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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 TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN CELLPRO BIOTECH
AND
CHANGE IN USE OF PROCEEDS**

The Board is pleased to announce that on November 3, 2021, Cellpro Biotech, the Sellers and the Company entered into the Investment Agreement, pursuant to which the Company agreed to acquire, and the Sellers agreed to sell, 51% of the equity interest in Cellpro Biotech at a consideration of RMB85 million (the “**Consideration**”). Upon completion of the Acquisition, Cellpro Biotech will become a non-wholly owned subsidiary of the Company.

The Consideration will be satisfied by cash and will be funded by the internal resources of the Group with the Net Proceeds of the Global Offering.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Investment Agreement exceeds 5% but all of them are less than 25%, the Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements but exempt from shareholders’ approval requirement under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on November 3, 2021, Cellpro Biotech, the Sellers and the Company entered into the Investment Agreement, pursuant to which the Company agreed to acquire, and the Sellers agreed to sell, 51% of the equity interest in Cellpro Biotech at a consideration of RMB85 million. Upon completion of the Acquisition, Cellpro Biotech will become a non-wholly owned subsidiary of the Company.

The Consideration will be settled in cash and will be funded by the internal resources of the Group with the Net Proceeds of the Global Offering.

THE INVESTMENT AGREEMENT

The table below sets forth the principal terms of the Investment Agreement:

Date:	November 3, 2021
Parties:	<ol style="list-style-type: none">1. Cellpro Biotech2. The Sellers3. The Company
Object of the Acquisition:	<p>A total of 51.00 % of the equity interest in Cellpro Biotech, which consists of 20.84% from Xue Zhigang (薛志剛), 5.45% from Huoke Investment and 24.71% from Hu Xiling (胡西陵).</p> <p>Cellpro Biotech is a company mainly focusing on the research and development, production, sales and technical services of assisted reproductive technology diagnosis and treatment products.</p>
Consideration:	<p>RMB85 million</p> <p>All taxes payable in relation to the Acquisition shall be paid by the Sellers.</p>
Closing arrangement:	<p>The Company shall fully settle the Consideration in cash within 15 working days upon the conditions precedent to the Acquisition as set out in the Investment Agreement are fulfilled or waived and receipt of updated register of shareholders and capital contribution certificate of Cellpro Biotech.</p>

Composition of the board:	Upon completion of the Acquisition, the board of directors of Cellpro Biotech will consist of five directors. The Company is entitled to designate three directors to the board of directors of Cellpro Biotech and Dr. Liang, our chairman of the Board, will serve as chairman of the board of directors of Cellpro Biotech.
Other special rights:	Pursuant to the Investment Agreement, the Company was granted certain special rights including, among others, information right and financial inspection right, pre-emption right, right of first refusal, co-sale right, dividend preference right, compulsory liquidation right, liquidation preference right, anti-dilution right, redemption right, special purchase right and right of most favorable terms.

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration was reached after arms' length negotiation among the parties after considering, among other things:

- (a) the financial positions of Cellpro Biotech, including the net asset value of Cellpro Biotech as of June 30, 2021 of approximately RMB38.54 million;
- (b) the favorable outcome of the recent research and development, the business synergy and the market potential of the product and product candidates of Cellpro Biotech, including sperm cell physiological function testing kit, male infertility-related genetic testing kit and male infertility-related reproductive toxicity testing kit; and
- (c) Cellpro Biotech's strong research and development capacity, established track record and reputation in the industry.

INFORMATION OF THE PARTIES

Information on the Company

The Company has been listed on the Stock Exchange since February 8, 2021. Founded in 2010 and headquartered in Suzhou, PRC, the Company is an innovative platform of genetic testing solutions for assisted reproduction in China and the only company in its field in China to have a product portfolio that covers all key stages of the reproductive cycle.

Information on Cellpro Biotech

As at the date of this announcement, 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.

The following table sets forth the shareholding structure of Cellpro Biotech immediately before the Acquisition:

Shareholders	Shareholding percentage
Xue Zhigang (薛志剛)	33.76%
Huoke Investment	15.94%
Hu Xiling (胡西陵)	39.50%
Ningbo Xinyi	5.81%
Dongyuan Venture	2.90%
Angel Fund	2.09%
Total	100.00%

Immediately upon completion of the Acquisition, the shareholding structure of Cellpro Biotech will be as follows:

Shareholders	Shareholding percentage
The Company	51.00%
Xue Zhigang (薛志剛)	12.92%
Huoke Investment	10.49%
Hu Xiling (胡西陵)	14.79%
Ningbo Xinyi	5.81%
Dongyuan Venture	2.90%
Angel Fund	2.09%
Total	100.00%

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the aforementioned existing shareholders of Cellpro Biotech and their respective ultimate beneficial owners are not connected persons of the Company (as defined in the Listing Rules).

Set out below is certain consolidated financial information of Cellpro Biotech and its subsidiaries for the two years ended December 31, 2020 and the six months ended June 30, 2021, which is extracted from the consolidated financial statements and unaudited management accounts, respectively, provided by Cellpro Biotech:

	For the year ended December 31		For the six months ended June 30,
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	25,107	19,148	7,788
Net profit/(loss) before taxation	(6,890)	(5,048)	763
Net profit/(loss) after taxation	<u>(11,035)</u>	<u>(5,048)</u>	<u>763</u>

Based on the unaudited management accounts provided by Cellpro Biotech, the net asset value of Cellpro Biotech as of June 30, 2021 was approximately RMB38.54 million.

Information on the Sellers

Each of Xue Zhigang (薛志剛) and Hu Xiling (胡西陵) is the founder and was a director of Cellpro Biotech before the Acquisition. After completion of the Acquisition, Xue Zhigang (薛志剛) will continue to serve as a director of Cellpro Biotech and Hu Xiling (胡西陵) will remain employed by Cellpro Biotech as a management member.

Huoke Investment is a limited partnership established under the laws of the PRC engaged in investment management, which is owned as to 11.29% by Hu Xiling (胡西陵) as the sole general partner, and as to 80%, 5.32% and 3.39% by Jin Jiaqi (金佳琪), Cui Yueyue (崔悦悦) and Zhong Bin (鐘濱), respectively, as limited partners.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Sellers and their respective ultimate beneficial owners are not connected persons of the Company (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company have established an innovative platform with comprehensive capabilities ranging from technological development, product development, regulatory approval, manufacturing and commercialization. The philosophy of the Company is to pursue the best technologies globally in reproductive genetics and convert them to commercial applications in China. With such view, the Company has been actively seeking opportunities for third-party cooperation with a focus on reproductive genetics market. The Company's deep and unique understanding and insights of market trends and clinical needs enables it to identify the technologies that it believes are of great clinical potential. The Company has been prudently assess investment opportunities to expand its product portfolio through investments, acquisition, in-licensing or other collaboration arrangements with regard to these technologies.

Considering Cellpro Biotech's robust product portfolio strategically targeting the reproductive genetics medical devices market in the PRC, its strong research and development and marketing and sales capabilities and its senior management team with extensive experience and insights on broader reproductive genetics market and the overall medical device industry in the PRC, the Company is optimistic about the prospects and development of Cellpro Biotech. The Company believes that the business of Cellpro Biotech is able to provide synergy to the Group's business and that the product and product candidates of Cellpro Biotech can further enrich the product offering of the Company in the significantly untapped markets in the PRC.

Having considered the terms of the Investment Agreement and the above reasons, the Directors (including the independent non-executive Directors) consider that the Acquisition is in line with the strategic direction and development plan of the Group, and the terms of the Investment Agreement are on normal commercial terms and fair and reasonable, and are in the interests of the Company and the shareholders of the Company as a whole.

Completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Investment Agreement. There is no assurance that completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Investment Agreement exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements but is exempt from shareholders' approval requirement under the Listing Rules.

CHANGE IN USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Company successfully listed its H shares on the Main Board of the Stock Exchange on February 8, 2021 (the "**Listing**") and obtained Net Proceeds of HK\$1,898.7 million from the Global Offering in association with the Listing. As disclosed in the Prospectus and the 2021 Interim Report, the Group planned to use the Net Proceeds for the purposes of (i) core product; (ii) clinical trial, registration filing and commercialization of PGT-M kit; (iii) development, clinical trials and registration filings of PGT-SR kit, CNV kit and WES kit; (iv) improving our research and development capabilities and enhancing technologies of the Company; and (v) working capital and general corporate purposes.

As disclosed in the Prospectus, the Group originally planned to use approximately 10% of the Net Proceeds for improving research and development capabilities and enhancing technologies of the Company including (i) introducing and acquiring new technologies in businesses upstream and downstream of genetic testing, to expand our product portfolio; (ii) recruiting talent in genetic testing, particularly senior R&D personnel with a high level of influence in the industry and with extensive international R&D and product development experience; (iii) funding our collaborations with academic and research institutions on joint research projects. Having considered the reasons as stated in above paragraphs under "Reasons for and Benefits of the Acquisition", and to capture acquisition opportunities of the Acquisition, which may complement the Group's coverage in assisted reproduction, the Group intends to expand the usage scope of such portion of the Net Proceeds to improving research and development capabilities and enhancing technologies of the Company including (i) introducing and acquiring new technologies in businesses upstream and downstream of genetic testing ***and expanding*** our product portfolio ***through investments, acquisition, in-licensing or other collaboration arrangements***; (ii) recruiting talent in genetic testing, particularly senior R&D personnel with a high level of influence in the industry and with extensive international R&D and product development experience; (iii) funding our collaborations with academic and research institutions on joint research projects. On November 3, 2021, the Board has approved the Acquisition and the change in use of the Net Proceeds as stated above. Such change in use of the Net Proceeds from the Global Offering is subject to the approval of the shareholders of the Company by way of ordinary resolution at the extraordinary general meeting of the Company. A circular containing, among other things, details of the above proposal will be despatched to the shareholders of the Company in due course.

The table below sets out the details of the intended use of the Net Proceeds, the original allocation of the Net Proceeds, the utilized amount of the Net Proceeds as of the date of this announcement, the unutilized amount of the Net Proceeds as of the date of this announcement, and the balance of the unutilized Net Proceeds:

Original use of the Net Proceeds		Changed use of the Net Proceeds	Utilized amount of the Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	Unutilized amount of the Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	The balance of the unutilized Net Proceeds after the Acquisition <i>HK\$ in million</i>
1.	Core Product	Same as original	16.21	553.41	553.41
2.	Clinical trial, registration filing and commercialization of the PGT-M kit	Same as original	4.54	375.20	375.20
3.	Development, clinical trials and registration filings of PGT-SR kit, CNV kit and WES kit	Same as original	22.51	547.10	547.10
4.	Improving research and development capabilities and enhancing technologies of the Company	Same as original	11.19	178.68	93.68
(1)	Introducing and acquiring new technologies in businesses upstream and downstream of genetic testing, to expand our product portfolio	Introducing and acquiring new technologies in businesses upstream and downstream of genetic testing <i>and expanding</i> our product portfolio <i>through investments, acquisition, in-licensing or other collaboration arrangements</i>			

Original use of the Net Proceeds	Changed use of the Net Proceeds	Utilized amount of the Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	Unutilized amount of the Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	The balance of the unutilized Net Proceeds after the Acquisition <i>HK\$ in million</i>
(2) Recruiting talent in genetic testing, particularly senior R&D personnel with a high level of influence in the industry and with extensive international R&D and product development experience	Same as original			
(3) Funding our collaborations with academic and research institutions on joint research projects	Same as original			
5. Working capital and general corporate purposes	Same as original	124.66	65.20	65.20

The Board has considered that the development direction of the Group is still in line with the disclosures in the Prospectus in spite of the change in use of the unutilized Net Proceeds as stated above. The Board is not aware that there are material changes in the nature of the businesses of the Group. The Board is of the view that the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Group to deploy its financial resources more effectively to enhance the research and development capacity and pipeline of the Group, would not have any material adverse effect on the existing business and operations of the Group, and is therefore in the best interests of the Group and the shareholders as a whole.

The Board will constantly evaluate the Group's business objective and may change or modify plans against the changing market conditions to ascertain the business growth of the Group. The Board will also take a cautious approach continually when considering using the Net Proceeds, and closely monitor the changes of the market conditions from time to time.

DEFINITION

“2021 Interim Report”	the interim report of the Company published on the website of the Stock Exchange and the Company dated September 28, 2021
“Acquisition”	the investment in Cellpro Biotech of the Company through acquiring equity interests from the Sellers
“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 of the Company
“Cellpro Biotech”	Zhejiang Cellpro Biotech Co., Ltd. (浙江星博生物科技股份有限公司), a joint stock company established in the PRC on June 1, 2012
“Company”	Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司)
“Director(s)”	the director(s) of the Company, including all executive directors, non-executive directors and independent non-executive directors
“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
“Investment Agreement”	the investment agreement entered into by the Company, Cellpro Biotech and the Sellers dated November 3, 2021
“Global Offering”	the offer of H shares for subscription as described in the Prospectus
“Group” or “we”	the Company and its subsidiaries
“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 partnership established in the PRC on March 10, 2014

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Net Proceeds”	the net proceeds obtained by the Company in relation to the Global Offering
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus issued by the Company dated January 27, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Xue Zhigang (薛志剛), Huoke Investment and Hu Xiling (胡西陵)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“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

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

Suzhou, PRC, November 3, 2021

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