堃博医疗控股有限公司
Broncus Holding Corporation

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2216

Interim Report
2023

Contents

CORPORATE INFORMATION

COMPANY NAME

Broncus Holding Corporation
(堃博医疗控股有限公司)

DIRECTORS

Executive Director
Mr. Hong Xu *(Chief Executive Officer)**

Non-executive Directors
Mr. Michael Yi Wei Zhao *(Chairman)*
Mr. Zhenjun Zi
Mr. Ao Zhang
Mr. Guowei Zhan*

Independent Non-executive Directors
Dr. Pok Man Kam
Professor Joseph Wan Yee Lau
Ms. Yee Sin Wong

AUDIT COMMITTEE

Dr. Pok Man Kam *(Chairman)*
Professor Joseph Wan Yee Lau
Ms. Yee Sin Wong

NOMINATION COMMITTEE

Mr. Michael Yi Wei Zhao *(Chairman)*
Professor Joseph Wan Yee Lau
Ms. Yee Sin Wong

REMUNERATION COMMITTEE

Ms. Yee Sin Wong *(Chairwoman)*
Mr. Michael Yi Wei Zhao
Dr. Pok Man Kam

COMPANY SECRETARY

Ms. Yin Kwan Ho (ACG, HKACG)

AUTHORIZED REPRESENTATIVES

Mr. Michael Yi Wei Zhao
Ms. Yin Kwan Ho

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

* With effect from September 1, 2023, Mr. Guowei Zhan was re-designated from an executive Director to a non-executive Director; and Mr. Hong Xu was appointed as the Chief Executive Officer of the Company in place of Mr. Guowei Zhan.

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Room 801, 8/F, Building 8
No. 88 Jiangling Road
Xixing Street, Binjiang District
Hangzhou
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

2216

PRINCIPAL BANKS

China CITIC Bank
Hu Shu Road South Sub-Branch
Hangzhou City
Zhejiang Province
The PRC

COMPANY WEBSITE

www.broncus.com

CONTACT INFORMATION FOR INVESTORS

Tel.: +86 0571-8659 5016
Fax: +86 0571-8796 9085
Email: IR@broncuschina.com

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2023 (Unaudited) *USD'000*	2022 (Unaudited) *USD'000*	Period-to-period change
Revenue	**5,234**	3,218	62.6%
Gross Profit	**4,026**	2,462	63.5%
Loss for the period	**(14,731)**	(16,060)	-8.3%
Add:			
Share awards	**440**	949	-53.6%
Non-IFRS adjusted net loss for the period[(1)]	**(14,291)**	(15,111)	-5.4%

(1) Please refer to section headed"Non-IFRS Measures" in this report for more details.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

There has been an increasing trend in the global prevalence of chronic obstructive pulmonary disease (COPD) and lung cancer that has been propelled by aging population, air pollution and smoking habit in recent years. This has led to a heightened awareness of respiratory diseases among the public. Due to limited treatment approaches, we also see a huge market demand for minimally invasive solutions to treat lung diseases.

According to Frost & Sullivan, there was a COPD-affected population of 226.3 million globally and 106.2 million in China in 2021, and such population is expected to increase to 258.4 million globally and 109.6 million in China by 2025. According to Frost & Sullivan, among the COPD patients, 27.0% are at severe or extremely severe stages in China. If not being treated properly, the mortality rate of these patients will reach 54.0% within five years. Hence, the overall COPD-affected population is in active demand of effective COPD therapeutic solutions that can accurately target varying stages.

Global lung cancer incidence reached approximately 2.2 million population in 2020 and is expected to further increase to 2.5 million by 2025. China has the highest incidence of lung cancer in the world with a lung cancer population accounting for 41.9% of that of the globe, while the overall Chinese population accounts for 18.2% of the global population. In China, the number of new lung cancer patients reached approximately 0.9 million in 2020 and is expected to further increase to more than 1.0 million by 2025. Among these patients, over half of them are diagnosed with the cancer already at late stages at first diagnosis with a five-year survival rate as low as 12.6% for stage III lung cancer patients and even lower at 2.9% for stage IV patients, according to Frost & Sullivan. The overall lung cancer population is in active demand of treatment solutions that can effectively enable earlier diagnostics and hence higher survival rate.

BUSINESS REVIEW

Founded in 2012, we are a pioneer medical device company in the field of interventional pulmonology, providing innovative precise interventional diagnosis and treatment solutions to lung diseases in China and globally. Based on our whole lung access navigation technology and encompassing navigation, diagnoses and treatment, our integrated interventional pulmonology platform addresses the pain points of the existing diagnosis and treatment paradigms and significant unmet medical needs for lung diseases by improving the diagnosis and treatment effects of lung cancer and COPD.

MANAGEMENT DISCUSSION AND ANALYSIS

As at June 30, 2023, we had 13 products globally registered, 9 products in the process of registration application and other new products under various development stages. Our core products are InterVapor® and RF-II. InterVapor® is the world's first and only non-implantable medical device to treat COPD, which has opened up a new path for treating lung cancer using thermal vapor based energy. RF-II is a radiofrequency ablation system used in conjunction with a disposable sterile radiofrequency ablation catheter and the only radiofrequency ablation system taking the transbronchial approach specifically for lung cancer.

Our vision is to be a global leader in the transformation of lung diseases treatments.

We completed the first pre-market clinical surgery for Targeted Lung Denervation (TLD) Ablation System on July 4, 2023. Such TLD product is expected to be important for COPD treatment by providing tissue ablation deep inside the main bronchi of the lungs for targeted reduction of vagus nerve fibers to reduce the tension and mucus production in the airway and relieve airway obstruction.

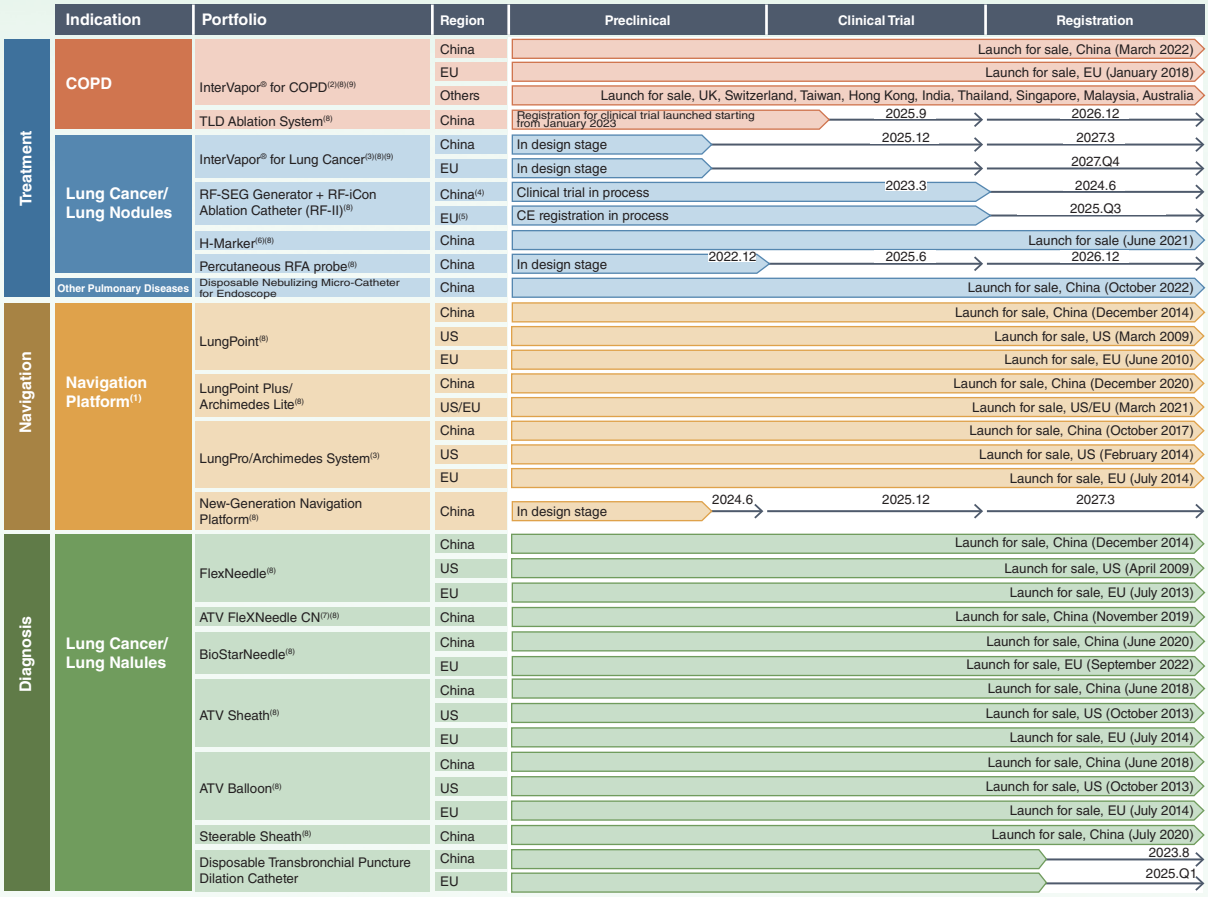
We completed the follow-up visit to the pivotal clinical trial of our core product, RF-II, in the first quarter of 2023, and are now carrying out a statistical analysis on the 12-month follow-up visits to the 126 subjects enrolled in the trial. The product, which applies radiofrequency ablation technique via bronchoscopic pathway, is able to ablate peripheral lesions of lung cancer when combined with our puncture tunnel establisher for lung tissue. During the Chinese Medical Association 11th National Academic Conference on Respiratory Endoscopy and Interventional Pulmonology on August 5, 2023, Professor Li Shiyue from the First Affiliated Hospital of Guangzhou Medical University, the coordinating principal investigator (PI) of the study, reported postoperative 6-month data of the study. The data shows that the study has a technical success rate of 99.35% and a 6-month complete ablation rate of the main lesion being 92.06%. Meanwhile, there is a relatively low incidence of common complications such as pneumothorax and bleeding in thermal ablation for lung cancer in this study. The full results of this study are expected to be presented at the 2023 Annual Scientific Meeting of the European Respiratory Society (ERS), and acceptance of the manuscript has been confirmed by the ERS Secretariat. The study data are intended to be used for the license applications for NMPA medical device.

As at June 30, 2023, the Company has obtained, among others, the following qualifications and certifications at the national and provincial level: National High-tech Enterprise, Zhejiang Science and Technology SMEs, Broncus R&D Center of High-tech Enterprise for Minimally Invasive Interventional Diagnosis and Treatment Devices for Lung Diseases in Zhejiang province, Hangzhou Technology Start-ups Cultivating Project Enterprise , and Hangzhou Enterprise High-tech R&D Center. With the support of the government, the Company will continue to enhance its comprehensive strengths, and create a comprehensive solutions of interventional pulmonology.

MANAGEMENT DISCUSSION AND ANALYSIS

Our products and product pipeline

Set out below are the development status of our products and major product candidates on our three-in-one pulmonology platform as at the date of this report:



Notes:

1. Our navigation systems have been approved for marketing in the U.S., the EU and the PRC. Post-market study (EAST 2 Trial) for the Archimedes System has been completed.

2. In March 2022, InterVapor® has been granted approval for marketing by the NMPA.

3. The clinical study report of R&D clinical trial (VAPORIZE trial) was completed in July 2021.

4. The Company has completed the enrollment of all subjects for the RF-II clinical trial.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Expect to apply for registrations in the EU mainly based on the clinical data collected in China.

6. The clinical trial has been completed and the registration in the PRC was approved in June 2021.

7. The version of FleXNeedle manufactured in China.

8. Our in-house developed products refer to products that we have developed as the sponsor of their clinical trials.

9. Subsequent to the acquisition of InterVapor® from Uptake Medical Corp, we continue to improve InterVapor® by sponsoring clinical trials in China and overseas to obtain approvals from local authorities.

Business highlights

The Board is pleased to announce that, from the commencement of the Reporting Period to the date of this report, we achieved significant progress with respect to our product pipelines and business operations, including:

(i) In terms of marketing, the Group recorded an increase in revenue by 62.6% as at June 30, 2023 as compared to that of the same period last year, which was mainly attributable to the following factors:

(a) the rising market penetration of our lung navigation products, including LungPro®, LungPoint Plus and LungPoint®, has further consolidated our competitive edges and maintained a sound growth momentum;

(b) InterVapor® has been pressing ahead in respect of online bidding and tendering for hospital application in all provinces, and the product's technological innovation in COPD treatment with thermal vapor has been recognized by the majority of Chinese clinical experts for its safety and efficacy;

(c) the accelerating market expansion of our other diagnostic and therapeutic consumables that resulted in increased revenue contribution.

(d) Progress in Asia-Pacific countries

In the first half of 2023, we continued to follow up on our targeted customers in the Asian market and launched a number of training programs for overseas doctors. As of July 25, 2023, we have completed three training sessions for doctors in the Asia-Pacific region, with the participation of 20 clinicians from Thailand, the Philippines, India, Taiwan and Hong Kong; we have also participated in the 2023 APCB conference in Malaysia and organized a special seminar, and held six promotional seminars in India, with the participation of a cumulative total of more than 4,000 professional audiences, which have helped to drive the sales of our navigation system and InterVapor® in the Asia-Pacific region.

(e) In the first half of 2023, our products were available in 33 countries and regions worldwide, including, among others, the United States, the United Kingdom, Germany, France, Singapore, Thailand, India and Korea.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) In terms of clinical development,

(a) we completed the first investigational procedure in the pre-marketing clinical trials of our Targeted Lung Denervation (TLD) Ablation System in July 2023. The clinical trial will evaluate the safety and efficacy of Broncus TLD Ablation System in the treatment of COPD, and is planned to enroll 189 patients at more than twenty trial sites in China. The enrollment is expected to be completed in the fourth quarter of 2024.

(b) we completed the follow-up visit to the pivotal clinical trial of our core product, RF-II, in the first quarter of 2023, and are now carrying out a statistical analysis on the 12-month follow-up visits to the 126 subjects enrolled in the trial. The product, which applies radiofrequency ablation technique via bronchoscopic pathway, is able to ablate peripheral lesions of lung cancer when combined with our puncture tunnel establisher for lung tissue. On August 5, 2023, Professor Li Shiyue from the First Affiliated Hospital of Guangzhou Medical University reported postoperative 6-month data of the study. The data shows that the study has a technical success rate of 99.35% and a 6-month complete ablation rate of the main lesion being 92.06%. Meanwhile, there is a relatively low incidence of common complications such as pneumothorax and bleeding in thermal ablation for lung cancer in this study. The full results of this study are expected to be presented at the 2023 Annual Scientific Meeting of the European Respiratory Society (ERS), and acceptance of the manuscript has been confirmed by the ERS Secretariat. The study data are intended to be used for the license applications for NMPA medical device.

(iii) In terms of product development, we finalized the design of and completed type testing submission for InterVapor®, our product for lung cancer treatment, in July 2023.

Core products

InterVapor®

InterVapor® is the world's first and only Thermal Vapor Treatment System to treat lung diseases including COPD and lung cancer. InterVapor® consists of therapeutic devices and a disposable sterile therapeutic catheter that delivers thermal vapor through the bronchoscopic working passageway to the lung to achieve targeted thermal vapor ablation.

We initiated the pre-clinical R&D for InterVapor® in September 2010, and commenced our first trial in West China Hospital, the PRC in November 2017 and BTVA Registry study in April 2018. The product was approved for sale in the EU in 2018. In March 2022, InterVapor® was approved for marketing by the China National Medical Products Administration (NMPA) with registration certificate number (國械註進20223090144 and 國械註進20223090145).

MANAGEMENT DISCUSSION AND ANALYSIS

Based on our InterVapor® system, we have developed InterVapor® for COPD and InterVapor® for Lung Cancer targeting COPD treatment and lung cancer treatment, respectively.

- InterVapor® for COPD is designed for COPD treatment through thermal vapor energy ablation. It delivers thermal vapor to the targeted location of the lung, which requires precise catheter placement and enhanced imaging. It is the world's first interventional pulmonology device using thermal vapor based energy.

- InterVapor® for Lung Cancer is designed for lung cancer treatment through continuous release of thermal vapor energy into the lung. It is designed to ablate lung lesions by the application of thermal vapor to the bronchus targeted for treatment and can sufficiently cover the lesion area to achieve full ablation with appropriate dose of energy.

The clinical history of InterVapor® up to June 30, 2023 includes (1) the STEP-UP trial, one of the core clinical trials related to InterVapor® for COPD, the results of this trial were published in the world's renowned medical journal *The Lancet* , (2) the NEXT-STEP trial, (3) the VAPORIZE trial, (4) the West China Hospital trial, a trial to evaluate the therapeutic effect and safety of thermal vapor ablation for lung volume reduction in patients with heterogeneous emphysema among Asian populations, and (5) the BTVA Registry study. We have completed the patient enrollment and follow-up visits for the NEXT-STEP trial by June 2020, and its formal study report has been completed by September 2021. We have also completed the clinical study report for the VAPORIZE trial in July 2021 to explore the use of InterVapor® to a new indication (lung cancer). The result shows that no major procedure-related complications occurred under such surgical method and bronchoscopic thermal vapor ablation of lung tumors is feasible and well tolerated. A retrospective/prospective, observational, multi-center, post-market registration clinical study entitled "Registry of Patients with Emphysema Treated with BTVA" (BTVA Registry) is currently underway in Europe, and as of July 2023, 236 subjects have been enrolled in the study. The study is currently recruiting subjects.

We are also in the process of preparing the application for registration of InterVapor® for COPD in Korea.

Since InterVapor® was approved for sale in Mainland China, it has been successfully put to clinical use in more than 40 hospitals in 20 provinces/cities.

MANAGEMENT DISCUSSION AND ANALYSIS

RF-II

RF-II is a radiofrequency ablation system used in conjunction with a disposable sterile radiofrequency ablation catheter, which acts on lung tumors via a bronchoscope to perform ablation to the lung tumors. It is currently the only radiofrequency ablation system taking the transbronchial approach specifically for lung cancer globally. RF-II is classified as a Class III medical device in China and Class II medical device in the EU and the U.S..

The follow-up visit to the pivotal clinical trial of RF-II was completed in the first quarter of 2023. A statistical analysis of the 12-month follow-up visits to the 126 subjects enrolled in the trial is being conducted. The product, which applies radiofrequency ablation technique via bronchoscopic pathway, is able to ablate peripheral lesions of lung cancer when combined with our puncture tunnel establisher for lung tissue. On August 5, 2023, Professor Li Shiyue from the First Affiliated Hospital of Guangzhou Medical University reported postoperative 6-month data of the study. The data shows that the study has a technical success rate of 99.35% and a 6-month complete ablation rate of the main lesion being 92.06%. Meanwhile, there is a relatively low incidence of common complications such as pneumothorax and bleeding in thermal ablation for lung cancer in this study. The full results of this study are expected to be presented at the 2023 Annual Scientific Meeting of the European Respiratory Society (ERS), and acceptance of the manuscript has been confirmed by the ERS Secretariat. The study data are intended to be used for the license applications for NMPA medical device. In addition, we are preparing the application for the EU CE marking certification of RF-II. We will also collaborate with key opinions leaders to host regular training sessions with doctors to further explain the underlying technology. RF-II is expected to kick off commercialization within seven years since we initiated the R&D process.

THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO ULTIMATELY DEVELOP AND MARKET RF-II SUCCESSFULLY.

Our other products and product candidates

TLD

The Targeted Lung Denervation (TLD) product is expected to be important for COPD treatment by providing tissue ablation deep inside the main bronchi of the lungs for targeted reduction of vagus nerve fibers to reduce the tension and mucus production in the airway and relieve airway obstruction.

We completed the first case of registered clinical trials of Targeted Lung Denervation (TLD) Ablation System in July 2023. In this clinical trial, the safety and efficacy of Broncus TLD Ablation System in the treatment of COPD will be investigated at more than twenty sites across China where 189 patients will be enrolled, and we expect to end the last subject follow-up visit by the end of 2025. Such TLD product is expected to be important for COPD treatment by providing deeper tissue ablation around the main bronchus in the lungs to reduce the tension and mucus production in the airway and relieve airway obstruction. TLD mainly destroys motor axons of peripheral bronchial nerve, blocks parasympathetic transmission in pulmonary and reduces acetylcholine release, resulting in effects similar to anticholinergics which includes reducing airway smooth muscle tension and mucus production, thereby improving airway obstruction.

THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO ULTIMATELY DEVELOP AND MARKET TLD OR ANY OF OUR PIPELINE PRODUCTS SUCCESSFULLY.

MANAGEMENT DISCUSSION AND ANALYSIS

"Mist Fountain", a disposable nebulizing micro-catheter for endoscope

The "Mist Fountain" nebulizing micro-catheter is used in conjunction with the endoscope. Under the guidance of the navigation system, it can accurately reach the lesion site, atomize and administer the drug, and directly deliver the drug to the lung lesion tissue. The product has strong compatibility and multiple indications. It is compatible with many kinds of drugs and is mainly used for accurate anti-inflammation, local hemostasis, phlegm reduction and elimination, staining location, local anesthesia, etc.

Through the microfluidic chip, the "Mist Fountain" nebulizing micro-catheter sprays out the drug with a particle size as small as about 20μm, which enables the direct delivery of the particles of the drug to local lesion tissues, the increased local drug concentration, the more uniform distribution, the long attachment duration, the long anti-inflammation and the stable drug effect. The catheter body is made of safe materials and features good drug compatibility with various drugs, as well as wide indications. The front end of the microfluidic chip is blunt, which enables the smooth entry of the catheter in the operation process and protects the bronchial tube wall, showing good safety, thus reducing the risk of tissue damage. It features compatibility with bronchoscopes of different brands, simple operation and high popularity.

The product was officially approved for marketing by Zhejiang Medical Products Administration in October 2022, thus becoming the only approved nebulizing micro-catheter in China. The product with multiple patented technologies helps explore a wide range of applications of drugs in conjunction with devices in the treatment of lung diseases.

LungPoint, LungPoint Plus/Archimedes Lite and the Archimedes System

As the world's only provider of transbronchial whole lung augmented reality navigation technology, we currently have three marketed navigation products, including LungPoint, LungPoint Plus (known as "Archimedes Lite" outside Asia) and LungPro (known as "Archimedes" outside China).

- LungPoint, or LungPoint® Virtual Bronchoscopic Navigation, is a computer-assisted image-based navigation software system which, along with a set of biopsy tools, provides doctors with real-time path navigation within the airways and further localization guidance to a targeted area of interest in the lung for lung biopsy and other procedures. LungPoint was approved for marketing and commercial use in the U.S. by the FDA in 2009, the EU by the BSI in 2011, and the PRC by the NMPA in 2014. LungPoint is classified as a Class II medical device by the FDA, as a Class IIa medical device in the EU, and as a Class III medical device by the NMPA.

- LungPoint Plus, which was launched in 2020, provides real-time navigation within the airways for lung biopsy and other procedures through reconstruction of CT-based images and simultaneous display of actual and simulated images for more accurate and effective pathway planning to the target. LungPoint Plus has been commercialized internationally since late 2020 and was launched for sale in the EU and the U.S. in March 2021. LungPoint Plus is classified as a Class II medical device by the FDA, as a Class IIa medical device in the EU, and as a Class III medical device by the NMPA.

- The LungPoint ATV System, also known as LungPro in China or the Archimedes System outside China (the "Archimedes System"), is an upgraded product based on the LungPoint VBN system. The Archimedes System takes the application of the VBN technology to the next level by adopting a novel approach to enable precise navigation and localize peripheral lesions away from or adjacent to the airway. The Archimedes System was approved for marketing and commercial use in the U.S. by the FDA in 2014, the EU by the BSI in 2014, and the PRC by the NMPA in 2017. The Archimedes System is classified as a Class II medical device by the FDA, as a Class IIa medical device in the EU, and as a Class III medical device by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing

During the Reporting Period, we carried out our manufacturing activities at our production centers based in Hangzhou, China and San Jose, the U.S. where we manufacture navigation products and InterVapor® in the U.S. and certain consumables in China. The production center in Hangzhou, China occupies an aggregate of gross floor area of approximately 3,122 sq.m. and the production center in San Jose, the U.S., occupies an aggregate area of approximately 863 sq.m..

Manufacturing of our therapeutic products and product candidates

Historically, early navigation products were developed by our U.S. team and we have mainly manufactured our navigation products in the U.S.. In order to leverage the labor and material cost advantages in China over the U.S., we are in the process of moving the manufacturing process of our products gradually to China. Starting from June 2021, we have begun to manufacture our H-Marker in our Hangzhou facility. We have commenced the manufacturing of our other therapeutic products in our Hangzhou facility in 2021, including the InterVapor®, and the entire manufacturing process of InterVapor®, which is domestically produced in Hangzhou, is expected to move to China after obtaining the regulatory approval in the third quarter of 2023.

Manufacturing of our navigation systems

Our navigation systems, including our LungPoint, LungPoint Plus and Archimedes System, are manufactured in our San Jose, California facility in the U.S. This facility is ISO13485 compliant and Broncus Medical is the manufacturer of record in FDA 510(k) clearance and European CE Marked LungPoint products. We have completed localization R&D verification and product trial installation of LungPoint in China and have submitted the registration application with NMPA to further complete the localization of the manufacturing process. We expect the registration to be completed in the third quarter of 2023. The localization of the Archimedes System manufacturing started in April 2022, and the application for NMPA registration has been completed. It is expected to be approved for commercial sale in the first quarter of 2024.

Manufacturing of our diagnosis medical consumables and product candidates

Our main production facility for diagnosis medical consumables and product candidates is our Hangzhou facility. We can expand our production capacity quickly in response to market demand.

Research and development

We focus on developing innovative technologies and products for navigation, diagnosis and treatment of pulmonary diseases. We have a proven track record of developing and commercializing interventional pulmonology medical device products. To strengthen our R&D capabilities, we adopt an efficient R&D model that combines international technologies with local R&D cost advantage to support our intellectual property portfolio and product iterations.

MANAGEMENT DISCUSSION AND ANALYSIS

We are engaged in ongoing R&D activities to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety, reliability, and to expand the applications of our products as appropriate. As at June 30, 2023, we had 13 products globally registered, 9 products in the process of registration application and other new products under various development stages.

The expenditure on the R&D activities of InterVapor® and RF-II primarily consisted of:

- clinical trials of InterVapor® on lung cancer in China and the U.S. or the EU;
- clinical trials of RF-II and its research and development in China;
- construction of InterVapor® R&D laboratory and investment in the R&D equipment used for InterVapor®;
- post-marketing studies in China, the U.S., the EU and other countries; and
- registration in China, the U.S. and other countries

Sales and marketing

Currently, we primarily market our interventional pulmonary products in the U.S., Europe and Asia. As our current products and product candidates receive more marketing approval or CE Marking certification, we expect to generate more sales globally.

We adopt both direct sales and sales through distributors arrangement. During the Reporting Period, we sold products both directly to hospitals and through distributors, including our navigation systems such as the Archimedes System and LungPoint, InterVapor® catheter and certain medical consumables. In line with market practice, we sell a significant portion of our navigation systems to distributors who resell our products to hospitals. The following table sets forth the number of hospitals to which we sold products directly for the period indicated.

	For the six months ended June 30,	
	2023	2022
Direct sales to hospitals	**60**	48
• Europe	**26**	26
• USA	**30**	14
• PRC (Mainland)	**0**	3
• Others	**4**	5

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of distributors to whom we directly sold products for the period indicated.

	For the six months ended June 30,	
	2023	2022
Distributors	**37**	36
• PRC (Mainland)	**27**	20
• Europe	**6**	7
• Asia (excluding PRC (Mainland)) and other regions	**4**	9

For the six months ended June 30, 2023, our revenue generated from distributors and direct sales amounted to approximately US$4.4 million and US$0.8 million, respectively, compared to US$2.5 million and US$0.7 million in the corresponding period last year.

Intellectual property

As at June 30, 2023, we had a total of 796 issued patents and patent applications which consisted of 387 issued patents (including pending announcements) and 187 patent applications in China and 109 issued patents and 113 patent applications overseas including key markets such as the U.S. and the EU. Among the patents obtained, 150 and 117 of them are related to InterVapor® and RF-II, respectively.

Major government R&D grants, funding, subsidies and tax preference

During the Reporting Period, the Company received government grants totaling US$0.05 million (six months ended June 30, 2022: US$0.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND PROSPECTS

Facing the global prevalence of COPD and lung cancer that has been propelled by aging population, air pollution and smoking habit, we see a huge market demand for minimally invasive solutions to treat lung diseases. There was a COPD-affected population of 226.3 million globally and 106.2 million in China in 2020, and such population is expected to increase to 258.4 million globally and 109.6 million in China by 2025. We plan to expand our sales network by providing more doctor training and patient education, promoting equipment installations and deepening our penetration in hospitals. With our proprietary Bronchoscopic Trans-Parenchymal Nodule Access technology, we plan to promote the awareness of our navigation platform as an indispensable tool for interventional pulmonology diagnosis and treatment among hospitals, doctors and patients.

With respect to InterVapor® being granted marketing approval by the NMPA, we anticipate our key future marketing strategies to include, firstly, to promote ourselves as a leader in differentiating treatment areas and further increase utilization through professional education and market promotion after our treatments are approved by the NMPA; secondly, to accelerate the introduction of equipment into hospitals; thirdly, to focus on mobilizing our internal sales team via targeted coaching and progress tracking to drive consumable utilization.

With our more extensive experience in sales and marketing of LungPoint and the Archimedes System, we plan to expand our sales of LungPoint Plus and other medical consumables in China.

We plan to expand our R&D team globally to ensure continuous technology and product innovation and enrich our intellectual property portfolio mapping across existing and future technologies with precise market positioning. We plan to increase spending on artificial intelligence and machine learning to accumulate large sets of clinical data and cases in the application of diagnosis and treatment procedures guided by our navigation systems.

Looking into the second half of 2023 and the year of 2024, we plan to sponsor an investigator-initiated, single arm, and prospective trial under the title of BLAST in 2023 and aim for conclusion in 2024. The trial aims to treat patients with severe COPD and lower lobe predominant emphysema with vapor ablation and is expected to enroll 25 subjects. We also plan to conduct two separate clinical trials under the title of BENTO and TARGET. In particular, the randomised controlled clinical trial in BENTO investigates the patient benefit (primary endpoint: patient-reported disease-specific quality-of-life scores at 9 months) of using bronchoscopic thermal ablation to both upper lobes for lung volume reduction in the German healthcare system and is intended to enroll 224 subjects. The program is scheduled to commence in the third quarter of 2023 and is expected to conclude by the end of 2024. TARGET is a multi-center clinical trial in France enrolling 150 subjects at 20 research sites to assess changes in FEV1 and health-related quality of life in patients with upper lobe-dominated heterogeneous emphysema after 12 months of continuous fractionated treatment with InterVapor®. The trial is scheduled to commence in July 2023 and is expected to conclude by the end of the third quarter of 2024. In addition, we plan to carry out a series of clinical studies for InterVapor® and certain post-market clinical studies in a few other regions. Clinical trials are expected to be conducted in China and Europe between 2023 and 2025 for lung cancer indications. Our planned post-market clinical studies include studies to be conducted in China between 2022 and 2024 and in India between 2021 and 2028.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this report.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue	**5,234**	3,218
Cost of sales	**(1,208)**	(756)
Other income and gains	**2,512**	543
Selling and distribution expenses	**(6,365)**	(5,300)
Administrative expenses	**(4,609)**	(4,261)
Impairment of trade receivables, net	**201**	(139)
Research and development costs	**(10,232)**	(9,138)
Other expenses	**(219)**	(174)
Finance costs	**(43)**	(52)
Income tax expense	**(2)**	(1)
Loss for the period	**(14,731)**	(16,060)
Other comprehensive income for the period, net of tax	**(1,871)**	(1,377)
Total comprehensive income for the period	**(16,602)**	(17,437)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the Reporting Period, the revenue of the Group was approximately US$5.2 million, representing an increase of 62.6% compared with approximately US$3.2 million in the corresponding period last year, which was mainly attributable to the new source of revenue growth brought by the launch of the Company's new therapeutic product, namely InterVapor®, whilst sales of our navigation products also registered an increase as the COVID-19 pandemic in China was receding.

Other income and gains

For the Reporting Period, the total other income and gains were approximately US$2.5 million, representing an increase of 362.6% compared with approximately US$0.5 million in the corresponding period last year.

Our other income consists primarily of bank interest income, interest income from non-current receivables and government grants. Total other income was approximately US$2.5 million for the six months ended June 30, 2023, representing an increase of approximately US$2.0 million from the six months ended June 30, 2022, mainly due to the increase in bank interest income from US$0.2 million for the six months ended June 30, 2022 to US$2.3 million for the six months ended June 30, 2023.

R&D costs

Our R&D costs mainly consist of staff costs for our R&D employees, depreciation and amortization, raw material costs, technical service fees, clinical trial expenses, travel and business related expenses and share awards.

Our technical service fees refer to the service fees we paid to our third-party service providers for complementary services needed for product development, including development of low-value consumables, product testing and other services. Clinical trial expenses include expenses incurred for conducting clinical trials, including payment to CROs and hospitals in relation to our clinical trials.

For the six months ended June 30, 2023 and 2022, we incurred R&D costs of approximately US$10.2 million and US$9.1 million, respectively, representing an increase of 12.0%. The increase in our R&D costs was mainly due to the increase of staff costs from US$4.5 million for the six months ended June 30, 2022 to US$5.8 million for the six months ended June 30, 2023 as a result of the expansion of our R&D team.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended June 30, 2023 (Unaudited)		For the six months ended June 30, 2022 (Unaudited)	
	US$'000	***Proportion***	*US$'000*	*Proportion*
Staff costs	**5,814**	**56.8%**	4,452	48.7%
Depreciation and amortization	**1,224**	**12.0%**	1,221	13.4%
Technical service fees	**923**	**9.0%**	1,619	17.7%
Clinical trial expenses	**885**	**8.6%**	191	2.1%
Raw material costs	**337**	**3.3%**	426	4.7%
Share awards	**306**	**3.0%**	799	8.7%
Office expenses	**232**	**2.3%**	141	1.5%
Travel and business related expenses	**185**	**1.8%**	75	0.8%
Others	**326**	**3.2%**	214	2.4%
Total	**10,232**	**100.0%**	9,138	100.0%

Selling and distribution expenses

For the six months ended June 30, 2023 and 2022, our selling and distribution expenses were US$6.4 million and US$5.3 million, respectively, representing an increase of 20.1%. As sales promotion activities were affected by the COVID-19 pandemic in China during the first half of 2022, whilst in the current period marketing and sales operation were able to commence properly as the pandemic had receded in 2023, our marketing expenses and travel expenses reported an increase, among which, (i) the marketing and advertising expenses increased from US$0.7 million for the six months ended June 30, 2022 to US$1.2 million for the six months ended June 30, 2023; (ii) travel expenses were US$0.5 million for the six months ended June 30, 2022 and US$0.8 million for the six months ended June 30, 2023 respectively.

Administrative expenses

For the six months ended June 30, 2023 and 2022, our total administrative expenses were approximately US$4.6 million and US$4.3 million, respectively.

Liquidity and capital resources

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

As at June 30, 2023, our cash and bank balances and time deposits over three months totalled US$168.5 million, as compared to US$188.0 million as at December 31, 2022. The decrease was mainly due to operational expenses incurred by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a condensed summary of the Group's interim condensed consolidated statement of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Net cash flows used in operating activities	**(15,916)**	(16,855)
Net cash flows from/(used in) investing activities	**8,794**	(151,900)
Net cash flows used in financing activities	**(278)**	(328)
Net decrease in cash and cash equivalents	**(7,400)**	(169,083)
Cash and cash equivalents at the beginning of the period	**106,756**	227,207
Effect of foreign exchange rate changes, net	**(2,078)**	(1,473)
Cash and cash equivalents at the end of the period	**97,278**	56,651
Analysis of balances of cash and cash equivalents	**97,278**	205,105
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**97,278**	205,105

As at June 30, 2023, cash and cash equivalents were mainly denominated in HK$, US$ and Renminbi.

Bank borrowings and gearing

As at June 30, 2023, the Group's outstanding borrowings of US$19,000 (December 31, 2022: US$31,000) were denominated in US$. The Group's overdraft facilities amounting to US$80,000 and US$80,000, of which US$19,000 and US$31,000 had been utilized as at June 30, 2023 and December 31, 2022, respectively, were secured by the pledge of certain of the Group's time deposits amounting to US$25,000 and US$25,000, respectively.

The Group monitored capital using gearing ratio. As at June 30, 2023 and December 31, 2022, the Group's gearing ratio (total debt less cash and cash equivalent as a percentage of total equity as of the end of the period/year) were negative values.

Foreign exchange risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between US$ and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

In response to the foreign exchange risk, the Company seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position to reduce the impact of the foreign exchange risk on the Company. During the Reporting Period, the Group had not engaged in any foreign exchange hedging related activity.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at June 30, 2023, the Group did not have any significant contingent liabilities.

Charge or restrictions on assets

As of June 30, 2023, the Group had pledged deposits of US$238,000 (December 31, 2022: US$526,000). The pledged deposits were placed to secure the Group's bank overdraft facilities and as guarantees to the Group's lessor. Save as disclosed in this report, the Group did not pledge any group assets during the Reporting Period.

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from year to year by eliminating potential impacts of certain non-operational or one-off expenses that do not affect our ongoing operating performance, including share awards expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Share awards expenses are non-operational expenses arising from granting shares to selected executives, employees and R&D consultants, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities. With respect to share awards, determining its fair value involves a high-degree of judgment. Historical occurrence of share awards is not indicative of any future occurrence. Therefore, we do not consider share awards expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results.

The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table shows reconciliation of net loss for the period to our adjusted net loss for the period indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Loss for the period	**(14,731)**	(16,060)
Add:		
Share awards[1]	**440**	949
Non-IFRS adjusted net loss for the period[2]	**(14,291)**	(15,111)

Notes:

(1) Represent the total expenses associated with the shares we granted to our sales and marketing employees, administrative employees, R&D employees and external experts.

(2) We consider share awards expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of share awards expenses provides useful information to investors in facilitating a comparison of our operating performance from year to year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 14 to the interim condensed consolidated financial information.

DIVIDEND

No dividend was paid or declared by the Company for the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS PER SHARE

The basic and diluted loss per share are US$0.03 for the six months ended June 30, 2023 (June 30, 2022: US$0.03). The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**14,731**	16,060

	Number of shares	
	For the six months ended June 30,	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period	**488,474,965**	487,555,811

Note:

(1) Represent the adjusted number of Shares taking into consideration of the subsequent implemented share subdivision.

CAPITAL COMMITMENT

Particulars of capital commitments of the Group as at June 30, 2023 are set out in note 16 to the interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES AND JOINT VENTURES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries or associates or joint ventures of the Company.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2023, there were no significant investments held by the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Except for the expansion strategies disclosed in sections "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group does not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify product line expansion opportunities.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information required to be disclosed by Directors and chief executives pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since publication of the Company's annual report for the year ended December 31, 2022 are set out as follows:

Ms. Yee Sin Wong has been an independent non-executive director of Guangzhou Pharmaceuticals Co., Ltd. (廣州醫藥股份有限公司), a company engaged in the wholesale of medical supplies and devices, since March 2023.

Save as disclosed in this report, there was no any other changes in the information of Directors and the chief executive of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Capacity/ Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1] %
Guowei Zhan[2][5]	Interest in controlled corporation	Long position	2,999,396	0.57
	Beneficial owner	Long position	1,789,200	0.34
Michael Yi Wei Zhao[3][5]	Interest in controlled corporation	Long position	13,021,588	2.47
	Beneficial owner	Long position	4,320,000	0.82
Zhenjun Zi ("**Mr. Zi**")[4][5]	Interest in controlled corporation	Long position	118,628,244	22.50
	Beneficial owner	Long position	2,160,000	0.41
Hong Xu[5]	Beneficial owner	Long position	1,505,912	0.29

OTHER INFORMATION

Notes:

(1) The calculation is based on the total number of 527,198,076 Shares in issue as at June 30, 2023.

(2) Mr. Guowei Zhan holds approximately 63.37% interest in Wise Seed Limited, which will beneficially hold 2,999,396 Shares. Accordingly, Mr. Zhan is deemed to be interested in the Shares held by Wise Seed Limited.

(3) St. Christopher Investment Limited is wholly owned by Mr. Michael Yi Wei Zhao. Dinova Healthcare Holding Corporation is owned as to approximately 83.54% by St. Christopher Investment Limited, which is wholly owned by Mr. Michael Yi Wei Zhao. Accordingly, Mr. Michael Yi Wei Zhao is deemed to be interested in the total number of Shares held by each of St. Christopher Investment Limited and Dinova Healthcare Holding Corporation, which will beneficially hold 11,120,564 Shares and 1,901,024 Shares respectively.

(4) Mr. Zi is deemed to be interested in the total number of Shares held by each of Broncus Biomedical Limited, Dinova Healthcare (Hong Kong) Co., Limited, BRS Biomedical Limited, Dinova Healthcare Delta Fund (USD) L.P., Xin Nuo Tong Investment Limited, Dinova Venture Partners GP III, L.P. and Dinova Venture Partners GP IV, L.P., which will beneficially hold 43,741,976 Shares, 33,112,752 Shares, 14,643,588 Shares, 12,861,524 Shares, 9,172,328 Shares, 3,460,008 Shares and 1,636,068 Shares respectively.

(5) Mr. Guowei Zhan, Mr. Michael Yi Wei Zhao, Mr. Zi and Mr. Hong Xu have vested 1,789,200 Shares, 4,320,000 Shares, 2,160,000 Shares and 1,505,912 Shares, respectively, which were granted to them pursuant to the RSU Scheme and have not been transferred to them as the Company has not received the payment of consideration from the grantees as of June 30, 2023. As such, Mr. Guowei Zhan, Mr. Michael Yi Wei Zhao, Mr. Zi and Mr. Hong Xu, are in aggregate, interested in 4,788,596 Shares, 17,341,588 Shares, 120,788,244 Shares and 1,505,912 Shares, respectively.

Save as disclosed above, as at June 30, 2023, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

To the best knowledge of the Company based on the public information, as at June 30, 2023, the interests or short positions of the following persons (other than the Directors and chief executives of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of Shares Interested in the Company	Approximate percentage of shareholding in the Company[1] %
QM12 Limited ("**QM12**")[2]	Beneficial interest	Long position	81,412,808	15.44
Qiming Venture Partners IV, L.P.[2]	Interest in controlled corporation	Long position	81,412,808	15.44

OTHER INFORMATION

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of Shares Interested in the Company	Approximate percentage of shareholding in the Company[1] %
Qiming GP IV, L.P.[2]	Interest in controlled corporation	Long position	81,412,808	15.44
Qiming Corporate GP IV, Ltd[2]	Interest in controlled corporation	Long position	81,412,808	15.44
Broncus Biomedical Limited ("**BBL**")[3]	Beneficial interest	Long position	43,741,976	8.30
Dinova Healthcare Gamma Fund (USD) L.P.[3]	Interest in controlled corporation	Long position	43,741,976	8.30
Dinova Venture Partners GP III, L.P.[3]	Beneficial interest	Long position	3,460,008	0.66
	Interest in controlled corporation	Long position	43,741,976	8.30
Dinova Capital Limited[3]	Interest in controlled corporation	Long position	47,201,984	8.95
Xin Nuo Tong Investment Limited[3][4]	Beneficial interest	Long position	9,172,328	1.74
	Interest in controlled corporation	Long position	61,699,576	11.70
Dinova Healthcare (Hong Kong) Co., Limited[5]	Beneficial interest	Long position	33,112,752	6.28
Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)) ("**Zhejiang Dinova**")[5]	Interest in controlled corporation	Long position	33,112,752	6.28
Zhejiang Denuo Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥))[5]	Interest in controlled corporation	Long position	33,112,752	6.28

OTHER INFORMATION

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of Shares Interested in the Company	Approximate percentage of shareholding in the Company[1] %
Hangzhou Denuo Commercial Information Consulting Co., Ltd. (杭州德諾商務資訊諮詢有限公司)[5]	Interest in controlled corporation	Long position	33,112,752	6.28
Computershare Hong Kong Trustees Limited[6]	Beneficial interest	Long position	39,508,788	7.49
Lake Bleu Capital (Hong Kong) Limited	Investment manager	Long position	27,050,824	5.13

Notes:

(1) The calculation is based on the total number of 527,198,076 Shares in issue as at June 30, 2023.

(2) For the purpose of the SFO, Qiming Venture Partners IV, L.P. (as a 96.94% shareholder of QM12), Qiming GP IV, L.P. (as the general partner of Qiming Venture Partners IV, L.P.) and Qiming Corporate GP IV, Ltd (as the general partner of Qiming GP IV, L.P.) are deemed to be interested in the Shares held by QM12.

(3) For the purpose of the SFO, Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of BBL), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Healthcare Gamma Fund (USD) L.P.), Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.) and Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) are deemed to be interested in the Shares held by BBL. For the purpose of the SFO, Xin Nuo Tong Investment Limited and Dinova Capital Limited are deemed to be interested in the Shares held by Dinova Venture Partners GP III, L.P..

(4) Xin Nuo Tong Investment Limited is a 40% shareholder of Dinova Venture Capital Limited, which is the general partner of Dinova Venture Partners GP IV L.P., and Dinova Venture Partners GP IV L.P. is the general partner of Dinova Healthcare Delta Fund (USD) L.P.. In addition, Xin Nuo Tong Investment Limited is also a limited partner holding 39.95% of Dinova Venture Partners GP IV L.P.. For the purpose of the SFO, Xin Nuo Tong Investment Limited is also deemed to be interested in the Shares held by Dinova Venture Partners GP IV L.P. and Dinova Healthcare Delta Fund (USD) L.P..

(5) Dinova Healthcare (Hong Kong) Co., Limited, a company incorporated under the laws of Hong Kong and is wholly owned by Zhejiang Dinova. For the purpose of the SFO, Zhejiang Denuo Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥)) (as the general partner of Zhejiang Dinova) and Hangzhou Denuo Commercial Information Consulting Co., Ltd. (杭州德諾商務資訊諮詢有限公司) (as the general partner of Zhejiang Denuo Capital Management L.P.) are deemed to be interested in the Shares held by Dinova Healthcare (Hong Kong) Co., Limited.

(6) Computershare Hong Kong Trustees Limited, being the Trustee, holds those Shares on trust for grantees under the RSU Scheme.

Save as disclosed above, as at June 30, 2023, no person (other than the Directors and chief executives of the Company) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

EQUITY INCENTIVE PLANS

Currently, the Company has adopted two equity incentive plans, being the Share Option Plan and the RSU Scheme. Further details on each such plan, together with the relevant movement table, are set forth below. As elaborated below, given that there were no options granted during the Reporting Period, and the grant of awards under the RSU Scheme shall utilize Shares already issued to the trustee under the RSU Scheme, accordingly, the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.

The Share Option Plan

On May 9, 2021, the Company adopted the Share Option Plan. As no options under the Share Option Plan may be granted after the Listing, there are no options available for grant at the beginning and the end of the Reporting Period. As at the date of this report, the total number of securities available for issue under the Share Option Plan is 6,451,016, representing approximately 1.22% of the total issued shares of our Company.

1. Summary of Terms

(a) Purpose

The Share Option Plan is intended to promote the interests of the Company by providing eligible persons with the opportunity to acquire an equity interest or otherwise increase their equity interest, as an incentive for them to remain in the service of the Company.

(b) Eligible Participant

The persons eligible to participate in the Share Option Plan are: (1) any officer (whether or not a Director) or employee of the Company or any of its subsidiaries; (2) non-employee members of the Board or the non-employee members of the board of directors of any subsidiary; and (3) consultants and other independent advisors who provide bona fide services to the Company or any subsidiary.

(c) Maximum Entitlement

No Options shall be granted to any one person such that the total number of Shares subject to the Options and any other Options over the Shares (including exercised, cancelled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time, except with the approval of the shareholders of the Company in general meeting with such person and his/her close associates abstaining from voting.

(d) Exercise Period

Each option shall be exercisable at such time or times, during such period and for such number of Shares as shall be determined by the Board, subject to the special requirements of the Share Option Plan and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten years measured from the date of grant.

(e) Vesting Period

An option will be allocated and granted subject to the performance criteria as set forth at the sole discretion of the Board and the provisions in the Share Option Plan. Each option may contain additional terms and conditions as the Board deems appropriate. The Board may decide to accelerate the vesting schedule of Options at its sole discretion.

OTHER INFORMATION

If no vesting schedule is specified by the Board, the Participant shall vest in 25% of the Shares issuable upon exercise of an Option upon completion of each successive one year period of continuous Service from the vesting commencement date specified by the Board (through the date that is four years from such vesting commencement date).

(f) Duration

The Share Option Plan will automatically terminate on the expiration of the 10 year period measured from the date the Share Option Plan is adopted by the Board. Therefore, as at the date of this report, the remaining life of the Share Option Scheme was approximately 7.5 years.

(g) Exercise Price

The exercise price per Share shall be fixed by the Board and, subject to the special requirements of the Share Option Plan. The basis of determining the exercise price is work performance.

(h) Amount Payable on Application or Acceptance of the Option

The consideration payable on acceptance of each grant of options and the period within which payments or calls must or may be made are stimulated in the grant letters.

2. *Outstanding options*

Movements of the outstanding options under the Share Option Plan during the Reporting Period are set out below:

		Movement of outstanding options									
Name or category of the participant, as applicable	**Date of grant**	**Outstanding as of the beginning of the Reporting Period**	**Granted during the Reporting Period**	**Lapsed during the Reporting Period**	**Cancelled during the Reporting Period**	**Exercised during the Reporting Period**	**Outstanding as of the ending of the Reporting Period**	**Vesting period, or the date of vesting, as the case maybe**	**Exercise period**	**Weighted average closing price of the Shares immediately before the dates on which the options were exercised (HKD)**	**Exercise price (HKD)**
Employee participants	5/7/2021	8,180,912	0	2,586,847	10,845	325,000	5,258,220	5/7/2021 or 4 years from the date of grant	from the vesting date to 12/29/2021–9/16/2029	2.11	1.3426–6.349
	7/8/2021	298,196	0	0	0	0	298,196	4 years from the date of grant	from the vesting date to 7/8/2031	N/A	7.4567
	7/22/2021	1,192,800	0	298,200	0	0	894,600	7/22/2021	from the vesting date to 7/22/2026	N/A	5.9653
	8/1/2021	514,956	0	391,725	123,231	0	0	4 years from the date of grant	from the vesting date to 8/11/2022–6/15/2023	N/A	12.7927

Note: None of the grantees under the Share Option Plan was (i) a Director, chief executive or a substantial Shareholder of the Company (or their respective associate(s)); (ii) a participant with options and awards granted and to be granted in excess of the 1% individual limit (as defined in the Listing Rules); or (iii) a related entity participant or service provider of the Group.

OTHER INFORMATION

The RSU Scheme

On May 9, 2021, the Company adopted the RSU Scheme which was subsequently amended and restated on July 5, 2021. On September 7, 2021, the Company allotted 9,877,197 Shares to the trustee under the RSU Scheme for the purpose of satisfying future grants thereunder, which represented 39,508,788 Shares following a share subdivision, being also the maximum of Shares subject to the RSUs under the RSU Scheme. Thus, there shall be no new Shares which may be issued under the RSU Scheme. The numbers of awards available for grant under the RSU Scheme at the beginning and the end of the Reporting Period were 18,323,157 and 16,067,158, respectively.

In light of the amendments to Chapter 17 of the Listing Rules which took effect from January 1, 2023, the Directors proposed certain amendments to the RSU Scheme to comply with the Listing Rules, subject to Shareholders' approval. For more details, please refer to the announcement published by the Company on August 29, 2023. A circular containing further details on the proposed amendments to the RSU Scheme will be despatched to the Shareholders in due course.

1. Summary of Terms

(a) Purpose

The RSU Scheme is intended to reward employees for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Group.

(b) Eligible Participant

Persons eligible to receive the awards under the RSU Scheme are any employee or officer of the Company or any subsidiary including (without limitation) any executive or non-executive Director in the employment of or holding office in the Company or any subsidiary or consultants and other independent advisors who provide bona fide services to the Company or any subsidiary.

(c) Maximum Entitlement

Except with the approval of shareholders in general meeting, no award may be granted to any one person such that the total number of Shares underlying the RSU Scheme issued and to be issued upon vesting of awards and any other option or awards over the underlying Shares (including exercised, cancelled and outstanding options or awards) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.

(d) Vesting

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each award which may be determined at the sole and absolute discretion of the Board from time to time, the RSUs granted to a grantee in an award shall be vested subject to such vesting schedule as set out in the relevant notice of grant, and within reasonable time after the vesting criteria and conditions have been fulfilled, satisfied or waived, the Board will send a vesting notice to each of the relevant grantee.

The price to be paid as consideration for the vesting of any RSU shall be such amount in such form as may be determined by the Board from time to time and as set out in the notice of grant. The basis of determining the price is work performance and market price of the Shares.

OTHER INFORMATION

(e) Duration

The RSU Scheme shall be valid and effective for a period of 10 years commencing on the date on which the RSU Scheme become unconditional, i.e. the date on which the RSU Scheme is approved by the Board, after which no awards will be granted but the provisions of the RSU Scheme shall in all respects remain in full force. Therefore, as at the date of this report, the remaining life of the RSU Scheme was approximately 7.5 years.

(f) Amount Payable on Application or Acceptance of the Award

The consideration payable on acceptance of each grant of awards and the period within which payments or calls must or may be made are stimulated in the grant letters.

2. *Outstanding awards and awards granted during the Reporting Period*

Movements of the outstanding RSUs and the RSUs granted under the RSU Scheme during the Reporting Period are set out below:

		Number of shares underlying awards							
Name or category of the participant, as applicable	**Date of grant**	**Outstanding as of the beginning of the Reporting Period**	**Granted during the Reporting Period**	**Lapsed during the Reporting Period**	**Cancelled during the Reporting Period**	**Exercised during the Reporting Period**	**Outstanding as of the ending of the Reporting Period**	**Vesting Period, or the date of vesting, as the case maybe**	**Purchase price (HKD)**
Directors or chief executive and their associates									
Michael Yi Wei Zhao	5/14/2021	4,320,000	0	0	0	0	4,320,000	6/20/2021	0.5015
Zi Zhenjun	5/14/2021	2,160,000	0	0	0	0	2,160,000	6/20/2021	0.5015
Xu Hong	5/14/2021	1,505,912	0	0	0	0	1,505,912	6/20/2021	0.5015
Zhan Guowei	5/14/2021	1,789,200	0	0	0	0	1,789,200	6/20/2021	0.5015
Service provider with awards granted and to be granted in any 12-month period exceeding 0.1% individual limit									
Felix Herth	6/13/2022[6]	2,163,064	0	0	0	0	2,163,064	6/13/2022	1.63
Other employee participants									
	5/14/2021[6]	2,803,080	0	0	0	0	2,803,080	6/20/2021	0.5015
	5/30/2022[6]	1,850,826	0	0	0	0	1,850,826	5/30/2022	0
	9/28/2022[6]	3,000,000	0	0	600,000	0	2,400,000	5 years from the date of grant	*Note 4*
	12/28/2022[6]	211,601	0	0	0	0	211,601	4 years from the date of grant	0
	5/30/2023[6]	0	2,255,999[2]	0	0	0	2,255,999	5/30/2023 or 4 years from the date of grant	*Note 5*
Other service providers	6/13/2022[6]	450,000	0	0	0	0	450,000	3 years from the date of grant	1.63

OTHER INFORMATION

Notes:

(1) The exercise period of the awards shall not exceed ten years measured from the respective date of grant.

(2) The following grants were made in the Reporting Period under the RSU Scheme:

Date of grant	Number of RSUs granted	Performance target	Closing price of shares immediately before the date of grant	Fair value of RSUs at the date of grant
5/30/2023	2,255,999	N/A	HKD1.46	HKD0.86–1.42

(3) The fair values of equity-settled RSUs granted were estimated as at the date of grant using binomial model and Monto Carlo model, taking into account the terms and conditions upon which the RSUs were granted. The following table lists the key assumptions that the model used:

Expected volatility (%)	39.4
Risk-free interest rate (%)	3.58
Expected life (year)	10
Weighted average share price (USD)	0.18

For more details of the accounting standard and policy adopted for the fair value of the RSUs at the date of grant, please refer to Note 2.4 to the consolidated financial statements in the 2022 annual report of the Company.

(4) The purchase price is either (i) 0 or (ii) a price which is equivalent to the average closing price of the Company in the last five trading days prior to January 1 of the year preceding each vesting date*80%.

(5) The purchase price is either (i) 0 or (ii) a price which is equivalent to the average closing price of the Company in the five business days prior to each vesting date*50%.

(6) Reference is made to the 2022 annual report of the Company. On June 13, 2022, a total of 2,613,064 RSUs were granted, amongst which, (i) 2,163,064 RSUs were granted to Felix Herth, a service provider with awards granted and to be granted in any 12-month period exceeding 0.1% individual limit, and such 2,163,064 RSUs remained outstanding as at December 31, 2022; and (ii) 450,000 RSUs were granted to other service providers which remained outstanding as at December 31, 2022. Save as mentioned above, none of the other grantees under the RSU Scheme with respect to grants of RSUs made during the year ended December 31, 2022, and as disclosed in the 2022 annual report of the Company was (i) a Director, chief executive or a substantial Shareholder of the Company (or their respective associate(s)); (ii) a participant with options and awards granted and to be granted in excess of the 1% individual limit (as defined in the Listing Rules); or (iii) a related entity participant or service provider of the Group. All information as set out in the 2022 annual report of the Company remains unchanged, while this note is supplemental to and should be read in conjunction with the 2022 annual report of the Company.

For further details of the Share Option Plan and the RSU Scheme, please refer to the section headed "*Statutory and General Information — D. Equity Incentive Plans*" in Appendix IV to the Prospectus.

OTHER INFORMATION

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The total net proceeds from the issue of Shares by the Company in its listing on the Stock Exchange amounted to approximately HK$1,620.0 million, after deducting the underwriting commission and other expenses payable by the Company in connection with the Global Offering.

As at June 30, 2023, the Company has utilized approximately HK$432.3 million of the proceeds from the Global Offering. There was no change in the intended use of net proceeds and the expected timeline as disclosed in the Prospectus. The proceeds from the listing on the Stock Exchange were used, and are proposed to be used, according to the intentions previously disclosed by the Company. The balance of the unutilized net proceeds amounted to approximately HK$1,187.7 million as at the end of the Reporting Period and the Company intends to apply such net proceeds in accordance with the purposes as set out in the table below:

	Approximate % of total net proceeds *(%)*	Planned use of actual net proceeds *HKD' million*	Amount of unutilized net proceeds as at January 1, 2023 *HKD' million*	Amount of utilized net proceeds as at the end of the Reporting Period *HKD' million*	Amount of net proceeds utilized for the Reporting Period *HKD' million*	Net proceeds unutilized as at the end of the Reporting Period *HKD' million*	Expected timeframe for utilizing the remaining net proceeds
Development and commercialisation of InterVapor®	29.0%	469.2	369.4	156.7	57.0	312.4	Expected to be fully utilized by 2030
Development and commercialisation of RF-II	21.0%	339.4	299.7	46.5	6.9	292.8	Expected to be fully utilized by 2030
R&D of other product candidates	18.5%	299.9	218.2	134.7	53.0	165.2	Expected to be fully utilized by 2030
Production line expansion of our manufacturing facility	9.2%	149.2	149.2	–	–	149.2	Expected to be fully utilized by 2026
M&A, investing in or acquiring new pipelines	13.2%	213.2	213.2	–	–	213.2	Expected to be fully utilized by 2026
Working capital and other general corporate purposes	9.2%	149.2	68.2	94.3	13.4	54.8	Expected to be fully utilized by 2026
Total	100.0%	1,620.0	1,318.0	432.3	130.3	1,187.7	

Note: Figures in the table are approximate.

OTHER INFORMATION

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

MATERIAL LEGAL MATTERS

As at the date of this report, there were no material legal events.

EVENTS AFTER THE REPORTING PERIOD

On September 8, 2023, the Company entered into a sale and purchase agreement with Dinova Healthcare Holding Corporation, Mr. Yaniv Kirma, Ms. Bo Xu and Mr. Tamir Nahmias (the "**Vendors**"), pursuant to which the Company has agreed to acquire and the Vendors have agreed to dispose of 100% of the equity interests in Fibernova Holding Corporation at an aggregate consideration of US$2.7 million (the "**Acquisition**").

Through the Acquisition, the Group seeks to take advantage of the fiber optic technology of Fibernova Holding Corporation to increase the precision of its own products. The Acquisition will diversify and strengthen the Group's product portfolio, facilitate its technological development, as well as provide the Group with access to personnel with valuable expertise in the field of optic medical devices.

For more details of the Acquisition, please refer to the announcement the Company published on September 8, 2023.

Save as disclosed above, the Company is not aware of any material subsequent events from June 30, 2023 to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices. During the six months ended June 30, 2023 and up to the date of this report, the Company has complied with all the applicable code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

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

OTHER INFORMATION

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of our Company (the "**Audit Committee**") consisted of three independent non-executive directors, namely, Dr. Pok Man Kam, Professor Joseph Wan Yee Lau and Ms. Yee Sin Wong. Dr. Pok Man Kam, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The accounting information given in this report has not been audited or reviewed by the Company's external auditor. The Group's interim results for the six months ended June 30, 2023 have been reviewed by all members of the Audit Committee. Based on such a review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 314 as at June 30, 2023. The following table shows a breakdown of our employees by function as of June 30, 2023:

Function	Number
Production Development (R&D, clinical trial, registration, intellectual property)	158
Manufacturing and Quality Control	29
Sales and Marketing	99
General[(1)]	28
Total	314

Note:

(1) General includes human resource department, finance department, legal department and others.

For the six months ended June 30, 2023, the staff cost (including Directors' remuneration in the form of salaries and other benefits and share award expenses) was approximately US$12.6 million as compared to US$11.3 million for the six months ended June 30, 2022.

Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

We provide periodic trainings on various measures and procedures regarding each aspect of our operations to employees, including protection of intellectual property, environmental protection and occupational health and safety. We also provide periodic training on these measures and procedures to our employees as part of our employee training program. We will regularly monitor the implementation of these measures and procedures.

The Group has also adopted a Share Option Plan and a RSU Scheme. Please refer to the sections headed "Equity Incentive Plans" in this report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) USD'000	2022 (Unaudited) USD'000
REVENUE	5	**5,234**	3,218
Cost of sales		**(1,208)**	(756)
Gross profit		**4,026**	2,462
Other income and gains	5	**2,512**	543
Selling and distribution expenses		**(6,365)**	(5,300)
Administrative expenses		**(4,609)**	(4,261)
Impairment of trade receivables, net	6	**201**	(139)
Research and development costs		**(10,232)**	(9,138)
Other expenses		**(219)**	(174)
Finance costs		**(43)**	(52)
LOSS BEFORE TAX	6	**(14,729)**	(16,059)
Income tax expense	7	**(2)**	(1)
LOSS FOR THE PERIOD		**(14,731)**	(16,060)
Attributable to:			
Owners of the parent		**(14,731)**	(16,060)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	9	**(0.03)**	(0.03)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) *USD'000*	2022 (Unaudited) *USD'000*
LOSS FOR THE PERIOD	**(14,731)**	(16,060)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,871)**	(1,377)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(1,871)**	(1,377)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(16,602)**	(17,437)
Attributable to:		
Owners of the parent	**(16,602)**	(17,437)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) USD'000	31 December 2022 (Audited) USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,777**	2,402
Intangible assets		**5,308**	5,910
Right-of-use assets		**1,414**	1,354
Financial assets at fair value through profit or loss	11	**9,203**	7,603
Finance lease receivables		**54**	67
Trade receivables	12	**1,517**	1,493
Prepayments, other receivables and other assets		**268**	247
Total non-current assets		**19,541**	19,076
CURRENT ASSETS			
Inventories		**4,913**	4,298
Finance lease receivables		**26**	25
Trade and bills receivables	12	**10,310**	8,598
Prepayments, other receivables and other assets		**1,099**	1,510
Pledged deposits		**238**	526
Time deposits with original maturity over three months		**71,234**	81,153
Cash and cash equivalents		**97,278**	106,756
Total current assets		**185,098**	202,866
CURRENT LIABILITIES			
Trade payables	13	**370**	321
Lease liabilities		**763**	652
Other payables and accruals		**4,867**	6,116
Bank overdrafts		**19**	29
Contract liabilities		**239**	299
Total current liabilities		**6,258**	7,417
NET CURRENT ASSETS		**178,840**	195,449
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,381**	214,525

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Note	**30 June 2023 (Unaudited) *USD'000***	31 December 2022 (Audited) *USD'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,381**	214,525
NON-CURRENT LIABILITIES			
Lease liabilities		**786**	790
Other payables and accruals		**175**	175
Contract liabilities		**82**	102
Total non-current liabilities		**1,043**	1,067
Net assets		**197,338**	213,458
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**12**	12
Reserves		**197,326**	213,446
Total equity		**197,338**	213,458

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital *USD'000*	Share premium* *USD'000*	Other reserve* *USD'000*	Share option reserve* *USD'000*	Exchange fluctuation reserve* *USD'000*	Accumulated losses* *USD'000*	Total equity *USD'000*
At 1 January 2023 (audited)	**12**	**593,434**	**43,808**	**14,007**	**(2,147)**	**(435,656)**	**213,458**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(14,731)**	**(14,731)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(1,871)**	**–**	**(1,871)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,871)**	**(14,731)**	**(16,602)**
Issue of shares upon the exercise of share award arrangements	**–**	**122**	**–**	**(67)**	**–**	**–**	**55**
Transfer of share option reserve upon the expiry of share options	**–**	**–**	**–**	**(1,849)**	**–**	**1,849**	**–**
Equity-settled share award arrangements	**–**	**–**	**–**	**427**	**–**	**–**	**427**
At 30 June 2023 (unaudited)	**12**	**593,556**	**43,808**	**12,518**	**(4,018)**	**(448,538)**	**197,338**

* These reserve accounts comprise the consolidated reserves of USD197,326,000 in the interim condensed consolidated statement of financial position as at 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital *USD'000*	Share premium* *USD'000*	Other reserve* *USD'000*	Share option reserve* *USD'000*	Exchange fluctuation reserve* *USD'000*	Accumulated losses* *USD'000*	Total equity *USD'000*
At 1 January 2022 (audited)	12	592,019	43,808	15,290	13	(408,724)	242,418
Loss for the period	–	–	–	–	–	(16,060)	(16,060)
Exchange differences on translation of foreign operations	–	–	–	–	(1,377)	–	(1,377)
Total comprehensive income for the period	–	–	–	–	(1,377)	(16,060)	(17,437)
Issue of shares upon the exercise of share award arrangements	–	160	–	(120)	–	–	40
Exercise of restricted share units	–	541	–	(494)	–	–	47
Equity-settled share award arrangements	–	–	–	932	–	–	932
At 30 June 2022 (unaudited)	12	592,720	43,808	15,608	(1,364)	(424,784)	226,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) USD'000	2022 (Unaudited) USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(14,729)**	(16,059)
Adjustments for:			
Finance costs		**43**	52
Bank interest income	5	**(2,312)**	(245)
Interest income from non-current receivables	5	**(28)**	(36)
Gain on disposal of items of property, plant and equipment	5	**(26)**	(94)
Fair value gains net:			
Financial assets at fair value through profit or loss	5	**(92)**	–
Depreciation of property, plant and equipment		**463**	459
Depreciation of right-of-use assets		**354**	353
Amortisation of intangible assets		**631**	626
Gain on termination of leases	5	**(7)**	–
Impairment of trade receivables, net	6	**(201)**	139
Equity-settled share award expenses	15	**440**	949
Foreign exchange differences, net	6	**218**	160
		(15,246)	(13,696)
Increase in inventories		**(615)**	(135)
(Increase)/decrease in trade and bills receivables		**(1,489)**	1,338
Decrease/(increase) in prepayments, other receivables and other assets		**383**	(121)
Decrease in financial lease receivables		**12**	19
Decrease/(increase) in pledged short-term deposits		**288**	(298)
Increase/(decrease) in trade payables		**49**	(313)
Decrease in other payables and accruals		**(1,249)**	(3,678)
Decrease in contract liabilities		**(80)**	(215)
Cash used in operations		**(17,947)**	(17,099)
Interest received		**2,033**	245
Income tax paid		**(2)**	(1)
Net cash flows used in operating activities		**(15,916)**	(16,855)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	2023 (Unaudited) USD'000	2022 (Unaudited) USD'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(60)**	(260)
Proceeds from disposal of items of property, plant and equipment	**200**	88
Purchases of intangible assets	**(36)**	(124)
Decrease/(increase) in time deposits over three months	**10,198**	(148,454)
Proceeds from disposal of financial assets at fair value through profit or loss	**3,682**	–
Purchases of financial assets at fair value through profit or loss	**(5,190)**	(3,150)
Net cash flows from/(used in) investing activities	**8,794**	(151,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**110**	114
Repayment of bank borrowings	**(120)**	(96)
Principal portion of lease payments	**(280)**	(334)
Issue of shares upon the exercise of share award arrangements	**55**	40
Interest paid	**(43)**	(52)
Net cash flows used in financing activities	**(278)**	(328)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,400)**	(169,083)
Cash and cash equivalents at beginning of period	**106,756**	227,207
Effect of foreign exchange rate changes, net	**(2,078)**	(1,473)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**97,278**	56,651
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**43,477**	28,065
Non-pledged time deposits with original maturity of less than three months when acquired	**53,801**	28,586
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**97,278**	56,651
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**97,278**	56,651

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 30 April 2012. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business in China is located at No. 88 Jiangling Road, Xixing Street, Binjiang District, Hangzhou, Zhejiang Province, People's Republic of China (the "PRC").

The Company is an investment holding company. During the period, the Company's subsidiaries were principally engaged in research and development, and the manufacture and commercialisation of medical device and consumables.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 24 September 2021.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which has been measured at fair value. The interim condensed consolidated financial information is presented in United States dollar ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised IFRSs that are applicable to the Group are describe below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the condensed consolidated statement of financial position for presentation purposes.

The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, there was no significant cumulative effect unrecognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. The adoption of amendments to IAS 12 did not have significant impact on the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss for the year end 31 December 2022. Therefore, retained earnings as at 1 January 2022 and the comparative information was not restated and continues to be reported under unrevised IAS 12.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Mainland China	**4,251**	1,983
European Union	**720**	763
USA	**127**	51
Other countries/regions	**136**	421
	5,234	3,218

The revenue information above is based on the locations of the customers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
USA	**5,270**	6,104
Mainland China	**3,324**	3,626
European Union	**22**	27
Other countries/regions	**4**	4
Total	**8,620**	9,761

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the reporting period is set out below:

	For the six months ended 30 June	
	2023 (Unaudited) *USD'000*	2022 (Unaudited) *USD'000*
Customer A	**3,578**	1,617

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	**5,012**	2,972
Provision of services	**222**	246
	5,234	3,218

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Geographical markets		
Mainland China	**4,251**	1,983
European Union	**720**	763
USA	**127**	51
Other countries/regions	**136**	421
	5,234	3,218
Timing of revenue recognition		
Goods transferred at a point in time	**5,012**	2,972
Services transferred over time	**222**	246
	5,234	3,218

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Other income		
Bank interest income	**2,312**	245
Government grants	**45**	160
Interest income from non-current receivables	**28**	36
Others	**2**	8
	2,387	449
Gains		
Fair value gains net:		
Financial assets at fair value through profit or loss	**92**	–
Gain on disposal of items of property, plant and equipment	**26**	94
Gain on termination of leases	**7**	–
	125	94
	2,512	543

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***USD'000***	*USD'000*
Cost of inventories sold		**1,195**	756
Cost of services provided		**13**	–
Research and development costs		**10,232**	9,138
Impairment of trade receivables, net		**(201)**	139
Foreign exchange differences, net		**218**	160
Equity-settled share award expenses	15	**440**	949

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Current — USA		
Charge for the period	**2**	1

8. DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 488,474,965 in issue during the period (six months ended 30 June 2022: 487,555,811). As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period (six months ended 30 June 2022: Nil) in respect of a dilution as the impact of equity-settled share award arrangements had an anti-dilutive effect on the basic loss per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	USD'000	*USD'000*
Carrying amount at beginning of period/year	**2,402**	2,729
Additions	**67**	808
Depreciation provided during the period/year	**(463)**	(895)
Disposals	**(174)**	(53)
Exchange realignment	**(55)**	(187)
Carrying amount at end of period/year	**1,777**	2,402

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Unlisted debt investments, at fair value	**9,203**	7,603

The above unlisted debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

12. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Current:		
Trade receivables	**9,629**	9,837
Bills receivable	**1,702**	–
	11,331	9,837
Non-current:		
Trade receivables	**1,518**	1,494
	12,849	11,331
Impairment	**(1,022)**	(1,240)
	11,827	10,091

Certain of the Group's trading terms with its customers are on credit. The credit period is generally three to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables was an amount of USD1,767,000 (31 December 2022: USD1,987,000) due from a Group's related party.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Within 3 months	**4,401**	5,511
3 to 6 months	**16**	67
6 to 12 months	**3,791**	1,914
1 to 2 years	**1,917**	2,599
	10,125	10,091

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Within 3 months	**368**	308
3 to 6 months	**1**	11
6 to 12 months	**1**	1
Over 1 year	**–**	1
	370	321

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

14. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 30 April 2012 with an initial authorised share capital of USD50,000 with a par value of USD1 each. On 22 May 2014, the then authorised share capital was sub-divided into 500,000,000 shares with a par value of USD0.0001 each. On 7 September 2021, the then authorised and issued share capital was sub-divided into four shares with a par value of USD0.000025 each.

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Authorised:		
2,000,000,000 (31 December 2022: 2,000,000,000) ordinary shares of USD0.000025 each	**50,000**	50,000

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Issued and fully paid:		
488,621,236 (31 December 2022: 488,296,236) ordinary shares of USD0.000025 each	**12**	12
Issued but not paid:		
38,576,840 (31 December 2022: 38,576,840) ordinary shares of USD0.000025 each	**1**	1
	13	13

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

14. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *USD'000*
At 1 January 2022	526,560,828	12
Share options exercised during the year (note a)	312,248	–
At 31 December 2022	526,873,076	12
At 31 December 2022 and 1 January 2023 (audited)	526,873,076	12
Share options exercised in February 2023 (note b)	150,000	–
Share options exercised in April 2023 (note c)	175,000	–
At 30 June 2023 (unaudited)	527,198,076	12

Notes:

(a) The subscription rights attaching to 312,248 share options were exercised at the subscription price between HKD1.34 and HKD6.35 per share, resulting in the issue of 312,248 ordinary shares of the Company for a total cash consideration of HKD539,000 (equivalent to approximately USD70,000).

(b) The subscription rights attaching to 150,000 share options were exercised at the subscription price of HKD1.34 per share, resulting in the issue of 150,000 ordinary shares of the Company for a total cash consideration of HKD201,000 (equivalent to approximately USD26,000).

(c) The subscription rights attaching to 175,000 share options were exercised at the subscription price of HKD1.34 per share, resulting in the issue of 175,000 ordinary shares of the Company for a total cash consideration of HKD235,000 (equivalent to approximately USD29,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. SHARE-BASED PAYMENTS

The Group's subsidiaries operate share-based payment schemes (the "Subsidiaries' Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Subsidiaries' Schemes include the Company's directors and the Group's employees.

The share options have vesting terms (share options shall vest in equal monthly instalments) in schedule from the grant date and there is no performance target required except that the eligible participant remains in service for the Group during the vesting period. The exercise price of the share options vary with each person and share plan.

As part of the Group's reorganisation, in May 2021, the Company adopted equity incentive plans (the "Company's Schemes") to exchange share options granted in each of the subsidiaries for share options or restricted stock units ("RSU") of the Company. The incremental fair value resulting from the exchange at the replacement date was USD2,165,000, which would be recognised over the remaining vesting period.

In addition, new RSU granted by the Group during the six months ended 30 June 2023 are as follows:

Date of grant	Grantor	Type	Number	Vesting period *(months)*	Exercise price *(USD)*
May 2023	Company	RSU	2,015,999	0–48	–
May 2023	Company	RSU	240,000	12–48	Note

Note: Exercise price is the average closing price of the Company in the last five trading days prior to each vesting date multiplied by 50%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. SHARE-BASED PAYMENTS (CONTINUED)

Movements in the number of share options granted under the Subsidiaries' Schemes and Company's Schemes in total and their related weighted average exercise price are as below:

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Weighted average exercise price *USD/share*	**Number of options**	Weighted average exercise price *USD/share*	Number of options
Outstanding at beginning of the period/year	**0.42**	**10,186,864**	0.43	11,664,561
Forfeited or expired during the period/year	**0.64**	**(3,410,848)**	0.57	(1,165,449)
Exercised during the period/year	**0.17**	**(325,000)**	0.22	(312,248)
Outstanding at end of the period/year	**0.31**	**6,451,016**	0.42	10,186,864

Movements in the number of RSU granted under the Company's Schemes and their related weighted average exercise price are as below:

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Weighted average exercise price *USD/share*	**Number of RSU**	Weighted average exercise price *USD/share*	Number of RSU
Outstanding at beginning of the period/year	**0.08**	**20,253,683**	0.06	13,349,196
Granted during the period/year	**0.01**	**2,255,999**	0.12	7,675,491
Forfeited during the period/year	**0.23**	**(600,000)**	–	–
Exercised during the period/year	**–**	**–**	0.06	(771,004)
Outstanding at end of the period/year	**0.07**	**21,909,682**	0.08	20,253,683

During the period, share-based expenses of USD440,000 (six months ended 30 June 2022: USD949,000) were charged to the condensed consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Contracted, but not provided for:		
Capital contribution payable to purchase limited partnership interests	**12,109**	–

17. RELATED PARTY TRANSACTIONS

Name	**Relationship**
Hangzhou Dinova Medical Technology Co., Ltd. ("Hangzhou Dinova")	An entity controlled by Mr. Michael Yi Wei Zhao
NoahTron Intelligence Medtech (Hangzhou) Co., Ltd. ("NoahTron Intelligence")	An entity controlled by Mr. Michael Yi Wei Zhao

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following major transactions with related parties during the period:

	For the six months ended 30 June	
	2023 (Unaudited) *USD'000*	2022 (Unaudited) *USD'000*
Purchase from:		
Hangzhou Dinova	**82**	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Other payables and accruals*:		
Hangzhou Dinova	**78**	116
Trade receivables*:		
NoahTron Intelligence	**1,767**	1,987

On 7 September 2021, a subsidiary of the Group entered into a licence agreement with NoahTron Intelligence and a non-exclusive licence was granted to NoahTron Intelligence by payment at USD250,000 per year for a period of ten years.

* The balances are trade in nature.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) *USD'000*	2022 (Unaudited) *USD'000*
Salaries, bonuses, allowances and benefit in kind	**493**	555
Pension scheme contributions	**20**	22
Equity-settled share award expenses	**1**	70
Total compensation paid to key management personnel	**514**	647

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2023 and 31 December 2022 are as follows:

Financial assets

As at 30 June 2023 (Unaudited)

	Financial assets at fair value through profit or loss ***USD'000***	**Financial assets at amortised cost** ***USD'000***
Trade and bills receivables	**–**	**11,827**
Finance lease receivables	**–**	**80**
Financial assets included in prepayments, other receivables and other assets	**–**	**393**
Financial assets at fair value through profit or loss	**9,203**	**–**
Pledged deposits	**–**	**238**
Cash and cash equivalents	**–**	**97,278**
Time deposits with original maturity over three months	**–**	**71,234**
	9,203	**181,050**

As at 31 December 2022 (Audited)

	Financial assets at fair value through profit or loss *USD'000*	Financial assets at amortised cost *USD'000*
Trade and bills receivables	–	10,091
Finance lease receivables	–	92
Financial assets included in prepayments, other receivables and other assets	–	485
Financial assets at fair value through profit or loss	7,603	–
Pledged deposits	–	526
Cash and cash equivalents	–	106,756
Time deposits with original maturity over three months	–	81,153
	7,603	199,103

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	30 June 2023 (Unaudited) *USD'000*	31 December 2022 (Audited) *USD'000*
Trade payables	**370**	321
Financial liabilities included in other payables and accruals	**1,162**	1,253
Bank overdrafts	**19**	29
	1,551	1,603

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits with original maturity over three months, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, finance lease receivables, trade payables, bank overdrafts and financial liabilities included in other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments. All the carrying amounts of the Group's non-current financial assets and financial liabilities approximate to their fair value.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of the reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of the trade receivables, finance lease receivables and financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of financial assets at fair value through profit or loss have been estimated by backsolve method and investment cost method.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 June 2023

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	
	USD'000	***USD'000***	***USD'000***	**Total** ***USD'000***
Financial assets at fair value through profit or loss	**–**	**9,203**	**–**	**9,203**

As at 31 December 2022 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	USD'000	*USD'000*	*USD'000*	Total *USD'000*
Financial assets at fair value through profit or loss	–	7,603	–	7,603

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

DEFINITIONS

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company"	Broncus Holding Corporation（堃博医疗控股有限公司）, an exempted company incorporated in the Cayman Islands with limited liability on April 30, 2012, whose Shares were listed and traded on the Stock Exchange
"COPD"	chronic obstructive pulmonary disease
"Director(s)"	member(s) of our board of directors, including all executive, non-executive and independent non-executive directors
"EU"	the European Union
"FDA"	The United States Food and Drug Administration
"Global Offering"	the global offering of the Shares, comprising the Hong Kong public offering of 8,935,500 Shares and the international offering of 80,419,500 Shares
"Group", "our Group", "we" or "us"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the context may require)
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"InterVapor®"	InterVapor® System, the world's first and only Thermal Vapor Treatment System to treat lung diseases including COPD and lung cancer, including InterVapor® Generator and InterVapor® Catheter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"R&D"	Research and development
"Reporting Period"	six months ended June 30, 2023
"RF-II"	RF Generator + RF Ablation Catheter, a radiofrequency ablation system used in conjunction with a disposable lung radiofrequency ablation catheter and the only radiofrequency ablation system that specifically targets lung cancer
"RSU"	restricted share unit(s)
"RSU Scheme"	the restricted share unit scheme of the Company as adopted on May 6, 2021 and amended and restated on July 5, 2021
"Shares"	ordinary share(s) in the share capital of the Company
"Shareholders"	holders of the Shares
"Share Option Plan"	the share incentive plan of the Company as adopted on May 9, 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S.", "US", "USA" or "United States"	the United States of America
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent