



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

2024 INTERIM REPORT



CONTENTS

Corporate Information	2
Financial Summary	4
Management Discussion and Analysis	5
Other Information	21
Auditor's Independent Review Report to the Board of Directors	29
Consolidated Statement of Profit or Loss	30
Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Consolidated Statement of Financial Position	32
Consolidated Statement of Changes in Equity	34
Condensed Consolidated Cash Flow Statement	35
Notes to the Unaudited Interim Financial Report	36
Definition	48



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LIANG Bo (梁波) (*Chairman and General Manager*)
Mr. KONG Lingyin (孔令印)
Ms. JIANG Junchao (姜雋超) (*appointed on August 29, 2024*)
Ms. YANG Ying (楊瑩) (*resigned on August 29, 2024*)

Non-executive Directors

Mr. XU Wenbo (徐文博)
Mr. WANG Weipeng (王偉鵬)
Mr. LING Yang (凌洋)

Independent Non-executive Directors

Dr. KANG Xixiong (康熙雄)
Mr. LAM Siu Wing (林兆榮)
Dr. YEUNG Shu Biu William (楊樹標)

AUDIT COMMITTEE

Mr. LAM Siu Wing (*Chairman*)
Dr. KANG Xixiong
Mr. WANG Weipeng

REMUNERATION AND APPRAISAL COMMITTEE

Dr. KANG Xixiong (*Chairman*)
Dr. LIANG Bo
Mr. LAM Siu Wing

NOMINATION COMMITTEE

Dr. LIANG Bo (*Chairman*)
Dr. KANG Xixiong
Mr. LAM Siu Wing

SUPERVISORS

Ms. SHI Lijuan (史麗娟) (*Chairwoman*)
Dr. LIN Yi (林藝)
Ms. ZONG Qiuping (宗秋平)

AUTHORISED REPRESENTATIVES

Dr. LIANG Bo
Mr. CHUNG Ming Fai (鍾明輝)

JOINT COMPANY SECRETARIES

Mr. YIN Lejun (殷樂駿)
Mr. CHUNG Ming Fai

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

Unit 101, Building A3
BioBay, No. 218 Xinghu Street
Suzhou Industrial Park, Suzhou
Jiangsu Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
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
Hong Kong

PRC LEGAL ADVISER

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing, China

AUDITOR

KPMG
*Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting Council
Ordinance*
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

LISTING RULES REGULAR 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

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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	124,739	85,546
Cost of sales	(66,861)	(51,982)
Gross profit	57,878	33,564
Loss from operations	(117,643)	(58,166)
Loss before taxation	(121,327)	(58,256)
Loss for the period	(119,915)	(62,493)
	<hr/>	
	As of	
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial Positions		
Non-current assets	683,057	682,921
Current assets	1,114,679	1,215,166
Non-current liabilities	326,917	304,716
Current liabilities	198,185	195,265
Net assets	1,272,634	1,398,106
	<hr/>	
Total equity attributable to equity shareholders of the Company	1,273,707	1,399,176
Non-controlling interests	(1,073)	(1,070)

Management Discussion and Analysis

OVERVIEW

We are an innovative medical device provider for assisted reproduction in the PRC, and we are committed to facilitating medical institutions and patients to use automatic, standard and intelligent assisted reproduction products, and to access the stable and high-quality reproductive technologies. Our products are developed based on continuous innovation and clinical feedback, resulting in industry-leading clinical results and advancing reproduction science together with clinical studies. Our mission is to help more families to have healthy children. Our vision is to become the world's leading medical technology company.

With the aim of developing automatic, standard and intelligent assisted reproduction medical devices, we provide medical institutions with high-quality medical devices that meet clinical requirements, so as to improve both the success rate of assisted reproduction and its work efficiency. As assisted reproductive technology is undergoing rapid development and iteration, we focus on “Live”, our core philosophy, to offer users with experience of dynamic, real-time and interactive data in the whole process of assisted reproduction. We view and analyze genetic testing data through “Live Browser” in the genetic laboratory, precisely detect the live sperm quality through “Live Morphology” in the andrology laboratory, achieve real-time assisted reproduction preservation and location tracking through “Live Storage” in the cryopreservation laboratory, observe the growth status of embryos in real time through “Live View” in embryology laboratory, and realize interconnection of data from various laboratory scenarios through “Live Intelligence”, which creates an intelligent work environment for assisted reproduction centers to enhance their work efficiency, improve the safety of operations and ultimately increase pregnancy success rates.

Following the Listing, we continued to enrich our product pipeline through independent research and development, as well as mergers and acquisitions. This approach has allowed us to establish a comprehensive range of product structure of reagents, consumables, instruments and equipment to serve the entire spectrum of the assisted reproduction industry, rendering us one of the few players providing full-industry products in the global market. Through our self-built production facilities, we will deliver products that meet global quality standards at a more affordable price, contributing to the field of human reproductive health.

We offer users with one-stop solutions based on our five laboratory scenarios: genetic laboratory (“**Live Browser**”), andrology laboratory (“**Live Morphology**”), embryology laboratory (“**Live View**”), cryopreservation laboratory (“**Live Storage**”) and software laboratory (“**Live Intelligence**”). Specifically:

1. Genetic laboratory (“Live Browser”)

The genetic laboratory is dedicated to conducting embryonic molecular genetic testing, which is equipped with high-throughput gene sequencers, automated workstations, PCR analyzers, PGT kits and other equipment and consumables. In the genetic laboratory, experts through “Live Browser” can view and analyse genetic testing data while dynamically browsing and filtering data to better understand and analyse specific regions or variants in the genome. PGT testing can help patients screen chromosomally normal embryos for transfer. According to the data of large-scale clinical trials, PGT-A kits can increase the clinical pregnancy rate to 72% and reduce the miscarriage rate to 6.9%. In addition, PGT-M kits and PGT-SR kits can block the transmission of genetic diseases to the next generation, giving birth to healthy children and safeguarding the quality of the Chinese population. Our localised high-throughput gene sequencer, DA500, obtained the national Class III medical device registration certificate. In addition, our self-developed PGT-A kit obtained the first Class III medical device registration certificate as one of the medical devices of “National Special Approval for Innovative Medical Devices (國家創新醫療器械特別審批)”, which filled the clinical gap of the third generation IVF genetic testing kit in China. We participated in the drafting of the industrial guidelines for the technical evaluation of quality control of PGT-A detection reagents, pioneering the commercialization of third generation IVF products.

Management Discussion and Analysis

2. Andrology Laboratory (“Live Morphology”)

The andrology laboratory, being an indispensable part of reproduction centre, is mainly for the detection and evaluation of sperms. It evaluates male fertility indicators, including sperm concentration, vitality, morphology, and DNA fragments. According to the Frost & Sullivan report, the sperm count of Chinese men has decreased by 75% over the past 40 years, and the infertility caused by male factors has been close to 40%. In China, the current practice of sperm test is mainly based on Computer Assisted Sperm Analysis (CASA), and sperms are counted through slide plates, which lacks reliability, repeatability and the ability to assess sperm morphology. To address these problems, our newly-developed intelligent sperm analyser has broken through the technical limitations through the innovation of hardware technology such as microfluidics enabled by Live Morphology and microscopic imaging, as well as the artificial intelligence big data model trained on more than 500,000 sperm data, which has realised the accurate detection of live sperm concentration, motility and morphology (“**Live Morphology**”) for the first time globally, winning the outstanding award of the Disruptive Technology Innovation Competition (顛覆性技術創新大賽優秀項目) sponsored by the National Health Commission.

3. Embryology laboratory (“Live View”)

The embryology laboratory is the most core laboratory for the growth and development of embryos *in vitro*, and is equipped with incubators, culture media, petri dishes and other equipment and consumables. The equipment and environment of the laboratory directly affect the survival rate of embryos. The equipment and consumables in the embryology laboratory require long R&D cycles and have high technical barriers. Our time-lapse incubator has six independent chambers, each equipped with independent heating, humidity supply, air supply devices and high-definition microscope camera system, which allows for stable cultivation and real-time monitoring of embryos without opening the lid and waiting. Users can observe the growth status of each embryo in real time (“**Live View**”) to ensure that the embryos achieve the ideal conditions for growth.

4. Cryopreservation Laboratory (“Live Storage”)

The cryopreservation laboratory is the fertility preservation centre for gametes and embryos, and houses equipment and consumables such as ultra-low temperature storage instruments, liquid nitrogen tanks, transfer tanks, and cryopreservation tubes. According to the Measures for the Administration of Human Assisted Reproduction (《人類輔助生殖管理辦法》), cryopreserved embryos must be stored for at least five years. It is anticipated that there will be ten million new embryos to be cryopreserved in China each year, therefore the demand is extremely high. In current practices, reproduction centres need to select tubes manually, and the voluminous embryo information should be recorded manually. The absence of an information system hampers timely coordination and management, leading to potential mismatches in embryo information and resulting in medical accidents due to misimplantation of test tube babies. With the concept of real-time fertility preservation and location tracking (“**Live Storage**”), we developed the intelligent liquid nitrogen tank, which was the first certified ultra-low temperature storage product in China. We also developed the first automated ultra-low temperature embryo intelligent storage equipment that can store 30,000 to 50,000 gametes. Based on the idea of prompt positioning fertility storage, we layout in the fertility preservation market in China and globally, and provide leading hardware equipment for the fertility preservation industry.

5. Software laboratory (“Live Intelligence”)

We build intelligent system for reproduction centres based on the concept of real-time data interconnection in the software laboratory (“**Live Intelligence**”). Our iARMS (Intelligent Assisted Reproduction Management System) provides a new generation of “artificial intelligence + Internet of Things (IoT)” information solutions for the assisted reproduction sector based on the clinical pathway of reproduction, which establishes a multi-dimensional assisted reproduction electronic medical record system that runs through the reproduction cycle and covers patient medical records, medical diagnosis, treatment plans and etc. This system combines the genetic data of our genetic laboratory, the sperm test results of the andrology laboratory, the real-time growth monitoring of embryos in the embryology laboratory, and the sample information of the cryopreservation laboratory to realise the interconnection of data from various laboratories, create intelligent work environment for reproductive centers, improve the work efficiency of reproductive centers, to improve the safety of operations, ultimately improving the success rate of pregnancy. Leveraging the rapid development of artificial intelligence, iARMS integrates reproduction clinical information system with the concept of clinical auxiliary decision-making, thereby speeding up patient registration, examination, diagnosis and treatment, and breaking the isolated data islands in traditional information system. iARMS ensures the modularisation and interconnection of the laboratories, and installs the IoT sample verification system to ensure the information security of each sample. Each module of iARMS is developed independently, allowing for easy upgrade and maintenance. iARMS will significantly improve the operating efficiency and satisfaction of the reproduction centres, serving as the development vision of the reproduction centres for the next two decades.

Currently, our commercialization is in a stable and steady growing stage. The model of independent R&D and mergers and acquisitions has enabled us to accumulate a wide range of customers in China and the global market. With the penetration of our brand and the launches of our new products, we will be able to commercialise various advantageous products through our existing channels and teams, unleash our growth potential in China and the global market, and enable us to rapidly establish a dominant position in market share.

Management Discussion and Analysis

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



Management Discussion and Analysis

Notes:

- * 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.

BUSINESS REVIEW

Products Portfolio and Product Candidates Pipeline

As assisted reproductive technology is undergoing rapid development and iteration, with the aim of creating automatic, standard and intelligent assisted reproduction medical devices, we provide medical institutions with high-quality medical devices that meet clinical requirements, so as to improve both the success rate of assisted reproduction and work efficiency.

- **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 (CCS) capabilities, as compared with conventional technologies, which can only screen a portion of chromosomes at a time. We have developed a proprietary strand displacement whole genome amplification (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, 2024, we recorded revenue of RMB18.79 million from sales of our PGT-A kits with gross profit margin of 66.8%.

Management Discussion and Analysis

- **PGT-M kit**

Our PGT-M kit is a key project of the 14th Five-Year Plan for National Key Research and Development Program of China (十四五國家重點研發計劃重點專項), which 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 to 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 (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 that we have identified through extensive studies and adopts a cutting-edge multiplex PCR sequencing library by capture, or MSLCap, technology that can comprehensively detect the relevant SNPs in one test with improved sensitivity and specificity. Leveraging this technology, our PGT-M kit eliminates the need for patient-specific pre-exam validation, offering a standardized solution with mass clinical appeal that significantly shortens results turnaround time from approximately two months to less than two weeks and reducing testing costs for patients by about 60%. To date, our PGT-M kit is the first and only product of its kind that has completed NMPA registration testing in China. We completed clinical trials in March 2024, and expect to obtain registration approval from the NMPA in 2024.

- **PGT-SR kit**

Our PGT-SR kit is a key project of the 14th Five-Year Plan for National Key Research and Development Program of China (十四五國家重點研發計劃重點專項), and is designed to detect chromosome structural rearrangements, which are common causes of recurrent miscarriage. By identifying and choosing to avoid embryos with chromosomal structural re-arrangement, clinicians can, similar to the PGT-M scenario, not only help the patient avoid miscarriage and give birth successfully, but also stop this hereditary trait from running in the same family in future generations. However, there have been no effective clinical solutions for testing of this kind due to many kinds of potential structural rearrangements occurring on different chromosomes, which requires clinicians to design non-standardized, bespoke tests, making mass clinical application difficult. Our PGT-SR kit may become the first standardized commercial product of its kind in China with potential for mass clinical application, at affordable prices. Our PGT-SR kit adopts a proprietary ReTSeq technology that utilizes target capture technologies to focus on sequencing key genomic regions and conduct a haplotype linkage analysis to determine the parent-of-origin of a chromosome and detect carriers of chromosomal translocations. Our PGT-SR kit has high mass market potential, offering one test with broad disease detectability and eliminating the need for patient specific pre-exam validation, which translates to faster result turnaround time, from several months to just two weeks, and significantly lowers the testing cost. In February 2021, our self-developed patent relating to the PGT-SR kit, a nucleic acid library preparation method and its application in the analysis of pre-implantation embryonic chromosomal structure abnormalities (一種核酸文庫構建方法及其在植入前胚胎染色體結構異常分析中的應用), was registered with China National Intellectual Property Administration (中國國家知識產權局). We completed the NMPA registration test in April 2023 and are currently undergoing clinical trials, and expect to obtain NMPA approval in 2025.

Management Discussion and Analysis

- **High-throughput gene sequencer (DA500)**

The DA500 high-throughput gene sequencer is a domestic-developed compact and versatile desktop platform with single-slide gene sequencing that provides users with flexible and efficient sequencing options. The sequencer uses advanced biochemical and optical systems and supports two different chip specifications. It is capable of generating 10GB to 150GB sequencing data in a single operation. At the same time, it has the advantages of stable high-intensity signal and low sequencing error rate, which can meet the requirements of customers in terms of sequencing throughput and efficiency under various scenarios. Accompanying with our PGT analysis software, DA500 has realized automated data analysis and complete monitoring solution for gene testing. In September 2023, we obtained the Class III medical device registration certificate granted by the NMPA (Guo Xie Zhu Zhun 20233221281) and realized full commercialization.

- **Automated sample preparation system (BS1000C)**

The BS1000C high-throughput automated sample preparation system is a high-throughput, feature-rich, and flexible desktop multi-function automated workstation that can automate most of the sample preparation process. This workstation is equipped with a 96-channel pipette, a built-in conventional high-throughput sequencing sample preparation process and a nucleic acid extraction process, as well as a fully automated operation design, so that it can achieve long-term unattended operation. It can also be customized according to customers' requirements, turning out to be an efficient and flexible automated sample preparation system for a wide range of applications.

- **PGT-A, PGT-M and PGT-SR analysis software**

For the three PGT kits (PGT-A, PGT-M and PGT-SR), we have designed or are designing analysis software associated with sequencers and kits. We obtained the registration certificate for our PGT-A analysis software from NMPA in 2022, and are expected to obtain the registration certificates for our PGT-M kits and PGT-SR kits from NMPA in 2024 and 2025, respectively. In the field of PGT, we have achieved a closed-loop marketing with kits, high-throughput sequencers and supporting software.

- **Time-lapse incubator (Geri®)**

The core concept of our Geri® Time-Lapse Incubator is to provide safe and stable culture conditions for embryo culturing. The incubator includes six independent culturing chambers, and every chamber is exclusive for one patient, with independent air supply, humidity supply and heating, which is conducive to stability of embryo growth. Meanwhile, it is the world's first wet type time-lapse incubator, and can offer stable osmotic pressure environment for the development of embryos. Each chamber is equipped with a five-million-pixel high-definition camera component to capture images in 11 focal planes every five minutes, providing more dynamic developmental data for clinical decision-making. Each chamber is also independently equipped with a temperature sensor, a CO₂ sensor and a humidity warning system to monitor inside culturing environment in real time, and can generate real-time warnings for abnormal situations. Accompanying with intelligent analysis software, the incubator can automatically identify abnormal developmental patterns directly related to embryo implantation potential, helping embryologists select embryos with higher developmental potential and improving the utilization rate of embryos for patients. Geri® Time-Lapse Incubator has obtained the registration certificates issued by NMPA (Guo Xie Zhu Jin 20202180490), CE, FDA and TGA.

Management Discussion and Analysis

- **Culture media (Gems)**

Gems' full collection of culture media contains key ingredients that support embryo development and maintain stable cultivating environment (especially maintaining stable osmolality and pH value). The collection includes egg retrieval solution specified for gametes process, vitrified solution specified for vitrification, thawing solution and Gavi solution, IVF medium for embryo cultivation, IVM medium, blastocyst medium and full process solution. All of Gems' products contain gentamicin for preventing microorganism contamination and sodium bicarbonate buffer. Saved for egg retrieval solution, all products contain human serum albumin (HSA). Since its clinical use in 2013, Gems has entered the market successfully through massive clinical data validation. Up to now, there have been more than ten thousands of babies born globally with the help of Gems. Gems' full collection of culture media products have been on the market for nine years and registered and certified as medical devices by CE, FDA and TGA, and has occupied certain market shares in China through Original Equipment Manufacture (OEM) production and sales by other internationally renowned companies. We expected to complete registration and obtain approval of Gem as our own brand from NMPA in 2025.

- **Liquid nitrogen storage dewar (BCT38)**

Based on the conventional liquid nitrogen tank, we have developed our liquid nitrogen storage dewar equipped with a digital management system, which is the first liquid nitrogen storage dewar product of the world to obtain the medical device registration certificate. It solved problems such as the frequent measurement of liquid gas level for embryo management, difficulty in permission management, and lack of operation logbook, etc. The device achieved real-time monitoring of tank temperature and alarm system, a double-verification lock, with permission level management, and an automatic operation logbook, ensuring the safety of embryo preservation and the scientificity of experiment management. The device received CE certificate in 2020 and obtained the Class II medical device registration certificate (Su Xie Zhu Zhun 20222221946) in November 2022.

- **Cryopreservation system (BSG800A and BSG800C)**

Our self-developed cryopreservation system (BSG800A and BSG800C) is the first innovative device with full-automatic ultra-low temperature storage designed for the field of biological sample storage, which solves problems such as a heavy workload in storage management, space occupied by the storage of liquid nitrogen tanks, and a lack of information-based management. This device achieved automation of embryo storage and liquid nitrogen supply, an intelligence of information entry and retrieval, as well as ultra-low temperature protection throughout the process of sample transfer and storage, which significantly enhances work efficiency, and ensures the safety of long-term biological sample storage at the same time. The device has received CE certificate in 2020, and obtained the Class II medical device registration certificate (Su Xie Zhu Zhun 20242221830) in September, 2024.

- **Sperm quality analyzer (BKA210)**

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

Our self-developed sperm quality analyzer is the world's first analytical device for unstained active sperms, which performs both static and dynamic analyses by AI of the concentration, motility and morphology for unstained sperms, and maintains the original morphology of sperm in analysis at the same time. It also avoids the change of sperm morphology during the staining process, resulting to an efficient, fast and objective analysis. We completed the registration inspection of the NMPA in October 2023 and expect to obtain the registration certificate of the NMPA in 2024.

Management Discussion and Analysis

- **Automated vitrification instrument (Gavi)**

Gavi is the first automated vitrification instrument in the world to be utilized in the process of freezing embryos and eggs in the IVF automated vitrification. By using the Gavi automated vitrification instrument to perform standardized refrigerating operations, the recovery rate of embryos after refrigerating can be improved while standardizing the operating procedures. At the same time, this equipment can also reduce the learning cost of new laboratory personnel and improve the overall management efficiency of the laboratory. The instrument has obtained CE certification approval and has been on the market for nearly seven years. The product is expected to be approved by the NMPA in 2026.

- **Intelligent assisted reproduction management system (iARMS)**

iARMS (Intelligent Assisted Reproduction Management System) is based on the reproductive clinical path and provides the new generation of “artificial intelligence + Internet of Things” information solutions in the assisted reproduction field, thereby establishing a multi-dimensional assisted reproduction management system that runs through the reproductive cycle and covers patient medical records, medical diagnosis, and treatment plans, etc. Leveraging the rapid development of artificial intelligence, iARMS integrates reproduction clinical information system with the concept of clinical auxiliary decision-making, thereby speeding up patient registration, examination, diagnosis and treatment, and breaking the isolated data islands in traditional information system. iARMS ensures the modularisation and interconnection of the laboratories, and installs the IoT sample verification system to ensure the information security of each sample. Each module of iARMS is developed independently, allowing for easy upgrade and maintenance. iARMS will significantly improve the operating efficiency and satisfaction of the reproduction centres, serving as the development vision of the reproduction centres for the next two decades.

MANUFACTURING

We officially completed the move into our new headquarters in April 2024, fully realizing the enhancement of our high-quality and large-scale delivery capability. The total gross floor area of our headquarters is 71,628 sq.m., with 21,503 sq.m. for R&D office use and 50,125 sq.m. for production use. This advanced manufacturing base has the R&D and production capacity for products in the entire industrial chain of assisted reproduction, including testing kits, consumables, instruments, and equipment. We aim to build a manufacturing cluster covering the entire industrial chain of assisted reproduction, adhering to the industrial development of independent R&D and domestic substitution, and providing patients with testing kits, consumables, instruments and equipment that meet global quality standards at more affordable prices.

Our manufacturing facility is designed in compliance with 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 combine highly automated production process, to ensure excellent performance and quality of products, and build lean productive workshops compliant with GMP system. We have obtained several product registration certificates in various areas, such as *in vitro* diagnostic reagent, active device and independent software, and will continue to adhere to technology innovation to realize high-quality and large-scale delivery of medical products, aiming to become a global leading medical technology company.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT

During the Reporting Period, we maintained an active advancement in our research and development endeavors mainly including the completion of clinical trials of our PGT-M kit in March 2024.

Furthermore, our research outcomes have been successfully showcased through publications in several esteemed academic journals as a joint author, including:

- (i) the Computational and Structural Biotechnology Journal (IF:6.2), where we published an article titled “Multidimensional Morphological Analysis of Live Sperm Based on Multiple-target Tracking”, this study innovatively developed a new sperm quality detection method, and proposed a real-time tracking algorithm suitable for sperm multi-target interleaved movement scenarios. The algorithm combines sperm’s movement distance, angular trajectory and other movement features to accurately track multiple sperm staggered moving targets, and completes morphological analysis of the sperm’s head, middle section and main section, sperm motility and semen concentration analysis during the tracking process;
- (ii) Chinese Journal of Laboratory Diagnosis (中國實驗診斷學), where we published an article titled “A new technology and application to improve the accuracy and range of chromosome copy number detection in abortion tissues”, which innovatively proposed a second-generation sequencing platform, and developed a new chromosome abnormality detection technology, CNV-plus, to explore the detection performance and advantages of this technology and provide a new method for high-precision and comprehensive detection of copy number in clinical practice;
- (iii) the Molecular Genetics & Genomic Medicine journal, where we published an article titled “Preimplantation genetic testing as a means of preventing hereditary congenital myasthenic syndrome caused by RAPSN”, which proposed the use of WES (whole exome sequencing) for carrier detection and PGT-M guidance in the absence of patients with genetic characteristic indicators, and the use of assisted reproductive technology to prevent the occurrence of birth defects in subsequent pregnancies;
- (iv) the BMC Medical Genomics journal, where we published an article titled “Development of preimplantation genetic testing for monogenic reference materials using next-generation sequencing”, which successfully established PGT-M reference materials containing 12 genomic DNA (gDNA) reference materials and 4 simulated embryo reference materials for thalassemia detection; and
- (v) the Molecular Genetics & Genomic Medicine journal, where we published an article titled “Identification and interruption of inheritance of familial cryptic translocations: A case report”, which innovatively proposed a new method to detect recessive translocation and block its familial transmission and demonstrated that whole-genome, low-coverage mate pair sequencing combined with preimplantation genetic haplotype analysis can effectively identify recessive translocations and block familial transmission.

INTELLECTUAL PROPERTY

As of June 30, 2024, we had registered 118 patents, 125 trademarks, 57 software copyrights and 16 domain names in China. We had also registered four trademarks in Hong Kong, one trademark in the United States and one trademark in Japan. As of the same date, we had submitted 65 patent applications in China.

Management Discussion and Analysis

COMMERCIALIZATION

Our sales model is currently transforming to distributors' sales. As of June 30, 2024, we had a total of 70 sales personnel (number of sales personnel as of June 30, 2023: 185). The change in quantity is mainly due to the change of internal statistical methodology of sales personnel and internal personnel change caused by the shift in the focus of the Company's sales model, and over 48 distributors including the platform distributors of ShangPharma Holding Company Limited (上藥控股有限公司) and Sinopharm Holding Company Limited (國藥控股股份有限公司), covering more than 300 assisted reproductive institutions in aggregate in the PRC. Meanwhile, BMX has 30 sales personnel and over 40 distributors, serving more than 600 overseas clinical institutions with the business and partners spanning across more than 20 countries and regions globally (apart from China).

As of June 30, 2024, we had covered 85 top hospitals with PGD/PGS technology in China, accounting for 73% of the total 115 third-generation entities. We had 300 assisted reproduction centers in the sinking market, with coverage rate exceeding 50%. The whole pipeline products cover 500,000 hospital cycles, increasing by 20% as compared to the six months ended June 30, 2023.

Meanwhile, leveraging our distribution advantages and competitive product pricing, we will adhere to a two-way business model to expand international commercialization and rapidly establish a strong presence in the global market. We will sell BMX embryo culture products through our sales channels in China, and meanwhile, through BMX's sales channels and brand to sell our own products such as in PGT products and andrology and cryopreservation products. In the first half of 2024, we achieved significant growth in the sales of equipment such as embryo incubators and products such as embryo culture solution to customers in Spain, the United Kingdom and the United States, and successfully developed numerous group customers. We expect to deliver products to several new customers in the second half of 2024.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Ms. YANG Ying resigned as an executive Director on August 29, 2024 due to her personal work arrangements. Effective from August 29, 2024, the Board appointed Ms. JIANG Junchao as an executive Director to fill the vacancy arising from the resignation of Ms. YANG Ying. For further details, please refer to the announcement of the Company dated August 29, 2024 in relation to the resignation and appointment of executive Director.

Save as otherwise disclosed above, there are no important events occurred after the end of Reporting Period and up to the date of this interim report.

FUTURE AND OUTLOOK

To accomplish the Company's vision, we intend to implement the following business strategies:

- (i) We will accelerate the expansion of the entire industrial chain based on the strengths of PGT products in the industry. Meanwhile, we will empower other product businesses in the five laboratory scenarios and improve the stickiness of pipeline products, thereby increasing the business penetration rate of five laboratory scenarios of the Company;

Management Discussion and Analysis

- (ii) We will expand the sales network to cover 500 assisted reproduction centers in China and expand our sales scale, and promote the progress of certification application of pipeline products in various scenarios and accelerate the commercialization process. Meanwhile, we will support the assisted reproduction center to complete the localization and upgrade deployment of the laboratory and further expand the market share;
- (iii) We will strengthen the international strategic layout, establish a wide global sales network to expand overseas market, and promote the rapid sales of our self-developed products. Meanwhile, we will build a laboratory that meets international standards, Key Opinion Leader (KOL) and overseas sales team, and gradually promote PGT products, andrology and cryopreservation products to overseas markets;
- (iv) We will continue to empower our business through mergers and acquisitions and external cooperation, strengthen R&D and transformation of scientific and technological achievements, and build the world's leading R&D system; and
- (v) We will establish a global production facility covering the whole industry chain of assisted reproduction products by way of building our headquarters, realize high-quality and large-scale delivery ability, adhere to the industrialization development of independent R&D and domestic substitution, and provide safety guarantee for biological agents for the country and prepare for mass production of the market.

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 and other products in our product portfolio of this interim report successfully.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we generated revenue from sales of various types of testing kits, testing and cryopreservation devices and instruments, embryo culture devices and embryo culture solution, consumables and other products.

Our revenue increased by 45.8% from RMB85.5 million for the six months ended June 30, 2023 to RMB124.7 million for the six months ended June 30, 2024. This increase was primarily due to (i) the consolidation of BMX's financial results into our global sales results after the BMX Acquisition, and (ii) the sales of the Company's core products in the five laboratory scenarios have maintained steady growth. The sales of PGT kits, embryo incubators and ultra-low temperature storage products have all achieved the expected growth rate.

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, primarily including depreciation of property, plant and equipment and right-of-use assets; and (iv) others, primarily including utility fees, property rental expenses, logistics expenses and equipment maintenance expenses.

Our cost of sales increased by 28.7% from RMB52.0 million for the six months ended June 30, 2023 to RMB66.9 million for the six months ended June 30, 2024, mainly due to the increase in cost of sales in line with increase in sales and the consolidation of cost of sales after the BMX Acquisition. The percentage of increase in our cost of sales was lower than that of our revenue growth.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 72.3% from RMB33.6 million for the six months ended June 30, 2023 to RMB57.9 million for the six months ended June 30, 2024. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group increased from 39.2% for the six months ended June 30, 2023 to 46.4% for the six months ended June 30, 2024, primarily due to the optimization of product portfolio resulting from BMX Acquisition, which increased the overall gross profit margin.

Management Discussion and Analysis

Other Net Income

Our other net income decreased by 47.1% from RMB47.7 million for the six months ended June 30, 2023 to RMB25.2 million for the six months ended June 30, 2024, primarily due to a decrease in exchange gains arising from exchange rate fluctuations.

Selling and Distribution Costs

Our selling and distribution expenses increased by 29.0% from RMB39.3 million for the six months ended June 30, 2023 to RMB50.7 million for the six months ended June 30, 2024, primarily due to the increase in the selling and distribution costs consolidated after the completion of the BMX Acquisition and increased marketing activities for the full deployment of new products.

Administrative Expenses

Our administrative expenses increased by 122.1% from RMB36.2 million for the six months ended June 30, 2023 to RMB80.4 million for the six months ended June 30, 2024, primarily due to increase in the administrative expenses consolidated after the completion of the BMX Acquisition, amortization resulting from the acquired assets and the accrued impairment losses on trade and other receivables.

Research and Development Expenses

The following table sets forth the components of our research and development expenses for the period indicated.

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs	34,077	28,122
Clinical trial expenses	19,603	20,986
Consumables expenses	8,381	9,232
Depreciation expenses	3,728	1,823
Others	3,850	3,561
Total	69,639	63,724

Our research and development expenses increased by 9.3% from RMB63.7 million for the six months ended June 30, 2023 to RMB69.6 million for the six months ended June 30, 2024, primarily due to the continued investment in the clinical trials for our PGT-M kit and PGT-SR kit, as well as the consolidation of related R&D expenses incurred by BMX upon completion of the BMX Acquisition.

Finance Costs

Our finance costs consist of (i) interest on interest-bearing bank loans, and (ii) interest on lease liabilities. We recorded financial costs of RMB0.1 million and RMB3.7 million for the six months ended June 30, 2023 and June 30, 2024, respectively. The increase in finance costs for the six months ended June 30, 2024 was mainly due to the increased interest on bank loans.

Income Tax

We recorded income tax expense of RMB4.2 million for the year ended June 30, 2023 and an income tax credit of RMB1.4 million for the six months ended June 30, 2024. The decrease in income tax expense was mainly due to the decrease in taxable amount due to the decrease in exchange gains during the Reporting Period and changes in deferred income tax liabilities.

Management Discussion and Analysis

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 various types of testing kits, testing device and instruments, cryostorage devices, embryo culture devices and embryo culture media and consumables.

Our inventories increased by 2.2% from RMB94.1 million as of December 31, 2023 to RMB96.2 million as of June 30, 2024, primarily due to the increased inventory of products in anticipation of higher demand.

Trade and Other Receivables

Our trade and other receivables increased by 4.0% from RMB174.0 million as of December 31, 2023 to RMB180.9 million as of June 30, 2024, primarily due to the expansion of new customers near the end of the Reporting Period, which led to higher trade receivables compared to the end of 2023.

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 and other payables decreased by 16.8% from RMB179.7 million as of December 31, 2023 to RMB149.5 million as of June 30, 2024, primarily due to the settlement of the payables for the construction costs of our headquarters.

Financial Resources, Liquidity and Capital Structure

During the Reporting Period, we primarily funded our working capital requirements from bank loans, equity financing and cash generated from our operations. We monitor our uses of cash and cash flows on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs.

Our current assets decreased by 8.3% from RMB1,215.2 million as of December 31, 2023 to RMB1,114.7 million as of June 30, 2024, primarily due to the expansion of the business operations of the Group and the settlement of the payables for the construction costs of our headquarters.

As of June 30, 2024, we had unsecured bank loans of RMB152.4 million, of which RMB22.4 million was interest-free and RMB130 million had a floating interest rate of 3.45% per annum (as determined by LPR). As of the same date, we had secured bank loans of RMB175.9 million with an interest rate of 3.65%–3.90% per annum, which was determined based on LPR. The secured bank loans were pledged by the Group's land use right and certain property, plant and equipment. Our unsecured and secured bank loans were all denominated in RMB.

During the Reporting Period, we did not have any financial instruments for hedging purposes.

Due to the Global Offering, we received net proceeds of approximately HK\$1,898.7 million (after deduction of underwriting fees, commissions and relevant expenses). We intend to apply such net proceeds in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed "Ordinary Resolution – Proposed Change in Use of Proceeds".

Management Discussion and Analysis

We follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks. We endeavor to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board would also consider various funding sources depending on our funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet our financial obligations. The Board reviews and evaluates our funding and treasury policy from time to time to ensure its adequacy and effectiveness.

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

Save as disclosed in the sections headed – “Capital Commitments” and “Use of Proceeds from the Global Offering” in this interim report, the Group had no material capital expenditure plan nor other plans for material investments or capital assets as of the date of this interim report.

Contingent Liabilities

As of June 30, 2024, we did not have any contingent liabilities.

Capital Commitments

Capital commitments outstanding as of June 30, 2024 and December 31, 2023 not provided for in this interim report were as follows:

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Authorised and contracted for		
– Property, plants, and equipment	26,596	10,236
– Subscription of limited partnership interest in the fund	6,090	6,648
Total	32,686	16,884

Charge on Assets

Save for the secured bank loans of RMB175.9 million pledged by the Group’s land use rights and certain property, plant and equipment, there was no charge on assets of the Group as of June 30, 2024.

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, 2024, the Company was in a net cash position and thus, gearing ratio is not applicable.

Employees and Remuneration

As of June 30, 2024, the Group had 528 employees (as of December 31, 2023: 586). The number of employees employed by the Group varies depending on our business requirement. The remuneration package of our employees includes salary, bonus and equity-settled share-based payment, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds for its employees in Mainland China as required by the PRC laws and regulations, and makes contributions to relevant employee benefits for employees outside Mainland China as required by the relevant requirements of other regions in the PRC and other countries.

Management Discussion and Analysis

The total remuneration cost incurred by the Group for the six months ended June 30, 2024 was approximately RMB92.3 million, as compared to RMB65.1 million for the six months ended June 30, 2023. The increase are primarily attributable to the increased number of overseas sales personnel.

During the six months ended June 30, 2024, 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.

The remuneration of the Directors, Supervisors and senior management is determined by the Board with reference to recommendations by the Remuneration and Appraisal Committee in respect of the overall remuneration policy and structure of the Directors, Supervisors and senior management of the Company (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive plans, etc.) and based on the major scope, responsibility and importance of the respective positions of the Directors, Supervisors and senior management and the remuneration of the same position paid by comparable companies.

We recruit our personnel primarily through different methods, such as recruiting websites, recruiters and job fairs. All of our new employees are required to attend orientation and training programs so as to enable them to better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their compliance awareness.

The employees of the Group based in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The employees of the Group's Australian subsidiaries are members of a state-managed retirement scheme in Australia. The Group's Australian subsidiaries are required to contribute a certain percentage of staff payroll costs to the retirement scheme to fund the benefits, which is the only obligation of the Group with respect to the retirement benefit scheme.

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

As of June 30, 2024, 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 Position in the Shares of the Company:

Name of Director	Position	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company ⁽³⁾	Approximate percentage of interest in the relevant class of Shares of our Company ⁽⁴⁾
Dr. Liang ⁽¹⁾	Executive Director and general manager	Beneficial owner	55,231,640 Domestic Shares	20.19%	28.95%
		Interest in a controlled corporation	36,090,379 Domestic Shares	13.19%	18.91%
Mr. XU Wenbo ⁽²⁾	Non-executive Director	Interest in a controlled corporation	16,571,513 Domestic Shares	6.06%	8.68%

Notes:

- (1) As of June 30, 2024, 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, 2024, 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. Zhangjiagang Bo Xin Investment Partnership (Limited Partnership) ("**Bo Xin**", 張家港博信投資合夥企業(有限合夥)) was the general partner of Bo Feng. Both Broad Vision Glory and Bo Xin were ultimately controlled by Mr. XU Wenbo directly and indirectly through Beijing Broad Vision Funds Co., Ltd. ("**Broad Vision Funds**", 北京博華資本有限公司). Therefore, Mr. XU Wenbo was deemed to be interested in the Shares in which Broad Vision Investment and Bo Feng were interested under the SFO.
- (3) Calculated based on the number of the total issued share capital of the Company as of June 30, 2024, being 273,526,000.
- (4) Calculated based on the aggregate number of the Domestic Shares and the Unlisted Foreign Shares of the Company as of June 30, 2024, being 190,812,165.

Save as disclosed above and as of June 30, 2024, 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, 2024, so far as it was known to the Directors, the following persons (other than the Directors, Supervisors 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 Position in the Shares of the Company:

Name of Substantial Shareholders	Nature of interest	Number and class of Shares	Approximate percentage of interest in our Company ⁽⁷⁾	Approximate percentage of interest in the relevant class of Shares of our Company ⁽⁸⁾
Hillhouse HK ⁽¹⁾	Beneficial owner	6,006,010 H Shares; 7,630,348 Unlisted Foreign Shares	2.20% 2.79%	7.26% 4.00%
OrbiMed Capital LLC ⁽²⁾	Investment Manager	8,116,500 H Shares	2.97%	9.81%
Basecare Investment ⁽³⁾	Beneficial Owner	36,090,379 Domestic Shares	13.19%	18.91%
Zhongcheng Fangyuan Phase II ⁽⁴⁾	Beneficial Owner	15,189,172 Domestic Shares	5.55%	7.96%
Sino-Rock Investment Management Company Limited	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.45%
Hangzhou Hanshi Investment Management Service Co., Ltd.	Beneficial Owner	12,299,422 Domestic Shares	4.50%	6.45%
Broad Vision Investment ⁽⁵⁾	Beneficial Owner	11,969,242 Domestic Shares	4.38%	6.27%
Suzhou Sungent ⁽⁶⁾	Beneficial Owner	11,418,525 Domestic Shares	4.17%	5.98%

Notes:

- (1) As of June 30, 2024, Hillhouse HK was wholly owned by HH SPR-XIV CY Holdings Limited (“**HH CY**”). HH SPR-XIV CY Holdings Limited was wholly owned by HH SPR-XIV Holdings L.P. (“**HH Holdings**”). Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., the sole limited partner of HH Holdings. Mr. ZHANG Lei may be deemed to have controlling power over Hillhouse Capital Management, Ltd. Mr. ZHANG Lei disclaims beneficial ownership of all of the Shares held by Hillhouse Fund IV, L.P., except to the extent of his pecuniary interest therein. Hillhouse Investment Management, Ltd. is the investment manager for these shares.

Other Information

- (2) As of June 30, 2024, OrbiMed Capital LLC is the investment manager of (i) The Biotech Growth Trust Plc which holds 2,204,900 H Shares; (ii) OrbiMed Genesis Master Fund, L.P. which holds 980,000 H Shares; (iii) OrbiMed New Horizons Master Fund, L.P. which holds 514,500 H Shares; and (iv) OrbiMed Partners Master Fund Limited which holds 4,417,100 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., OrbiMed Partners Master Fund Limited were interested under the SFO.
- (3) As of June 30, 2024, 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.
- (4) As of June 30, 2024, Shenzhen Qianhai Hengrui Fangyuan Investment Management Co., Ltd. ("**Hengrui Fangyuan**", 深圳前海恒瑞方圓投資管理有限公司) was the general partner of Zhongcheng Fangyuan Phase II. Hengrui Fangyuan was held as to 70.00% by Mr. WANG Rui. Therefore, each of Hengrui Fangyuan and Mr. WANG Rui was deemed to be interested in the Shares in which Zhongcheng Fangyuan Phase II was interested under the SFO.
- (5) As of June 30, 2024, Broad Vision Glory 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 Broad Vision Funds. 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.
- (6) As of June 30, 2024, 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 June 30, 2024, 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% by Suzhou YuanXiang Enterprise Consulting Partnership (Limited Partnership) ("**Suzhou Yuan Xiang**", 蘇州元響企業諮詢合夥企業(有限合夥)) and 35.00% by Sungent Holding. Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. ("**Zhinuo Business**", 蘇州工業園區智諾商務信息諮詢有限公司) is a general partner of Suzhou Yuan Xiang. Zhinuo Business was held as to 99.00% by Mr. CHEN Jie.

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

- (7) Calculated based on the number of the total issued share capital of the Company as of June 30, 2024, being 273,526,000.
- (8) Calculated based on the number of the H Shares of the Company as of June 30, 2024, being 82,713,835, or the aggregate number of the Domestic Shares and the number of the Unlisted Foreign Shares of the Company as of June 30, 2024, being 190,812,165.

Save as disclosed above and as of June 30, 2024, 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 Executive's Interests and Short Positions in Shares, 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

CHANGES OF THE BOARD, DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed – “Important Events after the end of the Reporting Period” in this interim report, there were no changes of the Board, Directors and Supervisors and the change to the Director’s and Supervisors’ information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period and as of the date of this interim report.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the Reporting Period (2023 interim dividend: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code for the six months ended June 30, 2024, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and general manager of the Company are not separate and are both performed by Dr. Liang.

The Board believes that vesting the roles of both chairman of the Board and general manager of the Company in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the general manager of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

DIRECTORS’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ and Supervisors’ securities transactions since the Listing Date. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the Reporting Period.

No incident of non-compliance of the Model Code was noted by the Company during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from its initial Global Offering (including the partial exercise of the over-allotment option) amounted to HK\$1,898.7 million (equivalent to RMB1,584.1 million) (after deducting the underwriting commissions and relevant expenses).

The table below sets out the planned applications and actual applications of the net proceeds:

Use of Proceeds	Planned applications HK\$ in million	Percentage of total Proceeds	Actual amount of proceeds utilized as of January 1, 2024 HK\$ in million	Actual amount of proceeds unutilized as of June 30, 2024 HK\$ in million	Actual amount of proceeds utilized as of June 30, 2024 HK\$ in million	Percentage of proceeds from the Global Offering expected to be used in 2024	Expected timeframe for fully utilization of unutilized net proceeds
Core Product – PGT-A kit	379.7	20%	235.2	97.5	282.2	4.94%	Within the next one to two years
Ongoing sales and marketing activities of our PGT-A kit and planned commercialization in China, in order to expand our sales channels, continue market coverage expansion, conduct patient education and clinical knowledge of physicians and increase the penetration rate of our PGT-A kit	151.9	8%	125.0	24.2	127.7	0.28%	one to two years
Optimizing the production process of our PGT-A kit by upgrading our existing manufacturing machinery and equipment, as well as procuring and installing new automated operational equipment and instruments to increase our production efficiency for PGT-A kit, and optimizing and upgrading our and PGT-A kits	227.8	12%	110.2	73.3	154.5	4.66%	
Clinical trial, registration filing and commercialization of PGT-M kit	189.9	10%	105.3	59.5	130.4	2.64%	Within the next one to two years
Clinical trial and registration filing of our PGT-M kit (including the relevant labor and consumables costs)	132.9	7%	86.1	24.2	108.7	2.38%	years
Commercialization, sales and marketing activities of our PGT-M kit	57.0	3%	19.2	35.3	21.7	0.26%	
Development, clinical trials, registration filings and commercialization of our other products	569.6	30%	377.3	123.6	446.0	6.23%	Within the next one to two years
Development, clinical trials, registration filings and commercialization of our other genetic test kit products	227.8	12%	178.5	26.8	201.0	2.00%	years
Research, development, manufacturing and commercialization of our genetic testing devices and instruments	341.8	18%	198.8	96.8	245.0	4.23%	

Other Information

Use of Proceeds	Planned applications HK\$ in million	Percentage of total Proceeds	Actual amount of proceeds utilized as of January 1, 2024	Actual amount of proceeds unutilized as of June 30, 2024	Actual amount of proceeds utilized as of June 30, 2024	Percentage of proceeds from the Global Offering expected to be used in 2024	Expected timeframe for fully utilization of unutilized net proceeds
			HK\$ in million	HK\$ in million	HK\$ in million	HK\$ in million	
Improving our R&D capabilities and enhancing our technologies, 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	284.8	15%	197.3	60.0	224.8	2.89%	Within the next one to two years
Constructing and decorating of our R&D center and expanding the manufacturing plant for our test kit products, testing devices and instruments	189.9	10%	70.4	115.7	74.2	0.4%	Within the next one to two years
Working capital and general corporate purposes	284.8	15%	246.1	10.8	274.0	1.89%	Within the next one to two years
Total	1,898.7	100%	1,231.6	467.1	1,431.6	18.99%	

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. The net proceeds have been utilized in accordance with the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus and further revised and disclosed in the circulars of the Company dated November 16, 2021 and April 7, 2022 under the sections headed “Ordinary Resolution — Proposed Change in Use of Proceeds”.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including any sale or transfer of treasury shares (as defined in the Listing Rules)) during the Reporting Period (Six months ended June 30, 2023: nil).

As at June 30, 2024, the Company did not hold any Shares as treasury shares.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

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

SHARE SCHEMES

The Company has not adopted any share schemes under Chapter 17 of the Listing Rules.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period and up to the date of this interim report, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the date of this interim report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES ON DEBENTURES

None of the Directors, Supervisors or any of their respective associates was 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 Reporting Period.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. LAM Siu Wing, Dr. KANG Xixiong and Mr. WANG Weipeng. Mr. LAM Siu Wing, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Company and the interim results for the six months ended June 30, 2024 and the interim report.

KPMG, the Group's external auditor, has carried out a review of the unaudited interim consolidated financial statements for the six months ended June 30, 2024 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 HKICPA.

Other Information

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Suzhou, PRC, August 29, 2024

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 30 to 47 which comprises the consolidated statement of financial position of Suzhou Basecare Medical Corporation Limited (the “**Company**”) as of 30 June 2024, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months 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 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

29 August 2024

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2024 — unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	124,739	85,546
Cost of sales		(66,861)	(51,982)
Gross profit		57,878	33,564
Other net income	5	25,207	47,678
Selling and distribution expenses		(50,658)	(39,311)
Administrative expenses		(80,380)	(36,208)
Research and development expenses		(69,639)	(63,724)
Other operating expenses		(51)	(165)
Loss from operations		(117,643)	(58,166)
Finance costs	6(a)	(3,684)	(90)
Loss before taxation	6	(121,327)	(58,256)
Income tax	7(a)	1,412	(4,237)
Loss for the period		(119,915)	(62,493)
Attributable to:			
Equity shareholders of the Company		(119,912)	(61,369)
Non-controlling interests		(3)	(1,124)
Loss per share (RMB)	8	(0.4)	(0.2)
Basic and diluted (RMB)			

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2024 — unaudited

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Loss for the period	(119,915)	(62,493)
Other comprehensive income for the period, net of nil tax		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(5,557)	(5,192)
Other comprehensive income for the period	(5,557)	(5,192)
Total comprehensive income for the period	(125,472)	(67,685)
Attributable to:		
Equity shareholders of the Company	(125,469)	(66,561)
Non-controlling interests	(3)	(1,124)
Total comprehensive income for the period	(125,472)	(67,685)

The notes on pages 36 to 47 form part of this interim financial report.

Consolidated Statement of Financial Position

At June 30, 2024 — unaudited

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	361,760	346,665
Right-of-use assets		17,849	19,938
Intangible assets		110,792	118,301
Goodwill		145,445	147,990
Financial assets measured at fair value through profit or loss ("FVPL")	10	34,869	33,573
Other non-current assets		12,090	16,035
Deferred tax assets	7(b)	252	419
		683,057	682,921
Current assets			
Inventories		96,222	94,109
Trade and other receivables	11	180,897	173,966
Other current assets		2,169	2,882
Time deposits	12	70,000	—
Restricted cash	12	574	993
Cash and cash equivalents	12	764,817	943,216
		1,114,679	1,215,166
Current liabilities			
Trade and other payables	13	149,480	179,727
Contract liabilities		678	47
Bank loans	14	43,207	10,500
Lease liabilities		4,405	4,686
Income tax payable		415	305
		198,185	195,265
Net current assets		916,494	1,019,901
Total assets less current liabilities		1,599,551	1,702,822

Consolidated Statement of Financial Position

At June 30, 2024 — unaudited

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current liabilities			
Bank loans	14	285,113	259,632
Lease liabilities		5,337	7,099
Deferred tax liabilities	7(b)	33,223	35,465
Other non-current liabilities		3,244	2,520
		326,917	304,716
NET ASSETS			
		1,272,634	1,398,106
CAPITAL AND RESERVES			
Share capital	15	273,526	273,526
Reserves		1,000,181	1,125,650
Total equity attributable to equity shareholders of the Company			
		1,273,707	1,399,176
Non-controlling interests			
		(1,073)	(1,070)
TOTAL EQUITY			
		1,272,634	1,398,106

Approved and authorised for issue by the board of directors on August 29, 2024.

Liang Bo
Director

Kong Lingyin
Director

The notes on pages 36 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2024 — unaudited

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Share based	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				payment reserve RMB'000				
Balance at 1 January 2023	273,526	1,677,279	—	7,905	(365,908)	1,592,802	(1,270)	1,591,532
Changes in equity for the six months ended 30 June 2023								
Total comprehensive income for the period	—	—	(5,192)	—	(61,369)	(66,561)	(1,124)	(67,685)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	5,100	5,100
Balance at 30 June 2023	273,526	1,677,279	(5,192)	7,905	(427,277)	1,526,241	2,706	1,528,947
Changes in equity for the six months ended 31 December 2023								
Total comprehensive income for the period	—	—	3,251	—	(130,316)	(127,065)	(3,776)	(130,841)
Balance at 31 December 2023	273,526	1,677,279	(1,941)	7,905	(557,593)	1,399,176	(1,070)	1,398,106

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Share based	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				payment reserve RMB'000				
Balance at 1 January 2024	273,526	1,677,279	(1,941)	7,905	(557,593)	1,399,176	(1,070)	1,398,106
Changes in equity for the six months ended 30 June 2024								
Total comprehensive income for the period	—	—	(5,557)	—	(119,912)	(125,469)	(3)	(125,472)
Balance at 30 June 2024	273,526	1,677,279	(7,498)	7,905	(677,505)	1,273,707	(1,073)	1,272,634

The notes on pages 36 to 47 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2024 — unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Cash used in operations		(122,314)	(120,141)
Tax paid		71	(3,115)
Net cash used in operating activities		(122,243)	(123,256)
Investing activities			
Payment for the purchase of property, plant and equipment		(55,395)	(50,790)
Proceeds from disposal of property, plant and equipment		10	346
Placement of time deposits		(70,000)	—
Payment for purchase of financial assets measured at FVPL		(427)	(1,572)
Net payment for acquisition of subsidiaries		—	(254,489)
Interest received from bank deposits		14,503	23,628
Net cash used in investing activities		(111,309)	(282,877)
Financing activities			
Capital contribution from non-controlling shareholders		—	5,100
Proceeds from bank loans		67,293	145,704
Repayment of bank loans		(9,105)	—
Bank borrowing cost paid		(5,618)	(1,220)
Payment for capital element of lease liabilities		(2,450)	(2,540)
Payment for interest element of lease liabilities		(250)	(140)
Net cash generated from financing activities		49,870	146,904
Net decrease in cash and cash equivalents		(183,682)	(259,229)
Cash and cash equivalents at 1 January		943,216	1,332,146
Effect of foreign exchanges rates changes		5,283	25,243
Cash and cash equivalents at 30 June	12	764,817	1,098,160

The notes on pages 36 to 47 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in sales of genetic testing kits and sales of genetic testing devices, instruments and consumables.

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 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 29.

The financial information relating to the financial year ended 31 December 2023 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 2023 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on these financial statements in their report dated 28 March 2024.

Notes to the Unaudited Interim Financial Report

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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

4 REVENUE AND SEGMENT REPORTING

During the period, the Group mainly derives revenue from the sales of testing kits and sales of testing devices, instruments and consumables.

(a) Disaggregation of revenue

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
— Sales of testing kits	56,559	53,396
— Sales of testing devices, instruments and consumables	59,539	31,913
— Others	8,641	237
	124,739	85,546
Disaggregated by timing of revenue recognition		
— Point in time	118,532	85,309
— Over time	6,207	237
	124,739	85,546

Notes to the Unaudited Interim Financial Report

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Disaggregated by geographical location of customers		
— The PRC	80,646	83,537
— Europe	26,782	1,069
— Asia (excluding the PRC)	10,880	886
— Others	6,431	54
	124,739	85,546

The above table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of external customers is based on the location at which the goods are delivered or services are provided.

(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	
	2024 RMB'000	2023 RMB'000
Customer A	13,689	N/A*
Customer B	N/A*	12,371
Customer C	N/A*	8,617
	13,689	20,988

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

(c) Segment reporting

Based on the manner in which information is reported internally, the Group's most senior executive management manages the Group's businesses and reviews the Group's operation by geographic areas, for the purposes of resource allocation and performance assessment. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- The PRC
- Australia

Notes to the Unaudited Interim Financial Report

4 REVENUE AND SEGMENT REPORTING (Continued)

(c) Segment reporting (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	The PRC		Australia		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended						
30 June 2024						
Disaggregated by timing of revenue recognition						
Point in time	80,646	83,484	37,886	1,825	118,532	85,309
Over time	—	—	6,207	237	6,207	237
Revenue from external customers	80,646	83,484	44,093	2,062	124,739	85,546
Inter-segment revenue	—	—	30,075	—	30,075	—
Reportable segment revenue	80,646	83,484	74,168	2,062	154,814	85,546
Reportable segment loss before tax	(98,324)	(55,261)	(15,852)	(2,995)	(114,176)	(58,256)
As at 30 June 2024						
Reportable segment assets	1,482,609	1,606,630	348,572	358,342	1,831,181	1,964,972
Reportable segment liabilities	443,988	228,211	105,016	207,814	549,004	436,025

(d) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Total reportable segments' loss before taxation	(114,176)	(58,256)
Elimination of inter-segment transaction	(5,145)	—
Unallocated expenses	(2,006)	—
Consolidated loss before taxation	(121,327)	(58,256)

Notes to the Unaudited Interim Financial Report

5 OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants (i)	2,783	1,450
Interest income from bank deposits	15,338	20,167
Net realised and unrealised gain/(loss) on financial assets measured at FVPL	1,009	(1,128)
Net foreign exchange gain	5,306	25,113
Others	771	2,076
	25,207	47,678

- (i) Government grants primarily comprise subsidies received from the government for encouragement of research and development projects, and compensation on the incurred rental expenditure on the buildings rented for research and development activities.

6 LOSS BEFORE TAXATION

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans	5,623	1,602
Interest on lease liabilities	250	90
Total finance costs on financial liabilities not at fair value through profit or loss	5,873	1,692
Less: borrowing costs capitalised into properties under construction	(2,189)	(1,602)
	3,684	90

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment	7,690	3,191
Depreciation of right-of-use assets	2,743	2,390
Amortisation of intangible assets	5,406	308
Total amortisation and depreciation	15,839	5,889
Less: depreciation expense of land use rights capitalised into properties under construction	(91)	(137)
Amortisation and depreciation charged directly to profit or loss	15,748	5,752
Impairment losses on trade and other receivables	13,514	1,890
Research and development expenses (i)	69,639	63,724

- (i) During the six months ended 30 June 2024, research and development expenses include staff costs and depreciation and amortization expenses of RMB36,913,000 (six months ended 30 June 2023: RMB29,945,000), which amounts are also included in the respective total amounts disclosed separately above.

Notes to the Unaudited Interim Financial Report

7 INCOME TAX AND DEFERRED TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax — the PRC Corporate income tax (“CIT”)	—	4,315
Current tax — other overseas countries	42	12
Deferred tax	(1,454)	(90)
Total	(1,412)	4,237

(i) Statutory tax rate

Under the Corporate Income Tax Law of the PRC (the “CIT Law”), the PRC statutory income tax rate is 25% under the CIT Law. The Group’s subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to the income tax rules and regulations of Australia, the Group’s subsidiaries in Australia are subject to the Australian Income Tax at a rate of 30%. No provision for Australian Income Tax was made for the Group’s subsidiaries in Australia, as these subsidiaries did not have assessable profits for Australia Income Tax for the six months ended 30 June 2024.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) Preferential tax

Under the CIT Law of the PRC and its relevant regulation, 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 6 November 2023 and is subject to income tax at 15% for a three-year period.

Under the CIT Law of the PRC and its relevant regulation, an additional 100% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income for the year ending 31 December 2024.

(b) Deferred tax

As at 30 June 2024, deferred tax assets of RMB252,000 mainly represent temporary differences arising from credit loss allowance and employee benefits and deferred tax liabilities of RMB33,223,000 are arising from fair value adjustments in respect of net assets acquired in business combination in 2023.

8 LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2024 is based on the loss attributable to equity shareholders of the Company of RMB119,912,000 (six months ended 30 June 2023: loss of RMB61,369,000) and the weighted average of 273,526,000 ordinary shares (six months ended 30 June 2023: 273,526,000 shares) in issue.

There were no potential dilutive ordinary shares for the period ended 30 June 2024 and 2023, and therefore dilutive loss per share are the same as the basic loss per share.

Notes to the Unaudited Interim Financial Report

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired equipment with a cost of RMB7,206,000 (six months ended 30 June 2023: RMB9,437,000) and capitalised construction in progress which primarily comprised new buildings for office headquarter, research and development center and plants of RMB15,493,000 (six months ended 30 June 2023: RMB49,484,000).

10 FINANCIAL ASSETS MEASURED AT FVPL

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Unlisted fund investment (i)	4,337	3,250
Unlisted equity investment (ii)	16,960	17,168
Derivative financial instrument (ii)	13,572	13,155
Total	34,869	33,573

- (i) On 10 August 2022, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe the limited partnership interest in TruMed Health Innovation Fund LP, a Cayman Islands exempted limited partnership (the "Fund") represented by a total commitment of USD1.50 million (equivalent to approximately RMB10,690,000). The Fund principally makes equity and equity-related investments in healthcare industry.

As at 30 June 2024, the Group has contributed USD645,000 (equivalent to approximately RMB4,600,000) (31 December 2023: USD585,000 (equivalent to approximately RMB3,997,000)) to the fund, representing 1.1% (31 December 2023: 1.0%) of the total size of the fund. For the six months ended 30 June 2024, the Group recognised the fair value changes of RMB660,000 in unrealised gain on financial assets measured at FVPL (six months ended 30 June 2023: RMB123,000). Details of the remaining fund investment commitment are set within Note 17.

- (ii) The unlisted equity investment and the derivative financial instrument represent the Group's equity interests in Zhejiang Cellpro Biotech Corporation Limited ("Cellpro Biotech") and a put option granted by Cellpro Biotech and its original shareholders, which were recognised as financial assets measured at FVPL with the fair value change being recognised in unrealised gain or loss on financial assets measured at FVPL (see Note 16(a)).

11 TRADE AND OTHER RECEIVABLES

As at 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, was as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 6 months	105,336	104,285
6 ~ 12 months	36,834	44,341
12 ~ 18 months	9,846	4,727
18 ~ 24 months	1,036	2,125
Over 2 years	272	467
Trade debtors receivable, net of loss allowance	153,324	155,945
Prepayments to suppliers	20,693	12,495
Deposits	2,351	2,496
Interest receivables	1,957	981
Others	2,572	2,049
	180,897	173,966

Trade debtors are normally due within 60 to 420 days from the date of billing.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the country in which the customers operate also has an influence on credit risk. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Notes to the Unaudited Interim Financial Report

12 TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Time deposits with original terms over 3 months	70,000	—
Cash at banks	765,391	887,547
Time deposits with original terms within 3 months	—	56,662
Less: Restricted cash	(574)	(993)
Cash and cash equivalents	764,817	943,216

As at 30 June 2024 and 31 December 2023, cash and cash equivalents situated in Mainland China amounted to RMB441,969,000 and RMB469,634,000, respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

13 TRADE AND OTHER PAYABLES

As at the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 3 months	23,959	30,340
3 ~ 6 months	4,825	3,631
6 ~ 9 months	6,343	4,355
9 ~ 12 months	1,031	37
Over 1 year	2,705	2,370
Total trade payables	38,863	40,733
Payroll payables	15,558	20,989
Payables for marketing expenses	2,206	589
Interest payables	415	410
Payables for purchases of property, plant and equipment	56,562	88,039
Other payables and accruals	35,876	28,967
	149,480	179,727

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

Notes to the Unaudited Interim Financial Report

14 BANK LOANS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Current		
Current proportion of secured long-term bank loans	5,805	3,000
Unsecured short-term bank loans	22,402	—
Current proportion of unsecured long-term bank loans	15,000	7,500
	43,207	10,500
Non-current		
Secured long-term bank loans	170,113	137,132
Unsecured long-term bank loans	115,000	122,500
	285,113	259,632

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 31 December 2023, 1 January 2024 and 30 June 2024	273,526,000	273,526	1,677,279	1,950,805

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries of the Group during the current accounting period (six months ended 30 June 2023: Nil).

Notes to the Unaudited Interim Financial Report

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy (Continued)

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted fund investment is determined by the financial institution based on the observable quoted price of the underlying investment portfolio.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Derivative financial instruments	Black-Scholes model	Expected volatility	56.90% (31 December 2023: 44.6%)	1% increase/(decrease) in expected volatility would result in increase/(decrease) in fair value by RMB13,000. (31 December 2023: RMB18,000)
Unlisted equity investment	Market method	LoMD	20% (31 December 2023: 20%)	1% increase/(decrease) in LoMD would result in (decrease)/increase in fair value by RMB80,000. (31 December 2023: RMB300,000)

The movements during the current accounting period in the balance of Level 3 fair value measurements are as follows:

	2024
	RMB'000
<i>Unlisted equity investment</i>	
At 1 January	17,168
Changes in fair value recognised in profit or loss during the period	(208)
At 30 June	16,960

Notes to the Unaudited Interim Financial Report

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Information about Level 3 fair value measurements (Continued)

	2024 RMB'000
<i>Derivative financial instrument</i>	
At 1 January	13,155
Changes in fair value recognised in profit or loss during the period	417
	<hr/>
At 30 June	13,572
	<hr/>

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report were as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for		
– Property, plants, and equipment	26,596	10,236
– Fund investment (Note 10)	6,090	6,648
	<hr/>	<hr/>
	32,686	16,884
	<hr/>	<hr/>

18 MATERIAL RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group carried out the following transactions with its related parties during the period:

Key management personnel remuneration

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	3,461	2,872
Discretionary bonuses	907	670
Retirement scheme contributions	104	125
	<hr/>	<hr/>
	4,472	3,667
	<hr/>	<hr/>

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
“BMX”	BMX Holdco Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of the Company
“BMX Acquisition”	the acquisition of BMX and its seven subsidiaries by the Company, which was completed on June 21, 2023
“Bo Feng”	Zhangjiagang Bo Feng Equity Investment Partnership (Limited Partnership) (張家港博豐股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on October 27, 2023
“Board”	the board of directors of the Company
“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
“CE”	European conformity (conformité européenne)
“CG Code”	the Corporate Governance Code as set out in Appendix C1 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 interim report, our Core Product refers to our PGT-A kit
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors

“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
“Dr. Liang”	Dr. LIANG Bo (梁波), our founder, executive Director, chairman of the Board, general manager and Controlling Shareholder
“FDA”	The United States Food and Drug Administration
“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”, “we” or “us”	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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iARMS”	intelligent assisted reproduction management system
“IFRS”	International Financial Reporting Standards
“IVF”	<i>in vitro</i> fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an <i>in vitro</i> system to achieve pregnancy
“IVM”	<i>in vitro</i> maturation
“Listing” or “IPO”	the listing of our H Shares on the Main Board of the Stock Exchange
“Listing Date”	February 8, 2021, being the date on which dealings in our H Shares commenced on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LPR”	loan prime rate
“Main Board”	the Main Board of the Stock Exchange

Definition

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“Nomination Committee”	the nomination committee of the Board
“PGT”	pre-implantation genetic testing, a test performed before the implantation of an embryo to screen and diagnose the DNA from embryos for determining genetic abnormalities. These include PGT for aneuploidy (PGT-A), PGT for monogenic defects (PGT-M) and PGT for chromosomal rearrangements (PGT-SR)
“Prospectus”	the prospectus issued by the Company dated January 27, 2021
“R&D”	research and development
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the six months ended June 30, 2024
“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 Domestic Share(s), H Share(s) and Unlisted Foreign Share(s)
“Shareholder(s)”	holder(s) of Shares
“sq.m”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Suzhou Sungent”	Suzhou Industrial Park Sungent Bio-Venture Capital Investment Enterprise (Limited Partnership) (蘇州工業園區新建元生物創業投資企業(有限合夥)), a limited partnership incorporated in the PRC on October 28, 2013 and a Pre-IPO Investor
“TGA”	The Therapeutic Goods Administration of Australia
“Unlisted Foreign Shares”	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB
“%”	per cent