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Suzhou Basecare Medical Corporation Limited

蘇州貝康醫療股份有限公司

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

(Stock Code: 2170)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF 35% EQUITY INTEREST IN CELLPRO BIOTECH

INTRODUCTION

On July 29, 2022, the Share Transfer Agreement was entered into by, among others, the Company and the Purchaser whereby the Company as transferor, agreed to sell the Sale Shares, representing the Group's 35% equity interest in Cellpro Biotech, to the Purchaser.

As of the date of this announcement, the Company holds 51% equity interest in Cellpro Biotech. Immediately following completion of the Disposal in accordance with the Share Transfer Agreement, Cellpro Biotech will be held by the Company as to 16%.

IMPLICATIONS OF THE LISTING RULES

Chapter 14

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the entering into of the Share Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Chapter 14A

The Purchaser is a connected person of the Company at the subsidiary level as described in "Information of the Purchaser" in this announcement. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Exemption under Rule 14A.101

- (1) The Disposal and the terms of the Share Transfer Agreement have been approved by the Board on July 29, 2022. The Directors believe that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Shareholders as a whole; and
- (2) all the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable, the Disposal is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

On the above bases, the Disposal is therefore subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

No Director is interested in the Disposal and none of the Directors was required to abstain from voting at the resolution of the Board approving the Disposal.

As closing of the Disposal is subject to the fulfillment (or if applicable, waiver) of the conditions precedent set out in the Share Transfer Agreement, the Disposal may or may not proceed. The issue of this announcement does not in any way imply that the transactions under the Share Transfer Agreement will be completed. As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

On July 29, 2022, the Share Transfer Agreement was entered into by, among others, the Company and the Purchaser whereby the Company as transferor, agreed to sell the Sale Shares, representing the Group's 35% equity interest in Cellpro Biotech, to the Purchaser. The principal terms of the Share Transfer Agreement are set out below.

The Share Transfer Agreement

Date: July 29, 2022

Parties: Transferor: the Company

Purchaser: Huoke Investment, a limited partnership in which Dr. Xue holds 60% of interest and a connected person of the Company at the subsidiary level as more particularly described in “Information of the Purchaser” in this announcement. Dr. Xue is directly interested in 12.9% equity interest in Cellpro Biotech prior to the completion of the Disposal

Other parties: Cellpro Biotech, Dr. Xue and Hu Xiling (胡西陵)

Sale Shares: 35.0% equity interest in Cellpro Biotech beneficially owned by the Company

Consideration: RMB64,170,000, which shall be paid in installments by the Purchaser as contemplated under the Share Transfer Agreement: the first installment of RMB15,000,000 will be paid before the Completion Date (as define below) and the second installment of RMB49,170,000 will be paid by December 31, 2022

Completion: The completion date is a date within ten business days after the Company receiving the written confirmation from Cellpro Biotech that all the closing conditions of the Share Transfer Agreement are met (the “**Completion Date**”)

Strategic cooperation: As a closing condition of the Share Transfer Agreement, Hunan Jiahui, an affiliate entity of Dr. Xue, entered into a strategic cooperation agreement with the Company (the “**Strategic Cooperation Agreement**”) in form and substance satisfactory to the Company. The potential forms of cooperation under the Strategic Cooperation Agreement include but are not limited to (i) cooperation in scientific research and transformation in the field of male reproduction; (ii) cooperation between the Group and Jiahui Hospital, a hospital operated by Hunan Jiahui, in which Dr. Xue serves as a director and the general manager, and other hospitals and/or reproduction research centers affiliated to Hunan Jiahui. For details of the proposed cooperation, please see “Reasons for, and Benefits of, the Disposal and Use of the Net Sale Proceeds” in this announcement.

Equity pledge: The Purchaser will pledge the Sales Shares to the Company and Dr. Xue, Hu Xiling (胡西陵) and the Purchaser will further pledge their existing equity interest, representing 38.2% of equity interest in Cellpro Biotech, to the Company, for the purpose of guaranteeing the due performance of the Purchaser’s obligations under the Share Transfer Agreement.

The consideration was determined and agreed at after arm's length negotiations between the Company and the Purchaser with reference to primarily the purchase price of RMB85,000,000 of the 51% equity interest of Cellpro Biotech in the Acquisition, the financial performance of Cellpro Biotech during the financial year ended December 31, 2021, a valuation report of Cellpro Biotech prepared by an independent professional valuer, and the compound annual interest rate of 10% in relation to the redemption right of the Company as agreed in the Acquisition. Please refer to the Acquisition Announcements for details of the Acquisition. The Directors (including the independent non-executive Directors) are of the view that the Disposal and the terms of the Share Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As of the date of this announcement, the Company holds 51% equity interest in Cellpro Biotech by virtue of an investment agreement entered into among the Company, Cellpro Biotech, Dr. Xue, Houke Investment and Hu Xiling on November 3, 2021. For details, please refer to the Acquisition Announcements. Immediately following completion of the Disposal in accordance with the Share Transfer Agreement, Cellpro Biotech will be held by the Company as to 16%, and the Purchaser will become the largest shareholder of Cellpro Biotech holding 45.5% equity interests.

INFORMATION OF CELLPRO BIOTECH

General information

Cellpro Biotech is a joint stock company established in the PRC with limited liability, and is principally engaged in the research and development, production and sales of assisted reproductive technology diagnosis and treatment products, providing comprehensive solutions for the accurate assessment of the fertility of Chinese males of childbearing age. Please refer to the Acquisition Announcements for information in relation to the key product portfolio and product candidates of Cellpro Biotech.

The following table sets forth the shareholding structure of Cellpro Biotech immediately prior to the Disposal:

Shareholders	Shareholding percentage
The Company	51.0%
Hu Xiling (胡西陵)	14.8%
Dr. Xue	12.9%
The Purchaser	10.5%
Ningbo Xinyi	5.8%
Dongyuan Venture	2.9%
Angel Fund	2.1%
	<hr/>
Total	<u><u>100.0%</u></u>

The following table sets forth the shareholding structure of Cellpro Biotech immediately after the Disposal:

Shareholders	Shareholding percentage
The Purchaser	45.5%
The Company	16.0%
Hu Xiling (胡西陵)	14.8%
Dr. Xue	12.9%
Ningbo Xinyi	5.8%
Dongyuan Venture	2.9%
Angel Fund	2.1%
	<hr/>
Total	<u><u>100.0%</u></u>

Financial information

The following is a summary of the audited consolidated financial information of Cellpro Biotech, prepared in accordance with the Accounting Standards for Business Enterprises in the PRC, for the periods as stated below:

	For the year ended/as of	
	December 31,	December 31,
	2021	2020
	<i>RMB (audited)</i>	
Net profit/(loss) before tax	409,364.45	(5,047,783.36)
Net profit/(loss) after tax	807,725.77	(5,047,783.36)
Total assets	35,337,814.95	36,565,983.28
Revenue	23,167,691.77	19,148,332.39

INFORMATION OF THE PURCHASER

Huoke Investment, a limited partnership established in the PRC on March 10, 2014 and Dr. Xue holds 60% of limited partnership interest in Huoke Investment as of the date of this announcement. Other limited partners of the Purchaser include Hu Xiling, a connected person of the Company at subsidiary level, as to 23%, and other two independent third parties as to an aggregate of 17%.

Dr. Xue, the founder and a director of Cellpro Biotech, is directly interested in Cellpro Biotech as to 12.9% prior to the completion of the Disposal. Dr. Xue obtained his doctor degree in genetics from XiangYa School of Medicine, Central South University (中南大學湘雅醫學院) and was a post-doctoral fellow at the University of California. He is also serving as a professor of Stem Cell Clinical Transformation Center of Tongji Hospital of Tongji University (同濟大學附屬同濟醫院幹細胞臨床轉化中心) and has approximately 13 years of experience in reproductive industry. He has led the research and development of flow DFI testing approach of Cellpro Biotech, which has been adopted and used by more than 300 clinical institutions in the PRC. Dr. Xue also serves as a director and the general manager of Hunan Jiahui.

As of the date of this announcement, the Company holds 51% equity interest in Cellpro Biotech, therefore Cellpro Biotech falls into the definition of “subsidiary” under Rule 1.01 of the Listing Rules which is further classified as a “significant subsidiary” as defined under Rule 14A.09 of the Listing Rules. As the Purchaser is a substantial shareholder of Cellpro Biotech, it is a connected person of the Company at the subsidiary level.

FINANCIAL EFFECT OF THE DISPOSAL ON THE COMPANY

Prior to the completion of the Disposal, Cellpro Biotech is held by the Company as to 51%. Upon completion of the Disposal, Cellpro Biotech will be held by the Company as to 16% and cease to be qualified as a “subsidiary” under Rule 1.01 of the Listing Rules. It is expected that the Group will record gains of approximately RMB5.8 million from the Disposal. The actual amount of gains on the Disposal to be recognized by the Group will be subject to audit.

INFORMATION OF THE GROUP

Headquartered in Suzhou, PRC, the Group is an innovative platform of genetic testing solutions for assisted reproduction in China. The Group has pioneered a solution model under which the Group provides its clients, which are hospitals and reproductive clinics in China offering the relevant assisted reproductive services, with one-stop, customized integrated solutions.

REASONS FOR, AND BENEFITS OF, THE DISPOSAL AND USE OF THE NET SALE PROCEEDS

Dr. Xue (i.e. beneficial owner of 60% of the limited partnership interest in the Purchaser), an expert with extensive experience in reproductive industry, became an indirect controlling shareholder of Hunan Jiahui in November 2021 and its director and general manager in December 2021. Jiahui Hospital is a genetic specialist hospital operated by Hunan Jiahui and established by Professor Xia Jiahui, a human and medical geneticist and an academician of the Chinese Academy of Engineering, which enjoys a high reputation in the medical genetics in China. Jiahui Hospital has established National Diagnosis Network of Difficult Genetic Diseases (全國疑難遺傳病診斷網絡) with more than 570 medical institutions in China. Jiahui Hospital is also qualified to establish National Gene Pilot Laboratory (國家基因試點實驗室) and National Genetic Training Center (國家遺傳培訓基地). After such change of Dr. Xue’s roles in Hunan Jiahui, he proposed the Disposal to the Company considering the business association and potential synergy effect between Jiahui Hospital and Cellpro Biotech.

As disclosed in the Acquisition Announcements, after completion of the Acquisition, Cellpro Biotech was held as to 51% by the Company and the Company has been prudently monitoring and assessing financial performance and research and development status of Cellpro Biotech on an on-going basis. Having taken careful consideration, the Company is of the view that Cellpro Biotech’s performance has been adversely impacted by the recurrence of the COVID-19 pandemic in mainland China in the first half of 2022 and the continuous potential adverse impact arising from COVID-19 pandemic on the financial performance of Cellpro Biotech might also in turn has negative impact on the Group’s overall financial performance.

After completion of the Disposal, the Company will be interested in 16% equity interest in Cellpro Biotech, therefore the Company can lower its risk in the equity investment but still enjoy the synergy effect brought by the Acquisition and the strength of Cellpro Biotech in its robust product portfolio, strong research and development and marketing and sales capabilities with the remaining shareholding in the Cellpro Biotech.

It is expected that the Company will enter into mutual authorization agreement with Cellpro Biotech, under which (i) Cellpro Biotech proposes to authorize the Company to promote and distribute the flow cytometer; and (ii) Cellpro Biotech also proposes to authorize the Company to promote and distribute the Flow-DFI (Containing Quality Control Products) Test Kit (“**DFI Kits**”), both flow cytometer and DFI Kits being key product candidates of Cellpro Biotech. The Company can help with new product application of DFI Kits and lower production costs associated with DFI Kits by leveraging the Company’s internal production capacity and unique expertise in medical device registration and will in turn benefit from the sales increase of DFI Kits.

In addition, as a closing condition of the Share Transfer Agreement, Hunan Jiahui, an affiliate entity of Dr. Xue, entered into the Strategic Cooperation Agreement in form and substance satisfactory to the Company. The potential forms of cooperation under the Strategic Cooperation Agreement include but are not limited to (i) cooperation in scientific research and transformation in the field of male reproduction; (ii) co-establishment of genetic laboratory with Jiahui Hospital providing genetic consultation and laboratory testing services for this jointly-established genetic laboratory and clinical hospitals maintaining joint collaboration relationship with Jiahui Hospital. It is expected that the Company will be a supplier of reagent kits for the laboratory. The Company will also enjoy the right of first refusal in respect of establishing joint laboratories and providing reagent kits for such laboratories with reproductive centers within the group of Hunan Jiahui. The Company believes that the Strategic Cooperation Agreement and business cooperation with Jiahui Hospital will together enhance our relationship with Dr. Xue, bring us more opportunities to access first line information and demands in genetic and reproductive industry as well as expanding our influence in clinical hospitals in assisted reproduction industry, which will be beneficial to the Group and our Shareholders as a whole.

The consideration of the Acquisition was funded by the internal resources of the Group with the Net Proceeds of the Global Offering. This portion of the Net Proceeds was intended to be used in introducing and acquiring new technologies in businesses upstream and downstream of genetic testing and expanding the Group’s product portfolio through investments, acquisitions, in-licensing or other collaboration arrangements (the “**Intended Use of the Relevant Proceeds**”). The Group intends to use the net sale proceeds from the Disposal according to the Intended Use of the Relevant Proceeds.

IMPLICATIONS OF THE LISTING RULES

Chapter 14

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the entering into of the Share Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Chapter 14A

The Purchaser is a connected person of the Company at the subsidiary level as described in “Information of the Purchaser” in this announcement. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Exemption under Rule 14A.101

- (1) The Disposal and the terms of the Share Transfer Agreement have been approved by the Board on July 29, 2022. The Directors believe that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Shareholders as a whole; and
- (2) all the independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable, the Disposal is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

On the above bases, the Disposal is therefore subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders’ approval requirements under Rule 14A.101 of the Listing Rules.

No Director is interested in the Disposal and none of the Directors was required to abstain from voting at the resolution of the Board approving the Disposal.

As closing of the Disposal is subject to the fulfillment (or if applicable, waiver) of the conditions precedent set out in the Share Transfer Agreement, the Disposal may or may not proceed. The issue of this announcement does not in any way imply that the transactions under the Share Transfer Agreement will be completed. As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	the investment in Cellpro Biotech by the Company as described in the Acquisition Announcements
“Acquisition Announcements”	the announcements published by the Company dated November 3, 2021 and November 16, 2021 in relation to the Acquisition
“Angel Fund”	Ningbo Angel Investment Guidance Fund Co., Ltd. (寧波市天使投資引導基金有限公司), a limited company established in the PRC on January 8, 2013
“Board”	the board of Directors
“Cellpro Biotech”	Zhejiang Cellpro Biotech Co., Ltd. (浙江星博生物科技股份有限公司), a joint stock company established in the PRC on June 1, 2012
“Company”	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司), a company incorporated in the PRC with limited liability on December 14, 2010 and converted into a joint stock company with limited liability on August 27, 2020
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale by the Company of the Sale Shares, representing 35% equity interest in Cellpro Biotech, as contemplated under the Share Transfer Agreement
“Dongyuan Venture”	Ningbo Dongyuan Venture Capital Co., Ltd. (寧波東元創業投資有限公司), a limited company established in the PRC on May 16, 2005
“Dr. Xue”	Dr. Xue Zhigang (薛志剛), a connected person of the Company at the subsidiary level, being directly interested in 12.9% and a director in Cellpro Biotech as of the date of this announcement
“Global Offering”	the offer of H shares for subscription as described in the prospectus of the Company issued on January 27, 2021
“Group” or “we” or “us”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Jiahui”	Hunan Jiahui Biotechnology Co., Ltd. (湖南家輝生物技術有限公司), a company established in the PRC on May 22, 2009. As of the date of this announcement, Hunan Jiahui is held by Shenzhen Zhigang Investment Development Co., Ltd. (深圳志剛投資發展有限公司) as to 32%, which is further held by Dr. Xue as to 50%. Dr. Xue serves as a director and the general manager of Hunan Jiahui
“Jiahui Hospital”	Jiahui Genetics Hospital of Hunan Jiahui Biotechnology Co., Ltd. (湖南家輝生物技術有限公司家輝遺傳專科醫院), a hospital commencing operation in 2017 and operated by Hunan Jiahui Biotechnology Co., Ltd. (湖南家輝生物技術有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Net Proceeds”	the net proceeds obtained by the Company in relation to the Global Offering
“Ningbo Xinyi”	Ningbo Xinyi Venture Capital Partnership (Limited Partnership) (寧波新以創業投資合夥企業(有限合夥)), a partnership established in the PRC on January 29, 2010
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser” or “Huoke Investment”	Ningbo Huoke Investment Management Partnership (Limited Partnership) (寧波霍克投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 10, 2014 and Dr. Xue holds 60% of limited partnership interest in Huoke Investment as of the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 35% equity interest in Cellpro Biotech

“Share Transfer Agreement”	the share transfer agreement for sale and purchase of the Sale Shares dated July 29, 2022 entered into by, among others, the Company as the transferor and the Purchaser as the purchaser in respect of the Disposal
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Suzhou, PRC, July 29, 2022

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