



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 2021

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Note: the building shown on the cover and content page of this annual report is an artistic impression of the Company's headquarters which is still under construction.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) (*Chairman and General Manager*)

Mr. KONG Lingyin (孔令印)

Mr. RUI Maoshe (芮茂社)

Non-executive Directors

Mr. XU Wenbo (徐文博)

Mr. ZHANG Jiecheng (張劫鋮)

Mr. WANG Weipeng (王偉鵬)

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)

Dr. HUANG Taosheng (黃濤生)

Mr. YU Kwok Kuen Harry (余國權)^{Note}
(resigned on September 6, 2021)

AUDIT COMMITTEE

Dr. KANG Xixiong

Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong (*Chairman*)

Dr. LIANG Bo

NOMINATION COMMITTEE

Dr. LIANG Bo (*Chairman*)

Dr. KANG Xixiong

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)

JOINT COMPANY SECRETARIES

Ms. DAI Jing (戴靜)

Mr. YIM Lok Kwan (*Associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute*)

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

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Suzhou Industrial Park, Suzhou

Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai

Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Central

Hong Kong

PRC LEGAL ADVISER

Tian Yuan Law Firm

10/F, Tower B, China Pacific

Insurance Plaza

28 Fengsheng Hutong

Xicheng District

Beijing

PRC

AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

STOCK CODE

2170

COMPANY WEBSITE

www.basecare.cn

PRINCIPAL BANK

Shanghai Pudong Development Bank, Suzhou Branch
No. 718, Zhongyuan Road
Suzhou Industrial Park, Suzhou
Jiangsu Province, PRC

Note:

Mr. YU Kwok Kuen Harry (余國權) (“**Mr. Yu**”) resigned as an independent non-executive Director and the chairman of the Audit Committee, a member of the Remuneration and Appraisal Committee and a member of the Nomination Committee of the Company with effect from September 6, 2021 in order to focus on his other business and personal commitments. To fill the vacancy of the Board due to Mr Yu's resignation, the Board resolved to nominate Mr. CHAU Kwok Keung (鄒國強) (“**Mr. Chau**”) as a candidate for independent non-executive Director on September 6, 2021. For details of Mr. Chau's biography and the extraordinary general meeting to be held to consider Mr. Chau's appointment, please refer to the Company's announcement dated September 7, 2021.

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,	
	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,	December 31,
	2021	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

* 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.



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.

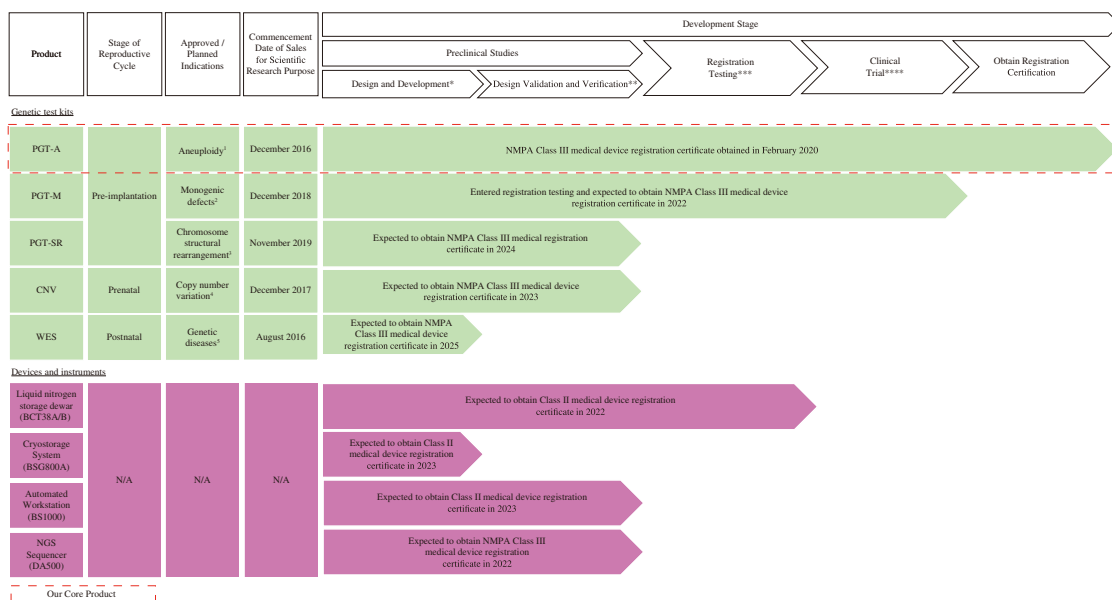
Our PGT-A kit, which screens for aneuploidy, a chromosomal disorder frequently associated with implantation failure in in vitro fertilization, or IVF, in embryos prior to implantation, is the first and only third-generation IVF genetic test kit which has been approved by the NMPA, compared to other PGT-A 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 PGTSR 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.

Management Discussion and Analysis

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 the only company in our field in China to have 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.

- **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, 2021, we recorded revenue of RMB14 million from sales of our PGT-A kits with gross profit margin of 71%.

- **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 PGT product for monogenic diseases 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 2022.

Management Discussion and Analysis

- **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 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 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 three to six months to just two weeks, and significantly lower costs for patients. 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 submitted the innovative medical device application for our PGT-SR kit in July 2021. We plan to enter NMPA registration testing in late 2021 and 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.

THE GROUP'S FACILITIES

We are headquartered in Suzhou, Jiangsu province. 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 headquarters of the Company, and leased properties with an aggregate gross floor area of 4,757 square meters from Independent Third Parties in China.

Management Discussion and Analysis

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 report, 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 firstmover 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.

RESEARCH AND DEVELOPMENT

On March 6, 2021, the Company entered into a research results transformation collaboration agreement (研究成果轉化合作協議, the “**Collaboration Agreement**”) with Suzhou BioX Life Intelligence Industry Research Institute (蘇州超雲生命智能產業研究院有限公司) (“**Suzhou BioX**”). According to the Collaboration Agreement, Suzhou BioX agreed to provide academic research services in relation to the application of AI technologies in genetic disease diagnosis and genetic counseling and the Company agreed to leverage our extensive industry experience to provide services for developing products based on the academic research results and intellectual properties of Suzhou BioX.

On June 26, 2021, the Company entered into a collaboration framework agreement (the “**Collaboration Framework Agreement**”) with Dushu Lake Hospital Affiliated to Soochow University (蘇州大學附屬獨墅湖醫院) (“**Dushu Lake Hospital**”). According to the Collaboration Framework Agreement, the Company and Dushu Lake Hospital agreed to (i) share a biomedical product R&D platform, and build cooperation in relation to basic experimental facilities and data information networks; (ii) share human and intellectual resources related to biomedical research and development; (iii) establish long-term cooperation in clinical trials of research and development of new medical devices, and the Company agreed to consider to choose Dushu Lake Hospital as clinical center in new drug multi-center clinical trials; (iv) explore a new model for the transformation of biomedical achievements and to promote the clinical application of new devices and new therapies; and (v) actively promote and organize academic activities.

Management Discussion and Analysis

On August 4, 2021, the Company entered into a strategic collaboration framework agreement (the “**Strategic Collaboration Agreement**”) with Beijing QuantoBio Biotechnology Co., Ltd. (北京曠博生物技術股份有限公司), pursuant to which, both parties agreed to carry out strategic cooperation on the development, registration, manufacturing and sales of flow cytometry and accessory products in the field of, among others, sperm detection, multi-factor detection and infectious substance detection.

Employees and Remuneration Policies

As of June 30, 2021, the Group had 229 employees. The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, 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, 2021 was RMB26.3 million, as compared to RMB13.9 million for the six months ended June 30, 2020.

During the six months ended June 30, 2021, 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 recruiting websites, recruiters and job fairs. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, we invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

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, 2021, we had registered 23 patents, 100 trademarks, 27 software copyrights and 15 domain names in China. As of the same date, we had filed 54 patent applications and 10 trademark applications in China. We had also filed three trademark applications in Hong Kong.

Impact of the Covid-19 Outbreak

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, 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. However, 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.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

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	1,068
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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 report, 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 report.

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.

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

As of June 30, 2021, 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 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, 2021, 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, 2021, 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, 2021, being 273,526,000.
- (4) Calculated based on the number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of June 30, 2021, being 192,592,582.

Save as disclosed above, as of June 30, 2021, 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.

Other Information

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

As of June 30, 2021, 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 ⁽¹⁰⁾	Approximate percentage of interest in the relevant class of Shares of our Company ⁽¹¹⁾
Hillhouse HK ⁽¹⁾	Beneficial owner	6,006,010 H Shares;	2.20%	7.42%
		7,630,348 Unlisted Foreign Shares	2.79%	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%

Notes:

- As of June 30, 2021, 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.
- As of June 30, 2021, 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.
- As of June 30, 2021, 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.
- As of June 30, 2021, 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, 2021, Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. (“**Hengrui Fangyuan**”, 深圳前海恒瑞方園投資管理有限公司) 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, 2021, Oriza Seed was held as to 47.00% 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 71.29% 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 45.18% 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, 2021, 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, 2021, 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 Ningbo Yuanjue Venture Capital Management Partnership (Limited Partnership) (“**Ningbo Yuanjue**”, 寧波元珏創業投資管理合夥企業(有限合夥)) and Sungent Holding. Ningbo Yuanjue was held as to approximately 68.26% by Mr. CHEN Jie.

Therefore, each of Sungent Holding, Zhaorun Investment, Suzhou Industrial Park Administration Committee, YuanBio Venture Capital, Ningbo 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, 2021, 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) Calculated based on the number of the total issued share capital of the Company as of June 30, 2021, being 273,526,000.
- (11) Calculated based on the number of the H Shares of the Company as of June 30, 2021, 80,933,418, the number of the Domestic Shares of the Company as of June 30, 2021, 183,181,817, or the number of the Unlisted Foreign Shares of the Company as of June 30, 2021, 9,410,765.

Save as disclosed above, as of the date of June 30, 2021, 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.

Other Information

EVENTS AFTER 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 report.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 report.

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 PGT-M 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.

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.

Other Information

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.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2021. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the six months ended June 30, 2021.

CHANGES TO DIRECTORS' INFORMATION

Save for Mr. YU Kwok Kuen Harry (余國權)'s resignation as an independent non-executive Director on September 6, 2021, 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, 2021.

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 BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim report 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

Hong Kong, September 29, 2021

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 22 to 39 which comprises the consolidated statement of financial position of Suzhou Basecare Medical Corporation Limited (the "**Company**") as of 30 June 2021 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 2021 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

30 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 — unaudited

	Note	Six months ended 30 June	
		2021 RMB'000	2020 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	16	—	2,156
Loss for the period		(42,093)	(808,085)
Other comprehensive income		—	—
Total comprehensive income for the period		(42,093)	(808,085)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 — unaudited

	Note	Six months ended 30 June	
		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)			
Basic and diluted (RMB)	7	(0.2)	(5.3)

The notes on pages 29 to 39 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2021 — unaudited

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		20,550	18,618
Right-of-use assets	8	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	9	112,682	87,483
Other current assets	10	816	24,255
Cash and cash equivalents	11	1,687,196	192,321
		1,812,568	310,393
Current liabilities			
Trade and other payables	12	26,951	37,494
Bank loans	13	20,000	30,000
Lease liabilities	14	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	14	2,698	781
		2,698	781
NET ASSETS		1,809,119	281,335

Consolidated Statement of Financial Position

At 30 June 2021 — unaudited

	Note	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
CAPITAL AND RESERVES	15		
Share capital		273,526	200,000
Reserves		1,535,593	81,335
TOTAL EQUITY		1,809,119	281,335

Approved and authorised for issue by the board of directors on 30 August 2021.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 29 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 — unaudited

Note	Attributable to equity shareholders of the company								
	Paid-in capital RMB'000	Capital reserve RMB'000	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 2020	11,483	(11,483)	—	—	58,528	(997,381)	(938,853)	(7,043)	(945,896)
Changes in equity for the six months ended 30 June 2020:									
Total comprehensive income for the period	—	—	—	—	—	(807,204)	(807,204)	(881)	(808,085)
Issuance of financial instruments to investors	197	14,803	—	—	—	—	15,000	—	15,000
Recognition of financial instruments issued to investors as non-current liabilities	—	(15,000)	—	—	—	—	(15,000)	—	(15,000)
Disposal of subsidiaries	—	—	—	—	—	—	—	3,529	3,529
Balance at 30 June 2020	11,680	(11,680)	—	—	58,528	(1,804,585)	(1,746,057)	(4,395)	(1,750,452)
Changes in equity for the six months ended 31 December 2020:									
Total comprehensive income for the period	—	—	—	—	—	(69,848)	(69,848)	(26)	(69,874)
Reclassification of financial instruments issued to investors as equity	—	1,885,573	—	—	—	—	1,885,573	—	1,885,573
Capital contribution by equity shareholders of the company	3,688	266,507	—	—	(58,528)	—	211,667	—	211,667
Conversion into a joint stock company	(15,368)	(2,140,400)	200,000	180,928	—	1,774,840	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	4,421	4,421
Balance at 31 December 2020	—	—	200,000	180,928	—	(99,593)	281,335	—	281,335

The notes on pages 29 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 — unaudited

Note	Attributable to equity shareholders of the company					
	Paid-in capital RMB'000	Capital reserve RMB'000	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2021	—	—	200,000	180,928	(99,593)	281,335
Changes in equity for the six months ended 30 June 2021						
Total comprehensive income for the period	—	—	—	—	(42,093)	(42,093)
Issuance of H shares through initial public offering, net of issuance costs	15(a)	—	73,526	1,496,351	—	1,569,877
Balance at 30 June 2021	—	—	273,526	1,677,279	(141,686)	1,809,119

The notes on pages 29 to 39 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 — unaudited

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations		(70,718)	(27,531)
Net cash used in operating activities		(70,718)	(27,531)
Investing activities			
Payment for the purchase of property, plant and equipment		(6,244)	(2,977)
Proceeds from disposal of property, plant and equipment		—	228
Payment for the acquisition of right-of-use assets		(7,960)	—
Payment for purchase of financial assets measured at fair value through profit or loss		—	(30,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		—	60,677
Interest received from bank deposits		6,194	146
Loans to a related party		—	(1,500)
Loans repaid by a related party		5,100	—
Net cash outflow on disposal subsidiaries		—	(1,837)
Net cash (used in)/generated from investing activities		(2,910)	24,737
Financing activities			
Proceeds from bank loans		20,000	20,000
Repayment of bank loans		(30,000)	(20,000)
Proceeds from the issue of financial instruments to investors		—	15,000
Net proceeds from issuance of H shares		1,581,490	—
Bank borrowing cost paid		(581)	(745)
Payment for capital element of lease liabilities		(1,240)	(1,106)
Payment for interest element of lease liabilities		(126)	(57)
Net cash generated from financing activities		1,569,543	13,092
Net increase in cash and cash equivalents		1,495,915	10,298
Cash and cash equivalents at 1 January		192,321	24,155
Effect of foreign exchanges rates changes		(1,040)	—
Cash and cash equivalents at 30 June	11	1,687,196	34,453

The notes on pages 29 to 39 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

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). KPMG's independent review report to the Board of Directors is included on page 21.

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 current accounting period:

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

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 30 June	
	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 30 June 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 30 June	
	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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

3 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 provision of genetic testing solutions and sales of genetic testing devices and instruments.

4 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

5 LOSS BEFORE TAXATION

	Six months ended 30 June	
	2021 RMB'000	2020 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 30 June 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

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

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

- (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 years period.
- (iii) Effective from 1 January 2020 to 31 December 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 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 30 June 2021 of RMB42,093,000 (30 June 2020: RMB807,204,000) and the weighted average of 256,936,889 ordinary shares (30 June 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 30 June 2021 and 2020, and therefore dilutive loss per share are the same as the basic loss per share.

8 RIGHT-OF-USE ASSETS

During the six months ended 30 June 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 30 June 2020: RMB2,074,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

9 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2021 RMB'000	At 31 December 2020 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.

10 OTHER CURRENT ASSETS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deferred listing expenses	—	23,986
VAT recoverable	816	269
	816	24,255

11 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposits with banks	1,165,259	57,500
Cash at banks	521,937	134,821
Cash and cash equivalents	1,687,196	192,321

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

12 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:

	At 30 June 2021 RMB'000	At 31 December 2020 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.

13 BANK LOANS

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

As at 30 June 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%).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

14 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the period.

	30 June 2021		31 December 2020	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	2,561	2,732	688	737
After 1 year but within 2 years	2,366	2,425	720	737
After 2 year but within 5 years	332	332	61	61
	2,698	2,757	781	798
	5,259	5,489	1,469	1,535
Less: total future interest expenses		(230)		(66)
Present value of lease liabilities		5,259		1,469

15 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 1 January 2021 and 31 December 2020	200,000,000	200,000	180,928	380,928
Issuance of H shares by initial public offering (i)	73,526,000	73,526	1,496,351	1,569,877
At 30 June 2021	273,526,000	273,526	1,677,279	1,950,805

- (i) On 8 February 2021, the company issued 66,667,000 new H shares of RMB1 each at a price of HK\$27.36 per share by way of the offering to Hong Kong and overseas investors (the "Offering"). Consequently, RMB66,667,000 was recorded in share capital. On 8 March 2021, the company issued 6,859,000 new H shares to cover over-allocations in the Offering. Consequently, RMB6,859,000 was recorded in share capital. The amount of total proceeds raised from the Offering was HK\$2,011,671,360 (equivalent to approximately RMB1,678,315,000). The share capital increased by RMB73,526,000 and corresponding premium of RMB1,496,351,000 (after deduction of listing expense) was recognized in share premium.

(b) Dividends

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

16 DISCONTINUED OPERATIONS

The Group entered into sales and purchase agreements with Suzhou Double Helix Medical Laboratory Co., Ltd. (“**Suzhou Double Helix**”) to dispose of its entire interest in Suzhou Beikang Medical Testing Laboratory Co., Ltd. (“**Suzhou Medical Laboratory**”), Shandong Beikang Medical Laboratory Co., Ltd. (formerly known as: Linyi Double Helix Medical Laboratory Co., Ltd., “**Shandong Medical Laboratory**”), Benxi Shengjing Medical Laboratory Co., Ltd. (“**Benxi Medical Laboratory**”) for a cash consideration of RMB14,500,000, RMB1,500,000 and RMB1,000,000 respectively. The disposals were completed on 17 April 2020, 22 April 2020 and 17 June 2020 respectively, on which dates control for Suzhou Medical Laboratory, Shandong Medical Laboratory and Benxi Medical Laboratory were transferred to acquirer. The Group entered into a sale and purchase agreement with independent third party to dispose of its entire interest in Suzhou Laman Medical Equipment Co., Ltd. (“**Suzhou Laman**”) for a cash consideration of RMB1. The disposal was completed on 30 June 2020, on which date control for Suzhou Laman were transferred to acquirer. The reasons for the disposal were that the Group can concentrate on cooperation with hospitals and reproductive clinics licensed to conduct genetic tests and streamline the business structure by taking into consideration of the Group’s future business strategy and relevant PRC laws regulations. Upon completion of the transactions, Suzhou Medical Laboratory, Shandong Medical Laboratory, Benxi Medical Laboratory and Suzhou Laman were deconsolidated from the Group and its financial results are presented in the Group’s consolidated financial statements as discontinued operations accordingly.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report were as follows:

	At 30 June 2021 RMB’000	At 31 December 2020 RMB’000
Contracted for	5,478	—

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

18 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. (Shandong Medical Laboratory) 山東貝康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)	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
BaseCare Medical Technology Co., Limited (Basecare Technology) (ii)	Fellow subsidiary

(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) The directors of the Group disposed their interests in Basecare Technology in the end of 2020. Therefore, Basecare Technology has not been presented as a related party of the Group since the completion of the disposal.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan)

18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of testing kits	16,412	2,263
Sales of testing devices and instruments	—	54
Service fee charged by related parties	1,698	—
Loans to a related party	—	1,500
Disposal of subsidiaries	—	17,000
Disposal of associates	—	250

(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 2021 RMB'000	As at 31 December 2020 RMB'000
Amounts due from related parties		
Trade related:		
Basecare Technology	—	2,542
Shandong Medical Laboratory	11,246	8,599
Benxi Medical Laboratory	12,014	6,398
Suzhou Medical Laboratory	4,659	3,254
	27,919	20,793
Non-trade related:		
Suzhou Double Helix	—	5,100
	—	5,100

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
“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”	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
“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
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party

“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
“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

Definition

“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, 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, comprising our Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“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