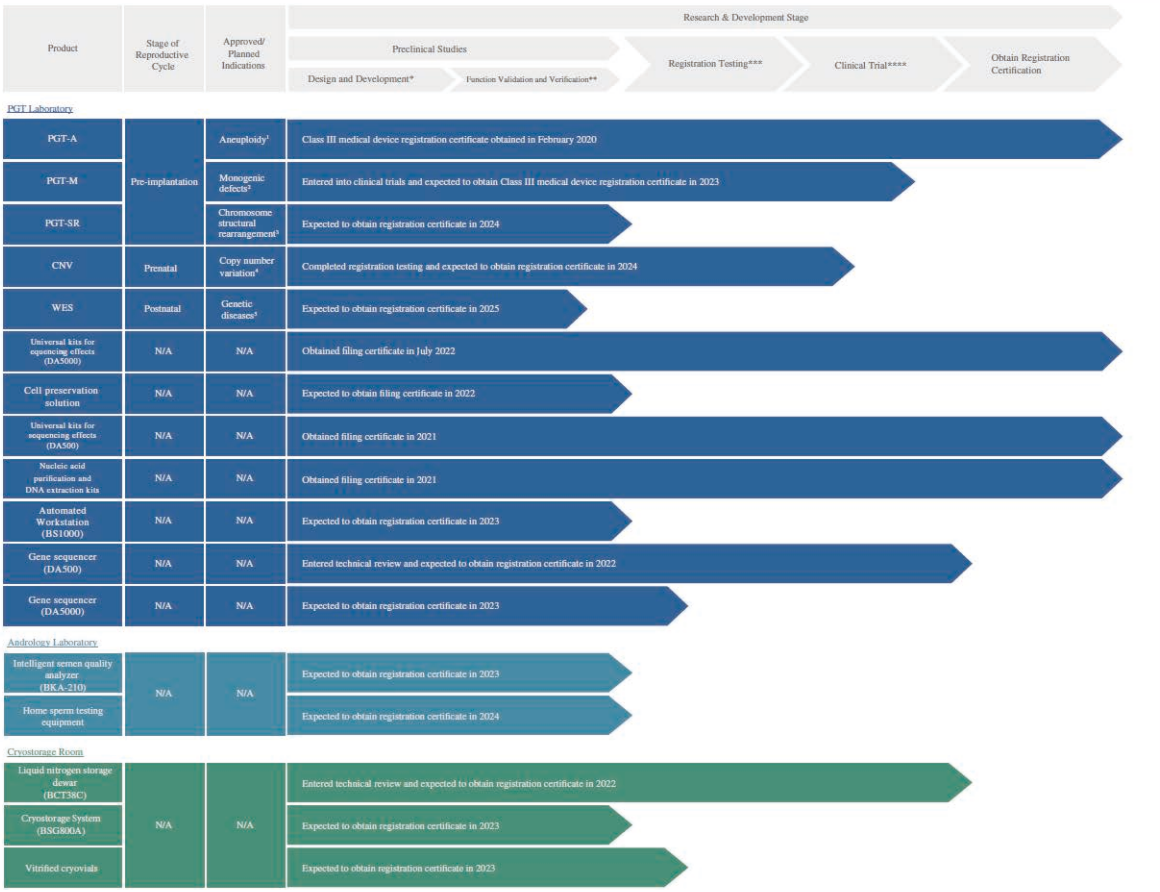
We are developing two other pre-implantation genetic testing, or PGT, products, namely, PGT-M and PGT-SR kits, which, together with our PGT-A kit, would form a complete test kit lineup to occupy the PGT field, all based on next-generation sequencing, or NGS, technologies. We have developed our PGT-M 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 report:



* 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.

BUSINESS REVIEW

Products Portfolio and Product Candidates Pipeline

We are a company in China which has a product portfolio that covers all key stages of the reproductive cycle. The initial focus of our product portfolio was to help couples address infertility problems and increase their chances of having a healthy baby through IVF procedures. To that end, we developed genetic test kits for pre-implantation embryos, namely, our PGT-A, PGT-M and PGT-SR products, and relevant equipment and instruments, namely, our sperm quality analyzer and cryostorage system.

- **PGT-A kit**

  Our PGT-A kit is designed to detect aneuploidy, i.e., an abnormal number of chromosomes, in pre-implantation embryos created in the IVF process. Aneuploidy is a chromosomal disorder frequently associated with implantation failure. By identifying and choosing to avoid aneuploid embryos, clinicians can effectively increase chances for a successful pregnancy. Our product is the only NMPA-approved product for aneuploidy in China, with comprehensive chromosome screening, or CCS, capabilities, as compared with conventional technologies, which can only screen a portion of chromosomes at a time. We have developed a proprietary SDWGA technology to lower amplification bias, a major clinical challenge, enabling our PGT-A kit to demonstrate 100% sensitivity and specificity in its registration clinical trial. With the help of our PGT-A kit, pregnancy and miscarriage rates from our clinical trial were 72.0% and 6.9%, respectively. By reference, pregnancy and miscarriage rates in IVF without aneuploidy screening were 45.0% and 32.0%, respectively, according to various unrelated studies (Schoolcraft et al. 2010; Wang et al. 2010). Further, due to our technological superiority, our PGT-A kit can generate results within one day, shortening the results turnaround time from the two weeks required by conventional technologies. 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%.

- **PGT-M kit**

  Our PGT-M kit is designed to detect single-gene, or monogenic, defects in pre-implantation embryos, with the potential to cover common genetic-related disorders, including thalassemia, deafness and hereditary cancers. By identifying and choosing to avoid embryos with certain monogenic defects, clinicians can not only help reduce chances for the baby to be born with or develop the relevant hereditary diseases, but also effectively stop the traits from being passed down to future generations in the patient family, which can be highly significant and encouraging for the patient. A major challenge in PGT-M is the ability to accurately flag disease-causing genetic mutations with a limited amount of DNA samples. Under conventional methods, pre-exam validation must be conducted to analyze the DNA of parents or other family members in order to select suitable single nucleotide polymorphisms, or SNPs, for different genetic disorders, before patient embryos can be tested. The SNPs selected may fail pre-exam validation, requiring re-selection and re-testing that take as long as two to three months and making standardized, mass clinical application difficult. We have developed a PGT-M kit that leverages highly informative SNPs we have identified through extensive studies and adopts a cutting-edge multiplex PCR sequencing library by capture, or MSLCap, technology that can comprehensively detect the relevant SNPs in one test with improved sensitivity and specificity. Leveraging this technology, our PGT-M kit eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to less than two weeks and reducing testing costs for patients by about 60%. To date, our PGT-M kit is the first and only product of its kind that has completed NMPA registration testing in China. We obtained ethical approval and commenced the clinical trials for our PGT-M kit in July 2021. We expect to obtain registration approval from the NMPA in 2023.

- **PGT-SR kit**

  Our PGT-SR kit is designed to detect chromosome structural rearrangements, which are common causes of recurrent miscarriage. By identifying and choosing to avoid embryos with chromosomal structural re-arrangement, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, but also stop this hereditary trait from running in the same family in future generations. However, there have been no effective clinical solutions for testing of this kind due to many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit adopts a proprietary ReTSeq technology that utilizes target capture technologies to focus on sequencing key genomic regions and conduct a haplotype linkage analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations. Our PGT-SR kit has high mass 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. In February 2021, our self-developed patent relating to the PGT-SR kit, a nucleic acid library preparation method and its application in the analysis of pre-implantation embryonic chromosomal structure abnormalities (一種核酸文庫構建方法及其在植入前胚胎染色體結構異常分析中的應用), was registered with China National Intellectual Property Administration (中國國家知識產權局). We entered NMPA registration testing in September 2021 and expect to obtain NMPA approval in 2024.

- **CNV kit**

  To lower the rate of recurrent miscarriage during pregnancies, we are developing a reagent kit to test abortive tissues for a comprehensive panel of copy number variations, or CNVs, commonly associated with miscarriage, with the ability to analyze the risk of miscarriage and lower miscarriage rates. Leveraging our proprietary EDCBS algorithm and data library, our CNV kit is designed to overcome long-standing challenges faced by prevailing technologies, including low sensitivity and accuracy. During the Reporting Period, we upgraded our CNV kit through technical optimization, which enabled the CNV kit to effectively detect triploids and haploids. To evaluate the detection ability, sensitivity and specificity of the CNV kit, we had conducted preliminary R&D test of CNV kit with more than one hundred reactions verified as of the date of this interim report.

- **WES kit**

  In order to improve the low genetic disease diagnosis rates in infants, we are developing a whole exome sequencing, or WES, kit with potentially the widest genetic disease coverage. This is in part due to our ability to detect genetic disorders caused by sequence variations not only in the exome, but also in introns and mitochondrial DNA, which many prevailing technologies have been unable to achieve due to potential amplification biases among these three regions. During the Reporting Period, we optimized and upgraded the capture probe and detection process of our WES kit.

- **Liquid nitrogen storage dewar**

  Based on the conventional liquid nitrogen tank, we have developed our liquid nitrogen storage dewar equipped with a digital management system, which is expected to be the first liquid nitrogen storage dewar product of the world to obtain the medical device registration certificate. It solved problems such as the frequent measurement of liquid gas level for embryo management, difficulty in permission management, lack of operation logbook, etc. The device achieved real-time monitoring of tank temperature and alarm system, a double-verification lock, with permission level management, and an automatic operation logbook, ensuring the safety of embryo preservation and the scientificity of experiment management. The device received CE certificate in 2020 and completed the state registration testing, which is expected to complete the state registration filing in 2022.

- **Cryostorage system**

  Our self-developed cryostorage system (BSG800A) is the first innovative device with full-automatic ultra-low temperature storage designed for the field of embryo storage, which solves problems such as a heavy workload in embryo storage management, space occupied by the storage of liquid nitrogen tanks, and a lack of information-based management. This device achieved automation of embryo storage and liquid nitrogen supply, an intelligence of information entry and retrieval, as well as ultra-low temperature protection throughout the process of embryo transfer and storage, which significantly enhances work efficiency, at the same time, ensures the safety of long-term embryo storage. The device has received CE certificate in 2020, and is expected to complete the state registration filing in 2023.

- **Sperm quality analyzer**

  The prevailing sperm quality testing method for clinical use can only analyze the concentration and motility of active sperms. While morphology analysis relies on inactive sperms with stain and requires manual cell counting under microscope, therefore having disadvantages such as complex manual operations, long duration, test results subjectively influenced by human processes, and chances of distorting the sperm morphology during the staining process.

  Our self-developed sperm quality analyzer is the world's first analytical device for unstained active sperms, which performs both static and dynamic analyses by A.I. of the concentration, motility and morphology for unstained sperms, at the same time, maintains the original morphology of sperm in analysis, as well as avoids the change of sperm morphology during the staining process, resulting to an efficient, fast and objective analysis. The device has completed its equipment development in 2021, and is expected to complete its registration filing in 2023.

THE GROUP'S FACILITIES

We are headquartered in Suzhou, Jiangsu province, PRC. As of the date of this interim report, we owned a land use right with a total site area of 21,626.14 square meters, which was intended to be used for the construction of the headquarter with a gross floor area of approximately 70,000 square meters, and leased properties with an aggregate gross floor area of 4,757 square meters from Independent Third Parties in China.

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.

RESEARCH AND DEVELOPMENT

On July 13, 2022, the Company entered into a strategic collaboration framework agreement with Qingdao Haier Biomedical Co., Ltd. (海爾生物醫療股份有限公司) ("**Haier Biomedical**"), pursuant to which, Haier Biomedical authorized the Company as its in-depth strategic partner in assisted reproduction industry in the PRC to jointly offer comprehensive solutions for the assisted reproduction sector. Both parties will jointly carry out collaborative development in assisted reproduction sector by using the cryogenic refrigeration technology.

EMPLOYEES AND REMUNERATION POLICIES

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 so that they could better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise 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.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. As of June 30, 2022, we had registered 82 patents, 119 trademarks, 38 software copyrights and 15 domain names in China. As of the same date, we had filed 48 patent applications and 5 trademark applications in China. We had also filed three trademark applications in Hong Kong.

IMPACT OF THE COVID-19 OUTBREAK

In December 2019, a respiratory disease 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 interim report, 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.

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.

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
	RMB'000	RMB'000
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	**45,518**	22,813

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. The secured bank loans were denominated in RMB.

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 consolidated financial statements were as follows:

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

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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of June 30, 2022, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares of the Company

Name of Director	Position	Nature of Interest	Number and class of Shares	Approximate percentage of interest in our Company[3]	Approximate percentage of interest in the relevant class of Shares of our Company[4]
Dr. Liang[1]	Executive Director and general manager	Beneficial Owner	55,231,640 Domestic Shares	20.19%	28.68%
		Interest in a controlled corporation	36,090,379 Domestic Shares	13.19%	18.74%
Mr. XU Wenbo[2]	Non-Executive Director	Interest in a controlled corporation	22,196,511 Domestic Shares	8.11%	11.53%

Notes:

(1) As of June 30, 2022, Basecare Investment was held as to approximately 58.31% by Dr. Liang (as the sole general partner). Therefore, Dr. Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(2) As of June 30, 2022, Zhangjiagang Broad Vision Glory investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)). Both Broad Vision Glory and Broad Vision Evergreen were ultimately controlled by Mr. XU Wenbo. Therefore, Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment and Broad Vision Harmony were interested under the SFO.

(3) Calculated based on the number of the total issued share capital of the Company as of June 30, 2022, being 273,526,000.

(4) Calculated based on the aggregate number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of June 30, 2022, being 192,592,582.

Save as disclosed above, as of June 30, 2022, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of June 30, 2022, so far as it was known to the Directors or chief executive of the Company, 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 as recorded in the register required to be kept by the Company under section 336 of the SFO.

Long positions in the Shares of the Company

Name of Substantial Shareholder	Nature of Interest	Number and class of Shares	Approximate percentage of interest in our Company[11]	Approximate percentage of interest in the relevant class of Shares of our Company[12]
Hillhouse HK [1]	Beneficial Owner	6,006,010 H Shares; 7,630,348 Unlisted Foreign Shares	2.20% 2.79%	7.42% 3.96%
Dawn Capital Limited [2]	Investment Manager	4,652,000 H Shares	1.70%	5.75%
OrbiMed Capital LLC [3]	Investment Manager	10,551,725 H Shares	3.86%	13.04%
Basecare Investment [4]	Beneficial Owner	36,090,379 Domestic Shares	13.19%	18.74%
Zhongcheng Fangyuan Phase II [5]	Beneficial Owner	15,189,172 Domestic Shares	5.55%	7.89%
Oriza Seed [6]	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.39%
Broad Vision Investment [7]	Beneficial Owner	11,969,242 Domestic Shares	4.38%	6.21%
Suzhou Sungent [8]	Beneficial Owner	11,418,525 Domestic Shares	4.17%	5.93%
Broad Vision Harmony [9]	Beneficial Owner	10,227,269 Domestic Shares	3.74%	5.31%
Lake Bleu Prime Healthcare Master Fund Limited [10]	Interest of corporation controlled	5,648,500 H Shares	2.07%	6.98%

Notes:

(1) As of June 30, 2022, Hillhouse HK was wholly owned by HH SPR-XIV CY Holdings Limited ("**HH CY**"). HH SPR-XIV CY Holdings Limited was wholly owned by HH SPR-XIV Holdings L.P. ("**HH Holdings**"). Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., the sole limited partner of HH Holdings. Mr. ZHANG Lei may be deemed to have controlling power over Hillhouse Capital Management, Ltd. Mr. ZHANG Lei disclaims beneficial ownership of all of the shares held by Hillhouse Fund IV, L.P., except to the extent of his pecuniary interest therein. Hillhouse Investment Management, Ltd. is the investment manager for these shares.

(2) As of June 30, 2022, Dawn Capital Limited is the investment manager of Dawn Capital Fund, which holds 4,652,000 H Shares. Therefore, Dawn Capital Limited was deemed to be interested in the Shares in which Dawn Capital Fund was interested under the SFO.

(3) As of June 30, 2022, OrbiMed Capital LLC is the investment manager of (i) The Biotech Growth Trust Plc which holds 2,550,500 H Shares; (ii) OrbiMed Genesis Master Fund, L.P. which holds 1,133,500 H Shares; (iii) OrbiMed New Horizons Master Fund, L.P. which holds 1,671,500 H Shares; and (iv) OrbiMed Partners Master Fund Limited which holds 5,196,225 H Shares. Therefore, OrbiMed Capital LLC was deemed to be interested in the Shares in which The Biotech Growth Trust Plc, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P. and OrbiMed Partners Master Fund Limited were interested under the SFO.

(4) As of June 30, 2022, Basecare Investment was held as to approximately 58.31% by Dr. Liang (as the sole general partner). Therefore, Dr. Liang was deemed to be interested in the Shares in which Basecare Investment was interested under the SFO.

(5) As of June 30, 2022, Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. ("**Hengrui Fangyuan**", 深圳前海恒瑞方圓投資管理有限公司) was the general partner of Zhongcheng Fangyuan Phase II. Hengrui Fangyuan was held as to 70.00% by Mr. WANG Rui. Therefore, each of Hengrui Fangyuan and Mr. WANG Rui was deemed to be interested in the Shares in which Zhongcheng Fangyuan Phase II was interested under the SFO.

(6) As of June 30, 2022, Oriza Seed was held as to 55.00% by Suzhou Oriza Holdings Corporation ("**Oriza Holdings**", 蘇州元禾控股股份有限公司). Oriza Holdings was held as to 59.98% by Suzhou Industrial Park Economic Development Co., Ltd. ("**SIP Development**", 蘇州工業園區經濟發展有限公司). SIP Development was owned as to around 90% by Suzhou Industrial Park Administration Committee (蘇州工業園區管理委員會). Suzhou Industrial Park Seed Zhengze Venture Capital Management Center (Limited Partnership) ("**Seed Management**", 蘇州工業園區原點正則創業投資管理中心(有限合夥)) was the general partner of Oriza Seed. Suzhou Industrial Park Zhengze Equity Investment Management Center (General Partnership) ("**Zhengze Management**", 蘇州工業園區正則股權投資管理中心(普通合夥)) was the general partner of Seed Management. The general partner of Zhengze Management was Mr. FEI Jianjiang (費建江). Seed Management was held as to 99.00% by Suzhou Industrial Park Oriza Seed Venture Capital Management Co., Ltd. ("**Suzhou Oriza**", 蘇州工業園區元禾原點創業投資管理有限公司). Suzhou Oriza was held as to 51.00%and 49.00% by Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. ("**Zhengze Jiming**", 蘇州工業園區正則既明股權投資管理有限公司) and Oriza Holdings. Zhengze Jiming was held as to approximately 40.71% by Mr. FEI Jianjiang.

Therefore, each of Oriza Holdings, SIP Development, Suzhou Industrial Park Administration Committee, Seed Management, Zhengze Management, Mr. FEI Jianjiang, Suzhou Oriza, and Zhengze Jiming was deemed to be interested in the Shares in which Oriza Seed was interested under the SFO.

(7) As of June 30, 2022, Zhangjiagang Broad Vision Glory Investment Partnership (Limited Partnership) ("**Broad Vision Glory**", 張家港博華耀世投資合夥企業(有限合夥)) was the general partner of Broad Vision Investment. Broad Vision Glory was ultimately controlled by Mr. XU Wenbo, our non-executive Director, directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博華資本有限公司). Therefore, each of Broad Vision Glory, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment was interested under the SFO.

(8) As of June 30, 2022, Suzhou Sungent was held as to 43.88% by Suzhou Sungent Holding Group Co., Ltd. ("**Sungent Holding**", 蘇州新建元控股集團有限公司). Sungent Holding was held as to approximately 72.58% by Suzhou Industrial Park Zhaorun Investment Holding Group Co., Ltd. ("**Zhaorun Investment**", 蘇州工業園區兆潤投資控股集團有限公司). Zhaorun Investment was wholly owned by Suzhou Industrial Park Administration Committee. As of the date of this interim report, Suzhou Industrial Park Yuansheng Bioventure Capital Management Co., Ltd ("**YuanBio Venture Capital**", 蘇州工業園區元生創業投資管理有限公司) was the general partner of Suzhou Sungent. YuanBio Venture Capital was held as to 51.00% and 35.00% by Hainan Yuanjue Venture Capital Management Partnership (Limited Partnership) ("**Hainan Yuanjue**", 海南元玨創業投資管理合夥企業(有限合夥)) and Sungent Holding. Hainan Yuanjue was held as to approximately 72.00% by Mr. CHEN Jie.

Therefore, each of Sungent Holding, Zhaorun Investment, Suzhou Industrial Park Administration Committee, YuanBio Venture Capital, Hainan Yuanjue and Mr. CHEN Jie was deemed to be interested in the Shares in which Suzhou Sungent was interested under the SFO.

(9) As of June 30, 2022, Broad Vision Harmony was held as to approximately 55.63% by Mr. NA Qinfu. The general partner of Broad Vision Harmony was Zhangjiagang Broad Vision Evergreen Investment Partnership (Limited Partnership) ("**Broad Vision Evergreen**", 張家港博華常青投資合夥企業(有限合夥)), which is ultimately controlled by Mr. XU Wenbo, our non-executive Director, through Broad Vision Funds. Therefore, Mr. NA Qinfu, Broad Vision Evergreen, Broad Vision Funds and Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Harmony was interested under the SFO.

(10) LBC Prime Management Limited was wholly owned by Lake Bleu Prime Healthcare Master Fund Limited which held 5,648,500 H Shares. Therefore, LBC Prime Management Limited and Lake Bleu Prime Healthcare Master Fund Limited were interested under the SFO.

(11) Calculated based on the number of the total issued share capital of the Company as of June 30, 2022, being 273,526,000.

(12) Calculated based on the number of the H Shares of the Company as of June 30, 2022, being 80,933,418, or the aggregate number of the Domestic Shares and the number of the Unlisted Foreign Shares of the Company as of June 30, 2022, being 192,592,582.

Save as disclosed above, as of the date of June 30, 2022, no person, other than the Directors, Supervisors or chief executives of the Company whose interests are set out in the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

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 are no important event occurred after the end of Reporting Period and up to the date of this interim report.

INTERIM DIVIDEND

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

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.

Other Information

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.

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 approximately 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 *HK$ in million*	Percentage of total Proceeds	Actual amount of proceeds utilized as of June 30, 2022 *HK$ in million*	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	
Improving our research and development capabilities and enhancing our technologies	**284.8**	**15%**	**143.9**	**Within the next two to four years**

Use of Proceeds	Planned applications *HK$ in million*	Percentage of total Proceeds	Actual amount of proceeds utilized as of June 30, 2022 *HK$ in million*	Expected timeframe for unutilized net proceeds
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".

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.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Use of Proceeds from the Global Offering" in this interim report, the Company's circular dated April 7, 2022 and the Company's announcement dated June 15, 2022, the Group has no other plans for material investments or capital assets.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS

During the Reporting Period, the Company did not enter into any loan agreement which contains covenants requiring specific performance of Controlling Shareholders.

SHARE OPTION SCHEME

During the Reporting Period, the Company did not adopt any share option schemes under Chapter 17 of the Listing Rules.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period and up to the date of this interim report, 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 interim report, 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.

Other Information

CHANGES TO DIRECTORS' INFORMATION

Save for Mr. RUI Maoshe (芮茂社)'s resignation as an executive Director and Ms. YANG Ying (楊瑩)'s appointment as an executive director on April 30, 2022, there has been no change in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, none of the Directors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the six months ended June 30, 2022.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations pursuant to Rules 13.20, 13.21, 13.22, 17.07 and 17.08 of the Listing Rules.

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 Hong Kong Institute of Certified Public Accountants.

APPRECIATION

The Board would like to express our sincere gratitude to the Shareholders, management team, employees, business partners and customers 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

Auditor's Independent Review Report to the Board of Directors

Review report to the board of directors of Suzhou Basecare Medical Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 44 which comprises the consolidated statement of financial position of Suzhou Basecare Medical Corporation Limited (the "**Company**") as of 30 June 2022 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 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. A review of the interim financial report consists of making enquiries, 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 Hong Kong 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 interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Continuing Operations			
Revenue	4	**68,568**	50,162
Cost of sales		**(38,350)**	(28,007)
Gross profit		**30,218**	22,155
Other income	5	**9,073**	12,502
Other net gain/(loss)	6	**35,862**	(1,190)
Selling and distribution expenses		**(30,668)**	(29,103)
Administrative expenses		**(30,570)**	(18,222)
Research and development expenses		**(45,518)**	(22,813)
Loss from operations		**(31,603)**	(36,671)
Finance costs	7(a)	**(433)**	(711)
Loss before taxation	7	**(32,036)**	(37,382)
Income tax	8	**(1,515)**	(4,711)
Loss for the period from continuing operations		**(33,551)**	(42,093)
Discontinued operations			
Profit for the period from discontinued operations	17	**12,459**	—
Loss for the period		**(21,092)**	(42,093)
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(21,092)**	(42,093)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June 2022 RMB'000	2021 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**	—
Loss for the period attributable to equity shareholders of the Company		**(21,285)**	(42,093)
Profit/(loss) for the period attributable to non-controlling interests:			
— from continuing operations		**(360)**	—
— from discontinued operations		**553**	—
Profit for the period attributable to non-controlling interests		**193**	—
Loss for the period		**(21,092)**	(42,093)
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(21,092)**	(42,093)
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**(21,285)**	(42,093)
Non-controlling interests		**193**	—
Total comprehensive income for the period		**(21,092)**	(42,093)
Loss per share (RMB)	9		
Basic and diluted (RMB)			
— from continuing operations (RMB)		**(0.1)**	(0.2)
— from discontinued operations (RMB)		**—***	—

* *This represents an amount less than RMB0.05.*

Consolidated Statement of Financial Position

For the six months ended 30 June 2022 – unaudited

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	10	**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
		135,478	98,195
Current assets			
Inventories		**52,067**	33,308
Trade and other receivables	11	**138,028**	125,247
Other current assets		**489**	5,214
Financial assets measured at fair value through profit or loss (FVPL)	12	**25,007**	—
Restricted cash		**—**	15,730
Cash and cash equivalents	13	**1,337,662**	1,523,194
Assets held for sale	17	**115,215**	—
		1,668,468	1,702,693
Current liabilities			
Trade and other payables	14	**40,249**	37,283
Bank loans	15	**—**	20,000
Lease liabilities		**3,629**	3,049
Liabilities held for sale	17	**4,208**	—
		48,086	60,332
Net current assets		**1,620,382**	1,642,361
Total assets less current liabilities		**1,755,860**	1,740,556

Consolidated Statement of Financial Position

For the six months ended 30 June 2022 – unaudited

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current liabilities			
Bank loans	15	**47,290**	23,645
Lease liabilities		**585**	1,872
Deferred income		**366**	—
		48,241	25,517
NET ASSETS		**1,707,619**	1,715,039
CAPITAL AND RESERVES	16		
Share capital		**273,526**	273,526
Reserves		**1,420,655**	1,441,940
Total equity attributable to equity shareholders of the Company		**1,694,181**	1,715,466
Non-controlling interests		**13,438**	(427)
TOTAL EQUITY		**1,707,619**	1,715,039

Approved and authorised for issue by the board of directors on 29 August 2022.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 30 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Share based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	200,000	180,928	–	(99,593)	281,335	–	281,335
Changes in equity for the six months ended 30 June 2021:							
Total comprehensive income for the period	–	–	–	(42,093)	(42,093)	–	(42,093)
Issuance of H shares through initial public offering, net of issuance costs	73,526	1,496,351	–	–	1,569,877	–	1,569,877
Balance at 30 June 2021	273,526	1,677,279	–	(141,686)	1,809,119	–	1,809,119
Changes in equity for the six months ended 31 December 2021:							
Total comprehensive income for the period	–	–	–	(101,558)	(101,558)	(427)	(101,985)
Equity settled share-based payment	–	–	7,905	–	7,905	–	7,905
Balance at 31 December 2021	273,526	1,677,279	7,905	(243,244)	1,715,466	(427)	1,715,039

	Note	**Attributable to equity shareholders of the Company**						
		Share capital RMB'000	**Share premium RMB'000**	**Share based payment reserve RMB'000**	**Accumulated losses RMB'000**	**Total equity RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2022		**273,526**	**1,677,279**	**7,905**	**(243,244)**	**1,715,466**	**(427)**	**1,715,039**
Changes in equity for the six months ended 30 June 2022								
Total comprehensive income for the period		**–**	**–**	**–**	**(21,285)**	**(21,285)**	**193**	**(21,092)**
Acquisition of a subsidiary with non-controlling interests	17	**–**	**–**	**–**	**–**	**–**	**13,672**	**13,672**
Balance at 30 June 2022		**273,526**	**1,677,279**	**7,905**	**(264,529)**	**1,694,181**	**13,438**	**1,707,619**

The notes on pages 30 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations		**(91,640)**	(70,718)
Net cash used in operating activities		**(91,640)**	(70,718)
Investing activities			
Payment for the purchase of property, plant and equipment		**(63,192)**	(6,244)
Proceeds from disposal of property, plant and equipment		**272**	—
Payment for acquisition of intangible assets		**(5,056)**	—
Payment for the acquisition of right-of-use assets		**(242)**	(7,960)
Payment for purchase of financial assets measured at fair value through profit or loss		**(25,000)**	—
Net payment for acquisition of a subsidiary	17	**(32,512)**	—
Interest received from bank deposits		**6,834**	6,194
Loans repaid by a related party		**—**	5,100
Net cash used in investing activities		**(118,896)**	(2,910)
Financing activities			
Proceeds from bank loans		**23,645**	20,000
Repayment of bank loans		**(20,000)**	(30,000)
Net proceeds from issuance of H shares		**—**	1,581,490
Bank borrowing cost paid		**(1,333)**	(581)
Payment for capital element of lease liabilities		**(1,969)**	(1,240)
Payment for interest element of lease liabilities		**(113)**	(126)
Net cash generated from financing activities		**230**	1,569,543
Net (decrease)/increase in cash and cash equivalents		**(210,306)**	1,495,915
Cash and cash equivalents at 1 January		**1,523,194**	192,321
Effect of foreign exchanges rates changes		**35,948**	(1,040)
Cash and cash equivalents at 30 June	13	**1,348,836**	1,687,196

The notes on pages 30 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 GENERAL INFORMATION

Suzhou Basecare Medical Corporation Limited (the "**Company**"), formerly known as Jiangsu Double Helix Biological Technology Co., Ltd., was established in Suzhou, Jiangsu Province, People's Republic of China (the "**PRC**") on 14 December 2010 as a limited liability company. Upon approval by the Company's board meeting held on 11 August 2020, the Company was converted from a limited liability company into a joint stock limited liability company and changed its registered name from Jiangsu Double Helix Biological Technology Co., Ltd. to Suzhou Basecare Medical Corporation Limited.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in sales of genetic testing kits and sales of genetic testing devices and instruments in the PRC.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2021.

2 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 29 August 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 3.

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). KPMG's independent review report to the Board of Directors is included on page 23.

The financial information relating to the financial year ended 31 December 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 31 December 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated 30 March 2022.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting 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.

4 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 30 June	
	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
	68,568	50,162

During the six months ended 30 June 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 30 June	
	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
	23,778	12,081

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

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(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.

5 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
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
	9,073	12,502

(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.

6 OTHER NET GAIN/(LOSS)

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

7 LOSS BEFORE TAXATION

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Interest on bank loans	**1,348**	585
Interest on lease liabilities	**96**	126
Total finance costs on financial liabilities not at fair value through profit or loss	**1,444**	711
Less: borrowing costs capitalised into properties under construction	**(1,011)**	—
	433	711

(b) Staff costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Salaries, wages and other benefits	**46,149**	24,462
Contributions to defined contribution retirement plan (i)	**4,482**	1,815
	50,631	26,277

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

7 LOSS BEFORE TAXATION *(Continued)*

(c) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
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**	—
Total amortisation and depreciation	**3,831**	2,803
Less: depreciation expense of land use rights capitalised into properties under construction	**(143)**	—
Amortisation and depreciation charged directly to profit or loss	**3,688**	2,803
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 six months ended 30 June 2022, research and development expenses include staff costs and depreciation expenses of RMB19,835,000 (six months ended 30 June 2021: RMB10,771,000), which amounts are also included in the respective total amounts disclosed separately above.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

(i) Effective from 1 January 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 2 December 2020 and is subject to income tax at 15% for a three-year period.

(iii) According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC from 1 January 2021, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from the taxable income.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(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 30 June 2022.

9 LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 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 30 June 2021: loss of RMB42,093,000 from continuing operations) and the weighted average of 273,526,000 ordinary shares (six months ended 30 June 2021: 256,936,889 shares) in issue.

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

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of plant and equipment with a cost of RMB12,242,000 (six months ended 30 June 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 30 June 2021: RMB1,172,000).

11 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 30 June 2022 RMB'000	At 31 December 2021 RMB'000
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	**—**	—
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
	138,028	125,247

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

12 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Bank's wealth management products	**25,007**	—

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

13 CASH AND CASH EQUIVALENTS

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Cash at banks	**1,337,662**	1,538,924
Less: Restricted cash	**—**	(15,730)
Cash and cash equivalents in the consolidated statement of financial position	**1,337,662**	1,523,194
Cash and cash equivalents included in the disposal group held for sale	**11,174**	—
Cash and cash equivalents in the consolidated cash flow statement	**1,348,836**	1,523,194

14 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 30 June 2022 RMB'000	As at 31 December 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 (Note 20(b))	**—**	10,695
Payroll payables	**7,654**	12,261
Interest payables	**62**	47
Other payables and accruals	**21,900**	3,580
	40,249	37,283

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

15 BANK LOANS

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

(i) As at 30 June 2022, the secured bank loans were pledged by the Group's land use right with an interest at 4.50% per annum (2021: 4.50%).

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital and share premium

	Numbers of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid				
At 31 December 2021, 1 January 2022 and 30 June 2022	273,526,000	273,526	1,677,279	1,950,805

(b) Dividends

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

17 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

On 3 November 2021, the Company entered into an investment agreement with Zhejiang Cellpro Biotech Corporation Limited ("**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 1 March 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:

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

(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 30 June 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 30 June 2022 with the fair value change being recognised in profit or loss from discontinued operations of RMB11,330,000 (see Note 18).

17 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

An analysis of the cash flows in respect of the acquisition of Cellpro Biotech is as follows:

	RMB'000
Cash consideration	85,000
Less: balance of cash acquired	(10,011)
Less: prepaid consideration in prior year	(42,477)
Net outflow of cash and cash equivalents included in cash flows from investing activities	32,512

As at 30 June 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 30 June 2022 and as discontinued operations for the period.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(i) Fair value hierarchy (Continued)

The Group has a team headed by the finance manager performing valuation for wealth management products and has engaged an external valuer to perform valuations for the derivative financial instruments, which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each reporting date, and is reviewed and approved by the chief financial officer.

		Fair value measurements as at 30 June 2022 categorised into		
	Fair value at 30 June 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Bank's wealth management products (Note 12)	**25,007**	**—**	**—**	**25,007**
Derivative financial instruments (Note 17)	**28,763**	**—**	**—**	**28,763**

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Bank's wealth management products	Discounted cash flow method	Interest return rate	1.48% to 3.10%	1% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB2,000.
Derivative financial instruments	Black-Scholes model	Expected volatility	66.27% for exercise date by 31 December 2022 and 58.79% for exercise date by 31 December 2023	1% increase/(decrease) in expected volatility would result in increase/(decrease) in fair value by RMB120,000.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(ii) Information about Level 3 fair value measurements (Continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2022 RMB'000
Bank's wealth management products	
At 1 January	–
Payment for purchases	**25,000**
Changes in fair value recognised in profit or loss during the period	**7**
Redemption of investment	–
At 30 June	**25,007**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period from continuing operations	**7**

	2022 RMB'000
Derivative financial instruments	–
At 1 January	–
Payment for purchases	**17,433**
Changes in fair value recognised in profit or loss during the period	**11,330**
Redemption of investment	–
At 30 June	**28,763**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period from discontinued operations	**11,330**

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

19 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report were as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contracted for		
— Property, plants, and equipment	**112,187**	75,546
— Equity investment	**—**	42,523
	112,187	118,069

20 MATERIAL RELATED PARTY TRANSACTIONS

During the period, the directors are of the view that the following companies are related parties:

Name of party	Relationship
Liang Bo	Controlling Shareholder
Liang Ping	Close family member of the Controlling Shareholder
Benxi Shengjing Medical Laboratory Co., Ltd. ("**Benxi Medical Laboratory**") 本溪盛京醫學檢驗所有限公司 (i)	Associate of Liang Ping
Shandong Beikang Medical Laboratory Co., Ltd. ("formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd.") ("**Shandong Medical Laboratory**") 山東貝康醫學檢驗所有限公司 (原名為: 臨沂雙螺旋醫學檢驗所有限公司") (i)	Associate of Liang Ping
Suzhou Beikang Medical Laboratory Co., Ltd. ("**Suzhou Medical Laboratory**") 蘇州貝康醫學檢驗實驗室有限公司 (i)	Associate of Liang Ping
Suzhou Double Helix Enterprise Management Partnership (Limited Partnership) ("**Double Helix Partnership**") 蘇州雙螺旋企業管理合夥企業(有限合夥) (i)(ii)	Associate of Liang Ping
Suzhou Double Helix Medical Laboratory Co., Ltd. ("**Suzhou Double Helix**") 蘇州雙螺旋醫學檢驗所有限公司 (i)	Associate of Liang Ping

(i) The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(ii) On 5 March 2021, Liang Ping reduced her interest in Double Helix Partnership to 19% by entering into a sale and purchase agreement with independent third party and resigned the role of general partner. Upon the completion of the transaction, Double Helix Partnership was not presented as related parties of the Group.

20 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions

During the period, the Group entered into the following material related party transactions:

Sales of testing kits

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Shandong Medical Laboratory	**12,924**	4,331
Suzhou Medical Laboratory	**3,905**	6,837
Benxi Medical Laboratory	**2,018**	5,244
	18,847	16,412

Sales of testing devices and instruments

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Shandong Medical Laboratory	**46**	—
Suzhou Medical Laboratory	**6,903**	—
Benxi Medical Laboratory	**442**	—
	7,391	—

Service fee charged by related parties

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Suzhou Medical Laboratory	**1,136**	1,689

20 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the periods are as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Amounts due from related parties		
Trade related:		
Shandong Medical Laboratory	**24,237**	21,276
Benxi Medical Laboratory	**11,617**	15,344
Suzhou Medical Laboratory	**17,388**	13,180
	53,242	49,800
Amounts due to related parties		
Non-trade related:		
Shandong Medical Laboratory	**–**	7,707
Benxi Medical Laboratory	**–**	2,988
	–	10,695

21 NON-ADJUSTING EVENTS AFTER THE REPORTING

On 29 July 2022, the Company entered into a share transfer agreement with Ningbo Huoke Investment Management Partnership (Limited Partnership) ("**Huoke Investment**") to sell its 35% of the equity interests in Cellpro Biotech for a cash consideration of RMB64,170,000. Upon completion of the disposal in accordance with the share transfer agreement, Cellpro Biotech will be held by the Company as to 16%.

Definition

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"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 interim report. Basecare Investment is one of our Controlling Shareholders
"Board"	the board of directors of the Company
"Broad Vision Harmony"	Zhangjiagang Broad Vision Harmony Shareholding Investment Fund (Limited Partnership) (張家港博華和瑞股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 2, 2020
"Broad Vision Investment"	Zhangjiagang Broad Vision Investment Fund (Limited Partnership) (張家港博華創業投資合夥企業(有限合夥)), previously known as Ningbo Meishan Free Trade Port Area Bohua Guangzheng Venture Capital Partnership (Limited Partnership) (寧波梅山保稅港區博華光證創業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on May 11, 2018
"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 CG 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 interim report and for geographical reference only and except where the context requires otherwise, 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 report, our Core Product refers to our PGT — A kit
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
"Domestic Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors

"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
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group" or "we"	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 HK dollars
"Hillhouse HK"	HH SPR-XIV HK Holdings Limited, a limited company incorporated in Hong Kong on July 12, 2018 and a Pre-IPO Investor
"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
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"Listing" or "IPO"	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 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"	National Medical Products Administration, the institution that performs the functions of CFDA instead according to the Institutional Reform Plan of the State Council of the PRC

Definition

"Nomination Committee"	the nomination committee of the Board
"Oriza Seed"	Suzhou Industrial Park Seed Zhengze Yihao Venture Capital Enterprise (Limited Partnership) (蘇州工業園區原點正則壹號創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on November 19, 2013
"Prospectus"	the prospectus issued by the Company dated January 27, 2021
"Reporting Period'	the six months ended June 30, 2022
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Renminbi" or "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, comprising our Domestic Shares, Unlisted Foreign Shares and H Shares
"Shareholder(s)"	holder(s) of Shares
"sq.m."	square meter(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Suzhou Sungent"	Suzhou Industrial Park Sungent Bio-Venture Capital Investment Enterprise (Limited Partnership) (蘇州工業園區新建元生物創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on October 28, 2013 and a Pre-IPO Investor
"Unlisted Foreign Shares"	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB
"%"	per cent