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

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

(Stock Code: 2170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The Board of Suzhou Basecare Medical Corporation Limited hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020.

FINANCIAL SUMMARY

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue	**50,162**	32,165
Cost of sales	**(28,007)**	(20,761)
Gross profit	**22,155**	11,404
Loss from operations	**(36,671)**	(9,746)
Loss before taxation	**(37,382)**	(812,547)
Loss for the period	**(42,093)**	(808,085)

	As of	
	June 30, 2021	December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Financial Position		
Non-current assets	**48,761**	39,905
Current assets	**1,812,568**	310,393
Non-current liabilities	**2,698**	781
Current liabilities	**49,512**	68,182
Net assets	**1,809,119**	281,335
Total equity attributable to equity shareholders of the Company	**1,809,119**	281,335

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

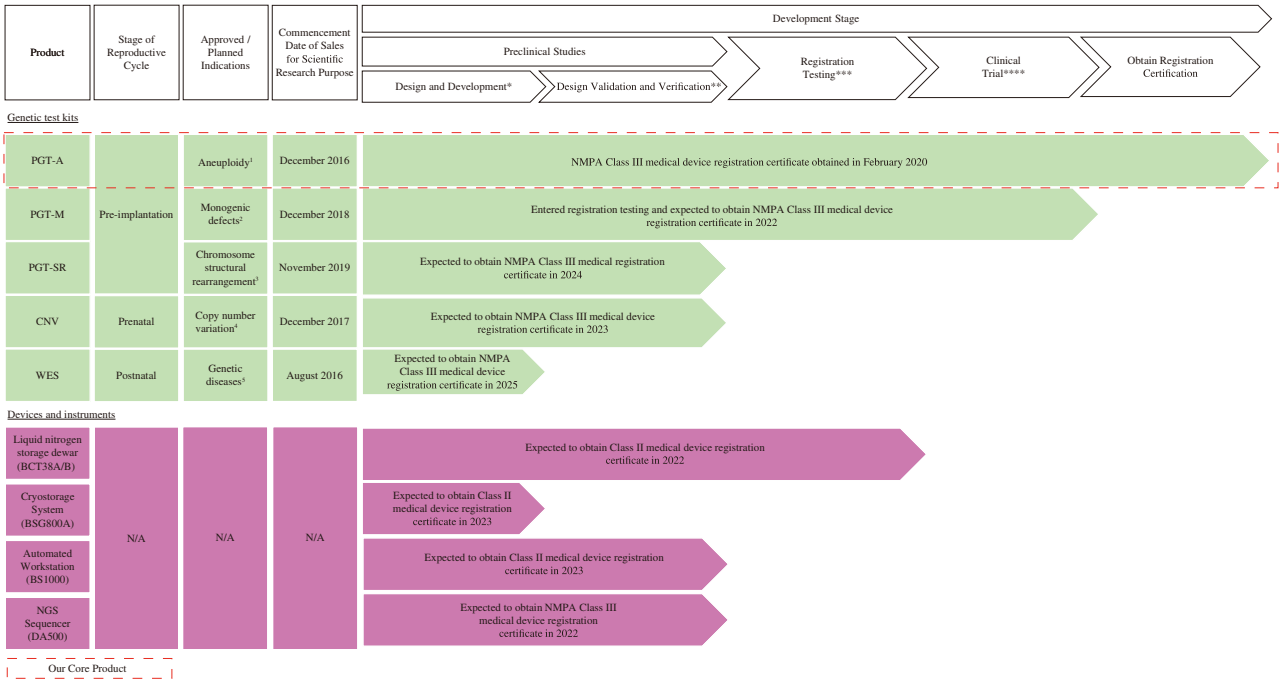
We are an innovative platform of genetic testing solutions for assisted reproduction in China. Our mission is to help more families have healthy babies. Our vision is becoming a global genetic technology company.

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 and only 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 in which we are, to date, the only approved kit maker. For the six months ended June 30, 2021, we recorded revenue of RMB14 million from sales of our PGT-A kits with gross profit margin of 71%.

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. PGT-M looks for single-gene, or monogenic, defects in pre-implantation IVF embryos. We have developed a PGT-M kit with improved sensitivity and specificity. It 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 around two weeks, 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. PGT-SR looks for chromosomal structural rearrangements, including deletions, duplications, inversions and translocations, in pre-implantation IVF embryos. There have been no effective clinical solutions for this test due to the 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 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 three to six months to just two weeks and significantly lower costs for patients. We obtained ethical approval for our PGT-M kit and commenced the clinical trials in July 2021, and submitted the innovative medical device application for our PGT-SR kit in July 2021. We expect to obtain NMPA registration approval for PGT-M and PGT-SR kits in 2022 and 2024, respectively, which we anticipate would further enhance our dominance in the third-generation IVF genetic test kit market in China, well ahead of potential competition.

Leveraging our core strength in PGT, we have positioned ourselves to become an innovative platform in China's broader reproductive genetics market. We have extended our reach beyond the pre-implantation stage to the prenatal and postnatal stages, and are developing one kit in each stage, which makes us a company in China with a genetic test kit pipeline that covers the full reproductive cycle. 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.

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



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

** Includes analytical performance evaluations and stability study

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

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

1. For women undergoing IVF treatment who are 35 years old or older, couples who have experienced three or more IVF failures, couples who have experienced three or more spontaneous miscarriages or abnormal pregnancies, couples who have previously given birth to a child with chromosomal abnormalities or couples with chromosomal numerical alternations

2. For carriers of thalassemia

3. For carriers of chromosomal reciprocal translocation, Robertsonian translocation or inversion

4. For patients who have experienced miscarriage

5. For carriers of over 200 genetic diseases

Manufacturing

We manufacture and assemble all of our in-house developed products in our 1,364 square-meter manufacturing facility in Suzhou. Our manufacturing facility is designed in compliance with the GMP requirements of China with an annual production capacity of 400,000 reactions. We are accredited in accordance with ISO13485:2016 quality standard, an international quality control standard for the medical device industry. We have two ISO Class 7 cleaning rooms that are in compliance with ISO14644–1 cleaning grades standard, an international cleaning grades classification standard. We have commenced optimizing our production process to prepare us for commercial-scale manufacturing of our PGT-A kits after we had obtained a Class III medical device registration certificate from the NMPA. Our production lines are designed to be highly automated.

Commercialization

We sold a significant portion of products directly to hospitals and reproductive clinics. To a lesser extent, we also sold our genetic test kits to distributors, who in turn sold our products to hospitals and reproductive clinics. We maintain a small and dedicated in-house sales and marketing team with a focus on serving key customers, such as third-generation IVF licensed hospitals and reproductive clinics, which are a major component of our customer base. Our in-house sales and marketing team is also responsible for the promotion of our products to hospitals and reproductive clinics through academic marketing activities, to interact with KOLs as well as other industry professionals. As of the date of this interim results announcement, we entered into cooperation agreements with 44 hospitals for our PGT-A kit.

With the first and only 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 and reproductive clinics. We will leverage the relationships we have built with these hospitals and clinics for PGT-A to extend the breadth and depth of our coverage. We aim to increase our coverage and penetration of hospitals and reproductive clinics 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. We plan to work toward full coverage of licensed hospitals and reproductive clinics in China. Moreover, we plan to expand our share of wallet in these hospitals and clinics by offering comprehensive solutions, with new products that target other medical specialties, such as the neonatal and pediatrics units, in these institutions. We also plan to partner with licensed third-party medical testing laboratories to extend our ability to reach a larger patient base in China.

Impact of the COVID-19 Outbreak

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

As of the date of this announcement, the COVID-19 outbreak did not have a material and adverse impact on our business, financial condition and results of operations. Moreover, we currently do not expect the COVID-19 outbreak to have any material long-term impact on our operations or cause us to deviate from our overall development plans.

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

Important Events after the End of the Reporting Period

On August 20, 2021, we submitted an application in relation to H Share full circulation to the China Securities Regulatory Commission in order to convert 192,592,582 domestic Shares and unlisted foreign Shares of the Company into H Shares.

For details of any of the foregoing, please refer to the Company's prior announcement dated August 20, 2021 published on the websites of the Stock Exchange and the Company.

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

FUTURE AND OUTLOOK

Our mission is to develop and launch innovative genetic testing solutions that are specifically designed for the Chinese population and that address unmet clinical needs in China. Our vision is to help more families have healthy babies. Our vision is becoming a global genetic technology company.

To accomplish that vision, we intend to implement the following business strategies: (i) continue to capture and solidify sales channels and customer base for PGT-A; (ii) rapidly commercialize product portfolio to occupy full reproductive cycle; (iii) develop next generation automated and intelligent hardware to upgrade industry infrastructure; and (iv) maintain technological leadership by leveraging advancements of global leaders.

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

- To increase our market coverage. The Company currently has established presence in 41 reproductive centers nationwide and cultivated business relationship with more than 50% of the leading customers;

- To enhance the in-depth penetration into leading customers to achieve a gradual improvement from the existing rate of 6%;

- To enrich the Company's product pipeline, intensify efforts in pre-pregnancy eugenics screening, and expand the detection indications of PGT;

- To promote national academic conferences and public welfare projects, and further enhance the credibility of the Company's brand and the awareness and acceptance of the third-generation IVF genetic testing kit among the public; and

- To promote the upgrading of hardware equipment in reproductive center laboratories, focus on industrial chain layout of embryo cryopreservation equipment, and provide intelligent and automated integrated solutions for clinical trials to improve the Company's competitiveness.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2021 – unaudited

		Six months ended June 30,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Continuing Operations			
Revenue	*3*	**50,162**	32,165
Cost of sales		**(28,007)**	(20,761)
Gross profit		**22,155**	11,404
Other income	*4*	**12,502**	1,644
Other losses		**(1,190)**	(31)
Selling and distribution expenses		**(29,103)**	(4,456)
Administrative expenses		**(18,222)**	(4,876)
Research and development expenses		**(22,813)**	(13,431)
Loss from operations		**(36,671)**	(9,746)
Finance costs	*5(a)*	**(711)**	(792)
Share of profit of associates		**—**	250
Changes in the carrying amount of financial instruments issued to investors		**—**	(802,259)
Loss before taxation	*5*	**(37,382)**	(812,547)
Income tax	*6*	**(4,711)**	2,306
Loss for the period from continuing operations		**(42,093)**	(810,241)
Discontinued operations			
Profit for the period from discontinued operations		**—**	2,156
Loss for the period		**(42,093)**	(808,085)
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(42,093)**	(808,085)

	Note	Six months ended June 30, 2021 RMB'000	2020 RMB'000
(Loss)/Profit for the period attributable to equity shareholders of the company:			
— from continuing operations		**(42,093)**	(810,241)
— from discontinued operations		**—**	3,037
Loss for the period attributable to equity shareholders of the company		**(42,093)**	(807,204)
Loss for the period attributable to non-controlling interests:			
— from continuing operations		**—**	—
— from discontinued operations		**—**	(881)
Loss for the period attributable to non-controlling interests		**—**	(881)
Loss for the period		**(42,093)**	(808,085)
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(42,093)**	(808,085)
Total comprehensive income for the period attributable to:			
Equity shareholders of the company		**(42,093)**	(807,204)
Non-controlling interests		**—**	(881)
Total comprehensive income for the period		**(42,093)**	(808,085)
Loss per share (RMB)	*11*		
Basic and diluted (RMB)		**(0.2)**	(5.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021 – unaudited

	Note	**As at June 30, 2021** ***RMB'000***	As at December 31, 2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**20,550**	18,618
Right-of-use assets	*7*	**13,063**	1,440
Deferred tax assets		**15,148**	19,847
		48,761	39,905
Current assets			
Inventories		**11,874**	6,334
Trade and other receivables	*8*	**112,682**	87,483
Other current assets		**816**	24,255
Cash and cash equivalents		**1,687,196**	192,321
		1,812,568	310,393
Current liabilities			
Trade and other payables	*9*	**26,951**	37,494
Bank loans	*10*	**20,000**	30,000
Lease liabilities		**2,561**	688
		49,512	68,182
Net current assets		**1,763,056**	242,211
Total assets less current liabilities		**1,811,817**	282,116
Non-current liabilities			
Lease liabilities		**2,698**	781
		2,698	781
NET ASSETS		**1,809,119**	281,335

	Note	**As at June 30, 2021** ***RMB'000***	As at December 31, 2020 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**273,526**	200,000
Reserves		**1,535,593**	81,335
TOTAL EQUITY		**1,809,119**	281,335

Notes:

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

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

The financial information relating to the financial year ended 31 December 2020 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 2020 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 2021.

2 Changes in accounting policies

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond June 30, 2021*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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

3 Revenue and segment reporting

During the period, the Group derives revenue from the provision of genetic testing solutions and sales of genetic testing devices and instruments.

(a) Disaggregation of revenue

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Continuing operations		
Revenue from contracts with customers within the scope of IFRS 15		
Genetic testing solutions		
— Sales of testing kits	**40,404**	23,292
— Provision of testing services	**—**	4,551
Sales of testing devices and instruments	**9,758**	4,322
	50,162	32,165

During the six months ended June 30, 2021 and 2020, the Group recognised its revenue from contract with customers at point in time.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts of products and services such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for sales of products and provision of services that had an original expected duration of one year or less.

(b) Information about major customers

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Continuing operations		
Customer A	**N/A***	3,959
Customer B	**6,837**	N/A*
Customer C	**5,244**	N/A*
	12,081	3,959

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

(c) Geographic information

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

(d) Segment reporting

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

4 Other income

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Continuing operations		
Government grants [(i)]	**4,544**	647
Interest income from bank deposits	**7,561**	143
Net gain on disposal of property, plant and equipment	**—**	158
Net realised and unrealised gains on financial assets measured at fair value through profit or loss	**—**	103
Others	**397**	593
	12,502	1,644

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

5 Loss before taxation

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Continuing operations		
(a) Finance costs		
Interest on bank loans	**585**	733
Interest on lease liabilities	**126**	59
	711	792
(b) Staff costs		
Salaries, wages and other benefits	**24,462**	13,658
Contributions to defined contribution retirement plan [(i)]	**1,815**	221
	26,277	13,879
(c) Other items		
Depreciation of property, plant and equipment	**1,436**	2,628
Depreciation of right-of-use assets	**1,367**	1,012
Impairment losses/(reversal of impairment losses) on trade and other receivables	**4,077**	(76)
Auditors' remuneration	**907**	8
Research and development expenses [(i)]	**22,813**	13,431
Foreign exchange losses	**1,040**	—

(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.

(i) During the six months ended June 30, 2020 and 2021, research and development expenses include staff costs and depreciation expenses of RMB6,568,000 and RMB10,771,000 respectively, which amounts are also included in the respective total amounts disclosed separately above.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Continuing operations		
Current tax — PRC Tax	**12**	—
Deferred taxation	**4,699**	(2,306)
Total	**4,711**	(2,306)

(i) Effective from January 1, 2008, the PRC statutory income tax rate is 25% under the PRC Corporate Income Tax Law. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the PRC income tax law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Suzhou Basecare Medical Device Co., Ltd. obtained its renewed certificate of high-technology enterprise on December 2, 2020 and is subject to income tax at 15% for a three years period.

(iii) Effective from January 1, 2020 to December 31, 2021, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

(iv) According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Suzhou Basecare Intelligent Manufacturing Co., Ltd. was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 5% during the period.

7 Right-of-use assets

During the six months ended June 30, 2021, the Group entered into one lease agreement for use of certain office buildings and acquired the land use right of a piece of land located in Suzhou Industrial Park, Jiangsu, PRC for 30 years, and therefore recognised the additions of right-of-use assets of RMB12,990,000 (six months ended June 30, 2020: RMB2,074,000).

8 Trade and other receivables

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

	At June 30, 2021	At December 31, 2020
	RMB'000	*RMB'000*
Within 6 months	**65,434**	52,389
6–12 months	**23,570**	18,684
12–18 months	**8,562**	4,715
18–24 months	**—**	23
Trade debtors receivable, net of loss allowance	**97,566**	75,811
Prepayments to suppliers	**7,961**	3,610
Deposits	**731**	942
Other debtors	**6,424**	7,120
	112,682	87,483

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

9 Trade and other payables

As of the end of the Reporting Period, the ageing analysis of the Group's trade payables, based on the invoice date is as follows:

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Within 3 months	**8,109**	4,159
3–6 months	**1,860**	4,626
6–9 months	**271**	1,706
9–12 months	**1,225**	—
Over 1 year	**2,345**	640
Total trade payables	**13,810**	11,131
Payroll payables	**3,955**	3,841
Accrued listing expenses	**3,062**	15,435
Interest payables	**24**	22
Other payables and accruals	**6,100**	7,065
	26,951	37,494

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

10 Bank loans

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Unsecured bank loans due within one year	**20,000**	30,000

As at June 30, 2021, the unsecured bank loans were guaranteed by a subsidiary of the Group, with interest at 4.20% and 4.35% per annum (2020: 4.35%).

11 Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of the company for the six months ended June 30, 2021 of RMB42,093,000 (June 30, 2020: RMB807,204,000) and the weighted average of 256,936,889 ordinary shares (June 30, 2020: 150,977,438 shares, assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock limited liability company in August 2020) in issue.

There were no potential dilutive ordinary shares for the period ended June 30, 2021 and 2020, and therefore dilutive loss per share are the same as the basic loss per share.

FINANCIAL REVIEW

Revenue

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

Our revenue increased by 56.0% from RMB32.2 million for the six months ended June 30, 2020 to RMB50.2 million for the six months ended June 30, 2021. This increase was primarily driven by the 168% increases in sales of PGT-A kits, 126% increases in instruments and 139% increases in CNV kits compared to those in the same period in 2020, and meanwhile, sales of NIPT also increased significantly, taking up approximately 27% of our total income.

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 insurance premiums for policies we purchased to insure subjects who were tested by our PGT-A kit, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by 34.9% from RMB20.8 million for the six months ended June 30, 2020 to RMB28.0 million for the six months ended June 30, 2021, primarily due to the mass production brought by increased sales.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased from RMB11.4 million for the six months ended June 30, 2020 to RMB22.2 million for the six months ended June 30, 2021. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group increased from 35.5% for the six months ended June 30, 2020 to 44.2% for the six months ended June 30, 2021, primarily due to the increase in gross profits of our PGT-A kits.

Other Income

Our other income increased significantly from RMB1.6 million for the six months ended June 30, 2020 to RMB12.5 million for the six months ended June 30, 2021, primarily due to the government subsidy for listing and interest income.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB4.5 million for the six months ended June 30, 2020 to RMB29.1 million for the six months ended June 30, 2021, primarily due to the increased sales expenses, expansion of our marketing team and increased expenses in marketing and promotion.

Administrative Expenses

Our administrative expenses increased from RMB4.9 million for the six months ended June 30, 2020 to RMB18.2 million for the six months ended June 30, 2021, primarily due to the recruitment of talents and the impairment losses on the 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,	
	2021	2020
	RMB'000	*RMB'000*
Staff costs	**9,838**	5,482
Depreciation expenses	**873**	1,086
Clinical trial expenses	**5,801**	4,476
Technical service fees	**35**	85
Consumables expenses	**5,559**	2,170
Others	**707**	132
Total	**22,813**	13,431

Our research and development expenses increased by 69.9% from RMB13.4 million for the six months ended June 30, 2020 to RMB22.8 million for the six months ended June 30, 2021, primarily due to the expansion of our R&D team and increased costs in relation to the procurement of reagents, equipment and consumables used in the R&D of our pipeline products.

Finance Costs

Our financial costs consist of (i) interest on interest-bearing bank loans, and (ii) interest on lease liabilities. We recorded finance costs of RMB0.8 million and RMB0.7 million for the six months ended June 30, 2020 and 2021, respectively.

Income Tax

We recorded income tax credit of RMB2.3 million and income tax expenses of RMB4.7 million for the six months ended June 30, 2020 and 2021, respectively, the changes of which were resulted by the movement of deferred tax.

Discontinued Operations

In the first half of 2020, we disposed of Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory, together with their operations, respectively, to Suzhou Double Helix. We decided to discontinue these operations as part of our efforts to focus on our positioning as a R&D-focused provider of genetic testing solutions, rather than a provider of testing services. In June 2020, we disposed of Suzhou Laman Medical Equipment Co., Ltd. (蘇州拉曼醫療器械有限公司), which did not carry on any business since its incorporation, to an Independent Third Party. In July 2020, we disposed of Fanghua Gene to Nanjing Fanghua, an Independent Third Party. We recorded profits from discontinued operations of RMB2.2 million and nil for the periods ended June 30, 2020 and 2021, respectively.

Inventories

Our inventories primarily consist of raw materials, finished goods and devices and instruments. We generally purchase raw materials for our in-house products based on the orders received. We maintain a finished goods inventory for our PGT-A kits and the NIPT kits we distribute. We also maintain a device and instrument inventory for DA8600s we distribute.

Our inventories increased from RMB6.3 million as of December 31, 2020 to RMB11.9 million as of June 30, 2021, primarily due to the increase of finished goods in reserve and instruments purchased and the expansion of our instrument business.

Trade and Other Receivables

Our trade and other receivables increased by 28.8% from RMB87.5 million as of December 31, 2020 to RMB112.7 million as of June 30, 2021, primarily due to the increase of orders received.

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 increased from RMB11.1 million as of December 31, 2020 to RMB13.8 million as of June 30, 2021, primarily due to the procurement of equipment in connection to the rising revenue.

Our other payables decreased from RMB26.4 million as of December 31, 2020 to RMB13.1 million as of June 30, 2021, primarily attributable to the payment of accrued listing expenses.

Financial Resources, Liquidity and Capital Structure

During the Reporting Period, we primarily funded our working capital requirements from bank loans and equity financing. 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 increased significantly from RMB242.2 million as of December 31, 2020 to RMB1,763.1 million as of June 30, 2021, primarily due to net proceeds received from the Global Offering.

As of June 30, 2021, we had unsecured bank loans of RMB20.0 million with a fixed interest rate of 4.20% and 4.35% per annum. The unsecured bank loans were guaranteed by a subsidiary of our Group.

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.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

As disclosed in the announcement of the Company dated March 4, 2021, the Company acquired the land use right of a piece of land of a total site area of 21,626.14 sq.m. to the east of Xingtang Street and north of Jiangyun Road, Suzhou Industrial Park, Jiangsu, PRC at a total consideration of RMB7,960,000 to be used for the construction of the headquarters of the Company. The consideration of RMB7,960,000 for such land acquisition has been funded by the Company with the Group's internal resources. As of the date of this interim results announcement, we were designing the construction plan of our headquarters. Save for the above, the Group had no other material capital expenditure plan as of the date of this interim results announcement.

Contingent Liabilities

As of June 30, 2021, we did not have any contingent liabilities.

Capital Commitments

As of June 30, 2021, we had outstanding capital commitment of RMB5.5 million, primarily due to contracts entered into in relation to the construction of our new headquarters.

Charge on Assets

There were no charges on the Group's assets as of June 30, 2021.

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, 2021, the Company was in a net cash position and thus, gearing ratio is not applicable.

OTHER INFORMATION

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date and up to June 30, 2021, except for a deviation from the code provision A.2.1 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.

Compliance with the Modal Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' and Supervisors' securities transactions. 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 period from the Listing Date and up to June 30, 2021.

No incident of non-compliance of the Model Code was noted by the Company during the period from the Listing Date and up to the date of this interim results announcement.

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). As of June 30, 2021, approximately HK$60.02 million (equivalent to RMB49.97 million) of the net proceeds of the Global Offering had been utilized as follows:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds	Actual usage up to June 30, 2021 *(HK$ million)*	Expected timeframe for unutilized net proceeds
Core Product				
• Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China	379.74	20%	8.39	Within the next three to five years
• Optimizing the production process of our PGT-A kit, and procuring and installing new automated operational equipment and instruments to increase our production efficiency for PGT-A kit	189.87	10%	0.15	Within the next three to five years
Clinical trial, registration filing and commercialization of our PGT-M kit				
• Clinical trial and registration filing of our PGT-M kit	189.87	10%	3.46	Within the next three to five years
• Commercialization, sales and marketing activities of our other genetic test kit products	189.87	10%	0	Within the next three to five years
Development, clinical trials and registration filings of PGT-SR kit, CNV kit and WES kit				
• Development, clinical trials and registration filings of our PGT-SR kit, CNV kit and WES kit	246.83	13%	5.4	Within the next three to five years
• Research, development and manufacturing of our genetic testing devices and instruments	322.78	17%	0.89	Within the next three to five years
Improving our research and development capabilities and enhancing our technologies	189.87	10%	4.94	Within the next three to five years
Working capital and general corporate purposes	189.87	10%	36.79	Within the next three to five years
Total	1,898.70	100%	60.02	

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. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Interim Dividends

The Directors do not recommend the payment of an interim dividend for the Reporting Period.

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

The H Shares of the Company were first listed on the Main Board of the Stock Exchange on February 8, 2021. Save for the Company's initial public offering (including the partial exercise of the over-allotment option), neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to June 30, 2021.

Review by the Audit Committee

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended June 30, 2021.

The independent auditors of the Company, namely, KPMG, have carried out a review of the unaudited consolidated interim financial statements for the six months ended June 30, 2021 in accordance with the Hong Kong Standard on Review Engagement 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

We wish to express our sincere gratitude to our shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

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

Suzhou, PRC, August 30, 2021

As of the date of this announcement, the Board comprises Dr. LIANG Bo, Mr. KONG Lingyin and Mr. RUI Maoshe as executive Directors; Mr. XU Wenbo, Mr. ZHANG Jiecheng and Mr. WANG Weipeng as non-executive Directors; and Dr. KANG Xixiong, Dr. HUANG Taosheng and Mr. YU Kwok Kuen Harry as independent non-executive Directors.

"Audit Committee"	the audit committee of the Board
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Basecare Investment"	Suzhou Basecare Investment Management Enterprise (Limited Partnership) (蘇州貝康投資管理企業（有限合夥)), a limited partnership established on May 23, 2016, through which, certain former employees, employees and advisors of our Group were indirectly beneficially interested in approximately 13.19% of the equity interests in our Company as of the date of this interim results announcement. Basecare Investment is one of our Controlling Shareholders
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim results announcement and for geographical reference only and except where the context requires otherwise, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Liang and/or Basecare Investment
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this announcement, our Core Product refers to our PGT-A kit
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors

"Dr. Liang"	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
"Global Offering"	the offer of H Shares for subscription as described in the Prospectus
"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
"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
"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

"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
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Investor(s)"	the investor(s) of the pre-IPO investments of the Company
"Prospectus"	the prospectus issued by the Company dated January 27, 2021
"Reporting Period'	the six months ended June 30, 2021
"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
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited