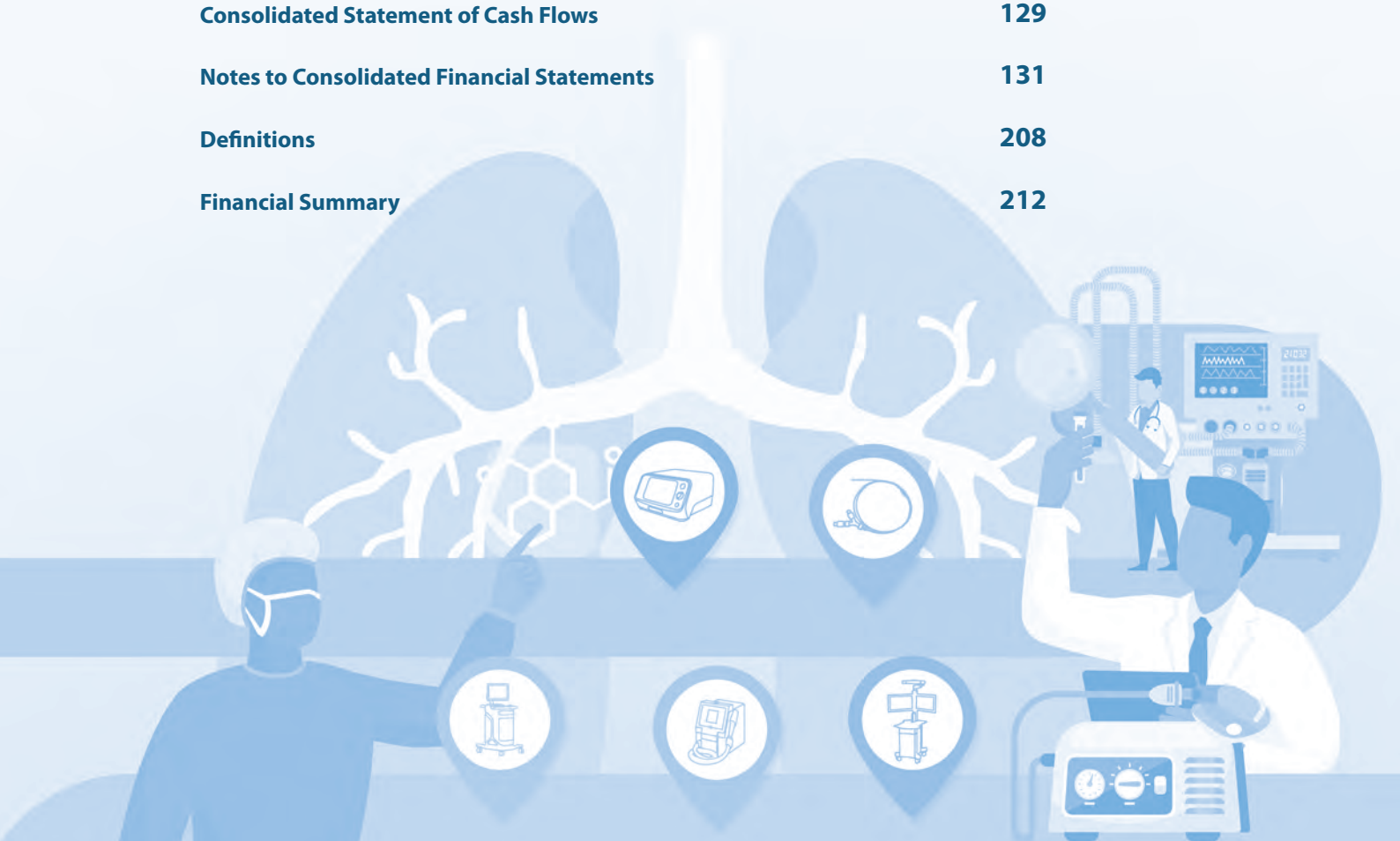
堃博医疗控股有限公司
Broncus Holding Corporation

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

2023 ANNUAL REPORT

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)*[Note 1]

Non-executive Directors
Mr. Michael Yi Wei Zhao *(Chairman)*
Mr. Zhenjun Zi[Note 3]
Mr. Ao Zhang
Mr. Guowei Zhan[Note 1]

Independent Non-executive Directors
Dr. Pok Man Kam
Professor Joseph Wan Yee Lau[Note 2]
Ms. Yee Sin Wong

AUDIT COMMITTEE

Dr. Pok Man Kam *(Chairman)*
Professor Joseph Wan Yee Lau[Note 2]
Ms. Yee Sin Wong

NOMINATION COMMITTEE

Mr. Michael Yi Wei Zhao *(Chairman)*
Professor Joseph Wan Yee Lau[Note 2]
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

Notes:

1. 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.
2. Professor Joseph Wan Yee Lau passed away on February 7, 2024.
3. With effect from March 1, 2024, Mr. Zhenjun Zi resigned as a non-executive director of the Company.

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

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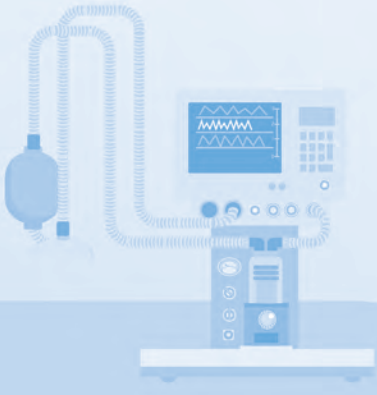
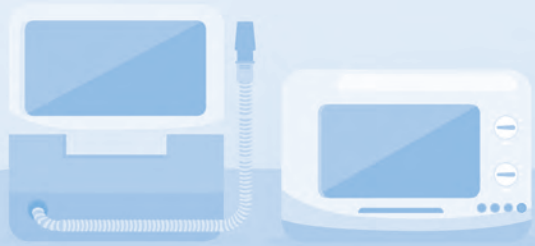
Email: IR@broncuschina.com



FINANCIAL HIGHLIGHTS

	Year ended December 31, 2023 ***USD'000***	Year ended December 31, 2022 *USD'000*	Year-to-year change
Revenue	**10,255**	9,413	8.9%
Gross Profit	**7,227**	7,315	–1.2%
Loss for the year	**(28,092)**	(28,036)	0.2%
Add:			
Share awards	**556**	1,123	–50.5%
Non-IFRS adjusted net loss for the year[(1)]	**(27,536)**	(26,913)	2.3%
Cash and specified financial assets	**156,647**	188,435	–16.9%

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

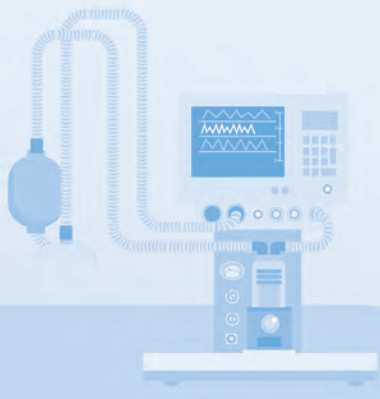
On behalf of the Board, I sincerely appreciate your confidence and support.

2023 was a tough year for the biotech. Broncus also experienced a severe winter, face some serious challenges. We combined our efforts, to overcome various unfavourable factors, proactively adapted to the external environment, optimised our business and R&D pipelines, and optimised our management and control on expenses. We made some progress during the hard times.

Firstly, in clinical, we have complete the follow-up visit to the Registered Clinical Trial of RF-II radiofrequency ablation system, which is our core product. Its clinical research results have confirmed the safety and efficacy of RF-II in the treatment of lung cancer. The data was presented at academic conferences such as the 11th National Academic Conference on Respiratory Endoscopy and Interventional Pulmonology and the Annual Scientific Meeting of the European Respiratory Society (ERS), and was used for the applications for NMPA. RF-II is the world's first transbronchial interventional treatment product for lung cancer, which will promote the advanced treatment of lung cancer. Due to the synergy between RF-II and the navigation platform, we expect RF-II will further promote the commercialization of navigation platform. Meanwhile, for the Targeted Lung Denervation (TLD) Radiofrequency Ablation System, an innovative device for the treatment of acute exacerbation of COPD, we completed the first case of Registered Clinical Trials in July 2023. As of December 31, 2023, the enrollment of over 40 patients has been completed at more than 20 trial sites.

Secondly, in terms of commercialization, our core product, InterVapor®, has been commercialized and applied in more than 20 hospitals in China. About 100 hospitals have tried out the technology, while the product prices of the disposable thermal vapor treatment catheter were collected by the open and fair procurement platform in over 20 provinces and cities, and the medical insurance coverage gradually being implemented. Our navigation products achieved a 40% market share in China through differentiated promotion strategies and unique technological advantages. After commercialization, the disposable transbronchoscopic puncture dilatation catheter for BroncTru™ has been clinically applied in multi-scenarios in Chest Hospital of Shanghai Jiao Tong University and other hospitals.

We followed the national policy of encouraging domestic medical devices and focused on optimising the business structure through the implementation of domestic manufacturing. In 2023, the production process is gradually transferred, and both the InterVapor® domestic version and the LungPoint domestic version have obtained the NMPA registration certificate, and the manufacturing process has been gradually moving to our Hangzhou facility in China. So far, domestic manufacturing of the Company's major diagnostic and therapeutic products and navigation platforms have basically been realized, which will further reduce the Company's operating costs and promote the commercialization of the Company's products.



CHAIRMAN'S STATEMENT

In 2024, in the face of external unfavourable factors, Broncus will continue to optimize its R&D product pipeline, deepen market penetration, focus on cost reduction and efficiency enhancement, adhere to the strategy of reasonable manpower efficiency and stable operation and deeply cultivate the field of respiratory intervention to push forward the "Broncus Scheme". We will make steady progress and maintain our resilience by leveraging experience and lessons learned. We will seize development opportunities of treatment products that are far ahead of others and transcend the bottleneck for creating better results.

The journey ahead may be long and arduous, but with sustained efforts, we will eventually reach our destination.

Sincerely,

ZHAO Michael Yi Wei
Chairman

Hong Kong, March 28, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS HIGHLIGHTS

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

(i) In terms of clinical and product R&D:

(a) We have completed the follow-up visit to the pivotal clinical trial of Zhiheng RF-II in the first quarter of 2023. The product is the world's first transbronchial interventional treatment product for lung cancer, which has completed the ablation of peripheral lung cancer lesions through transbronchoscopic radiofrequency ablation. The clinical research data showed that the study has a technical success rate of 99.35% and a 6-month complete ablation rate of the main lesion being 93.8%. 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 research results confirmed the safety and efficacy of RF-II in the treatment of lung cancer. The full results of this study were presented at academic conferences such as the 2023 Annual Scientific Meeting of the European Respiratory Society (ERS). The study data is used for the applications for NMPA.

(b) For the Targeted Lung Denervation (TLD) Radiofrequency Ablation System, an innovative device for the treatment of acute exacerbation of COPD, we completed the first case of Registered Clinical Trials 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 20 trial sites in China. As of December 31, 2023, the enrollment of over 40 patients has been completed at more than 20 trial sites.

(ii) In terms of market access:

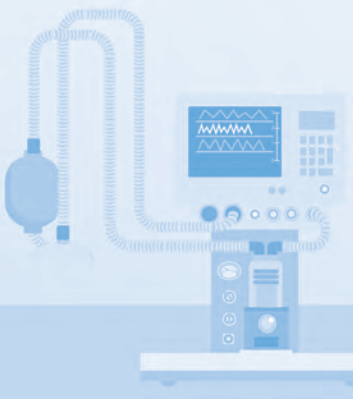
(a) In July 2023, the domestic version of our InterVapor® disposable transbronchial endoscopic thermal vapor treatment catheter obtained the NMPA registration certificate;

(b) In October 2023, the domestic version of our InterVapor® thermal vapor treatment equipment obtained the NMPA registration certificate;

(c) In September 2023, the domestic version of LungPoint, our lung navigation product, obtained the NMPA registration certificate;

(d) In September 2023, our BroncTru™ disposable transbronchoscopic puncture dilatation catheter obtained the NMPA registration certificate;

(e) In 2023, InterVapor® was successively approved in Thailand, Chinese Taiwan, Malaysia and Indonesia.



MANAGEMENT DISCUSSION AND ANALYSIS

(iii) In terms of commercialization:

(a) InterVapor® for COPD has been commercialized and applied in more than 20 hospitals in China. About 100 hospitals tried the technology, while the product prices of the disposable thermal vapor treatment catheter were collected by the open and fair procurement platform in over 20 provinces and cities, and the insurance coverage gradually being implemented.

(b) According to public information statistics by the Company, the market share of our navigation products in China reached 40%.

(c) After commercialization in China, the disposable transbronchoscopic puncture dilatation catheter for BroncTru™ has been clinically applied in multi-scenarios in Chest Hospital of Shanghai Jiao Tong University and other hospitals.

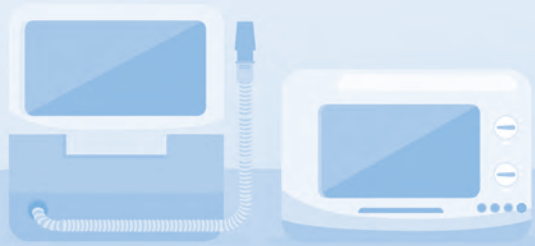
(d) In 2023 financial year, our products covered various countries and regions all over the world, including the United States, the United Kingdom, Germany, France, India, etc.

As at December 31, 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, etc. With the support of the government, the Company will continue to enhance its comprehensive strengths, and create a comprehensive solution for interventional pulmonology.

BUSINESS REVIEW

Founded in 2012, we are a pioneer medical device company in the field of interventional pulmonology, providing innovative lung solutions in China and globally. Based on the world's exclusive whole lung access navigation technology, we have developed an integrated interventional pulmonology platform including navigation, diagnosis and treatment. We provide safe and effective interventional treatments for lung cancer and COPD through a series of lung disease diagnosis and treatment products, thus addressing the pain points of the existing diagnosis and treatment paradigms and meeting the significant clinical medical needs for lung diseases.

As at December 31, 2023, we had 19 products and major products under various development stages, including a number of innovative pulmonary interventional products that are the only ones of their kind in the world or in China. Among which, the InterVapor® Therapy Vapor Treatment System is the world's first and only implantable medical device to treat COPD, and its feasibility for the treatment of lung cancer has been proven by clinical trials. RF-II Radiofrequency Ablation System is the world's first transbronchial interventional treatment product for lung cancer. TLD is the first self-developed targeted radiofrequency ablation system in China to reduce the risk of acute exacerbation of COPD.



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 pulmonary platform as at the date of this annual report:

	Indication	Portfolio	Region	Preclinical / Clinical Trial / Registration
Treatment	COPD	InterVapor® for COPD[2][8][9]	China	Launch for sale, China (March 2022)
			EU	Launch for sale, EU (January 2018)
			Others	Launch for sale, UK, Switzerland, Chinese Taiwan, Hong Kong, India, Thailand, Singapore, Malaysia, Australia etc.
		InterVapor® for COPD (domestic version)[8]	China	Launch for sale, China (October 2023)
		TLD Ablation System[8]	China	Clinical trial for NMPA registration from January 2023 → 2026.7 → end of 2027
	Lung Cancer/ Lung Nodules	InterVapor® for Lung Cancer[3][8][9]	China	Preclinical study
			EU	Preclinical study
		RF-SEG Generator + RF-iCon Ablation Catheter (RF-II)[8]	China[4]	NMPA registration in process → 2025
			EU[5]	CE registration in process → 2027
		H-Marker[6][8]	China	Launch for sale (June 2021)
	Pulmonary Diseases	Disposable Nebulizing Micro-Catheter for Endoscope[8]	China	Launch for sale, China (October 2022)
		Disposable Transbronchial Puncture Dilation Catheter[8]	China	Launch for sale, China (September 2023)
			EU	→ 2027
Navigation	Navigation Platform and Robots	LungPoint[8]	China	Launch for sale, China (December 2014)
			US	Launch for sale, US (March 2009)
			EU	Launch for sale, EU (June 2010)
		LungPoint (domestic version)[8]	China	Launch for sale, China (September 2023)
		LungPoint Plus/ Archimedes Lite[8]	China	Launch for sale, China (December 2020)
			US/EU	Launch for sale, US/EU (March 2021)
		LungPro/Archimedes System[3]	China	Launch for sale, China (October 2017)
			US	Launch for sale, US (February 2014)
			EU	Launch for sale, EU (July 2014)
		Endoluminal Robotic System	China	In design stage → 2026 → 2027
Diagnosis	Lung Cancer/ Lung Nalules	FlexNeedle[8]	China	Launch for sale, China (December 2014)
			US	Launch for sale, US (April 2009)
			EU	Launch for sale, EU (July 2013)
		ATV FleXNeedle CN[7][8]	China	Launch for sale, China (November 2019)
		BioStarNeedle[8]	China	Launch for sale, China (June 2020)
			EU	Launch for sale, EU (September 2022)
		ATV Sheath[8]	China	Launch for sale, China (June 2018)
			US	Launch for sale, US (October 2013)
			EU	Launch for sale, EU (July 2014)
		ATV Balloon[8]	China	Launch for sale, China (June 2018)
			US	Launch for sale, US (October 2013)
			EU	Launch for sale, EU (July 2014)
		Steerable Sheath[8]	China	Launch for sale, China (July 2020)

Notes:

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

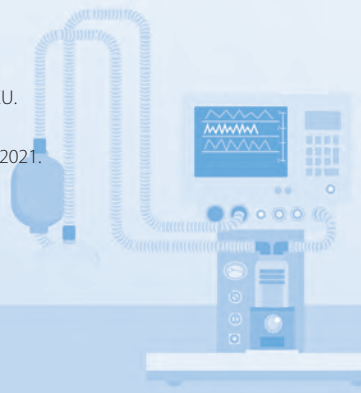
2. In March 2022, the Company's InterVapor® has been granted approval for marketing by the NMPA.

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

4. The trial was completed in March 2023.

5. Expect to leverage clinical data collected in China to apply for registrations in the U.S. and EU.

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



MANAGEMENT DISCUSSION AND ANALYSIS

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 of clinical trials.

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

Major Product Pipeline

InterVapor®

InterVapor® is the world's first and only Thermal Vapor Treatment System to treat lung diseases including COPD and lung cancer, and it is also the world's only interventional non-implantable medical device to treat COPD. It is a therapeutic device that delivers thermal vapor bronchoscopically to the lung to achieve targeted ablation. Based on our thermal vapor targeted ablation technology, we have developed InterVapor® for COPD and InterVapor Plus for lung cancer targeting COPD treatment and lung cancer treatment, respectively.

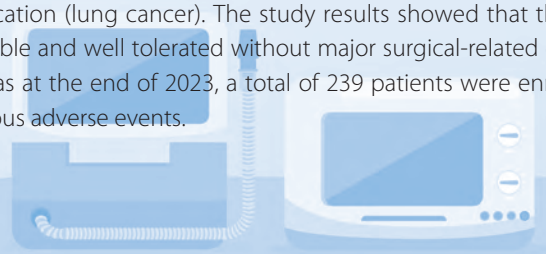
- InterVapor® for COPD is designed for COPD treatment through thermal vapor energy ablation. It delivers thermal vapor to the airway at the targeted location of the lung, which requires precise catheter placement and enhanced imaging. It is the world's first interventional pulmonology device using thermal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

- InterVapor Plus 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 application of thermal vapor to the bronchus of the lung region targeted for treatment and can sufficiently cover the lesion area with appropriate dose of energy.

We first 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. With our seamless efforts in R&D, in 2018, InterVapor® was accredited with an EC Certificate (CE678945) from the BSI and was classified as a Class II medical device in the European Economic Area. In March 2022, InterVapor® was approved by the NMPA with the registration certificate number (國械註進20223090145 and 國械註進 20223090144). In July and October 2023, the disposable transbronchial endoscopic thermal vapor treatment catheter and thermal vapor treatment devise for domestic InterVapor® was approved by the NMPA, with registration certificate numbers (國械註准20233091032 and 國械註准20233091468) respectively.

Since its launch in China, InterVapor® has been clinically applied in over 20 provinces across the country, with obvious clinical benefits for patients. Meanwhile, the progress in the procurement of the product and its entry into hospitals in China was promoted in an orderly manner. The product prices of the disposable thermal vapor treatment catheter were collected by the open and fair procurement platform in over 20 provinces and cities across the country, providing access guarantee for medical institutions in bargaining and procurement.

As of December 31, 2023, the clinical history of InterVapor® includes: (1) STEP-UP trial; (2) NEXT-STEP trial; (3) VAPORIZE trial; (4) West China Hospital trial; and (5) BTVA Registry study. We completed patient enrollment and follow-up visits for the NEXT-STEP trial in June 2020, and the formal study report was completed by September 2021. We have also completed the clinical study report on the VAPORIZE trial in July 2021 to explore the use of InterVapor® for a new indication (lung cancer). The study results showed that the bronchoscopic thermal vapor ablation of lung tumors is feasible and well tolerated without major surgical-related complications. With regard to the BTVA Registry study in the EU, as at the end of 2023, a total of 239 patients were enrolled in 17 study centers, without reports on device-related serious adverse events.



MANAGEMENT DISCUSSION AND ANALYSIS

InterVapor® has been granted approval in Thailand, Chinese Taiwan, Malaysia and Indonesia in 2023, and the registration application has been submitted to the competent authority in the Philippines in June 2023 and is under review currently.

RF-II

RF-II is the world's first transbronchial interventional treatment product for lung cancer. It is a radiofrequency ablation system used in conjunction with the disposable lung radiofrequency ablation catheter and the radio frequency energy generator, which acts on lung tumors via a bronchoscope to perform ablation to the lung tumors and effectively promote the advanced treatment of lung cancer. RF-II is classified as a Class III medical device in China and a Class II medical device in the EU and the United States.

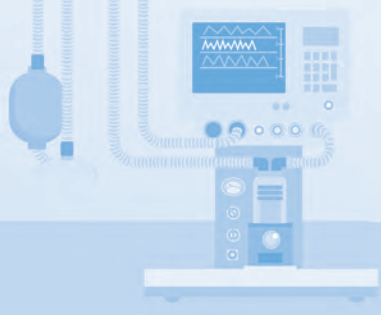
Currently, the treatment of lung cancer is mainly based on chemotherapy, radiotherapy and surgical operations with greater side effects and trauma, 80% of lung cancer patients are not suitable for surgical operations according to expert consensus. Radiofrequency ablation is a minimally-invasive, repeatable targeted therapy for lung tumors, providing a new treatment for patients. With the development and widespread of radiofrequency ablation technology, this new solution of precise minimally invasive intervention is expected to become the mainstream trend in the future, which can be used alone or combined treatment with drugs and surgery.

RF-II is well ahead in the field of radiofrequency ablation for the treatment of lung cancer. The follow-up visit to the registered clinical trial of RF-II, namely BRONC-RF-II, was completed in March 2023 and has been submitted to the NMPA for completion of the medical device marketing review process in December 2023. A total of 126 patients with lung cancer were included in the trial for the treatment of radiofrequency ablation system. The study has a technical success rate of 99.35% and a 6-month complete ablation rate being 93.8%. Meanwhile, there is a lower incidence of common complications such as pneumothorax and bleeding in thermal ablation for lung cancer in this study as compare to similar treatments. The results of the study confirmed the safety and efficacy of RF-II in the clinical treatment of lung cancer. In addition, we are preparing the application for the CE registration submission for RF-II. The trial was conducted at renowned hospitals in China, including Guangzhou Institute of Respiratory Health, Shanghai Chest Hospital, West China Hospital of Sichuan University, Beijing Chaoyang Hospital affiliated with Capital Medical University, and Sir Run Run Shaw Hospital affiliated with the Zhejiang University School of Medicine etc. After the product launch its commercialization, we will also collaborate with key opinion leaders to introduce our unique technology by holding training sessions.

RF-II is expected to kick off commercialization within seven years since we initiated the R&D process.

TLD

TLD, a Targeted Lung Denervation product jointly developed with West China Hospital of Sichuan University, is the first self-developed product in China for the treatment of COPD by transbronchial radiofrequency ablation, which is expected to be crucial to 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 the peripheral bronchial nerve, blocks parasympathetic transmission in the pulmonary and reduces acetylcholine release, resulting in effects similar to anticholinergics which include reducing airway smooth muscle tension and mucus production, thereby alleviating airway obstruction.



MANAGEMENT DISCUSSION AND ANALYSIS

The First-In-Man clinical trial of the TLD Radiofrequency Ablation System was completed in July 2023, and register clinical trial of TLD products was launched in the first quarter of 2023. The study was a prospective, randomized, single-blinded, sham-operated group-controlled multicenter clinical trial. A total of 189 patients with moderate to severe COPD were planned to be enrolled in over 20 research centers in China will cover the safety and efficacy of the product. The first case was completed in July 2023. By the end of 2023, more than 40 patients have been enrolled in over 20 research centers. The study is expected to complete all subject follow-up visits in July 2026, Clinical trial reports and data publicity will be completed no earlier than the time point.

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

The "Mist Fountain" nebulizing micro-catheter is used in conjunction with the endoscopy. 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 the 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.

BroncTru™, a disposable transbronchoscopic puncture dilatation catheter

BroncTru™ , a disposable transbronchoscopic puncture dilatation catheter is used in conjunction with the endoscopy, which can be applied to the Bronchoscopic Transparenchymal Nodule Access (BTPNA) and biopsy of peripheral bronchial inaccessible lesion. Under the guidance of the navigation system, BroncTru™ can create a accurate access to lesions outside the airway, especially the peripheral isolated pulmonary nodules that are not visible under X-ray, and create a direct access to the lesion site to realize the diagnosis and follow-up treatment in whole lung.

Compared with the traditional BTPNA, using the new generation of BTPNA by BroncTru™, can rapidly create access to the lesion outside the airway through "puncture-expansion" procedure. It simplifies the procedure, greatly reduces the time of traditional operation, improves the efficiency and facilitates, the popularization of operation. The product is compatible with the existing biopsy tools and future radiofrequency ablation treatment devices, and its multi-safety design can minimize the risk of inadvertent operation and improve intraoperative safety, which enables quicker and accurate diagnosis and treatment.

The product was officially approved for marketing by the Zhejiang Medical Products Administration in September 2023. The product with multiple patents has been applied in multi-scenarios in the field of diagnosis and treatment of lung diseases.

MANAGEMENT DISCUSSION AND ANALYSIS

Navigation platforms: LungPoint, LungPoint Plus/Archimedes Lite and 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 airway 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 United States by the FDA in 2009, the EU by the BSI in 2011, and the PRC by the NMPA in 2014. LungPoint is classified as Class II medical device by the FDA, as Class IIa medical device in the EU, and as Class III medical device by the NMPA.

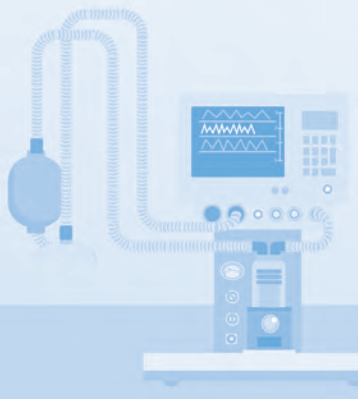
- LungPoint Plus/Archimedes Lite, which was launched in 2020, provides real-time navigation within the airways for lung biopsy and other procedures through reconstruction of CT-based images and simultaneous display of actual and simulated images for more accurate and effective pathway planning to the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

- LungPoint ATV System, also known as LungPro in China or the Archimedes System outside of China (the "**Archimedes System**"), is an upgraded product based on 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 airways. The Archimedes System was approved for marketing and commercial use in the United States by the FDA in 2014, the UN 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, a Class IIa medical device by the EU, and a Class III medical device by the NMPA.

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

Manufacturing

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



MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing of our therapeutic products

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. We have commenced the manufacturing of our other therapeutic products (including InterVapor® products) in our Hangzhou facility in 2021, and the domestic InterVapor® (including disposable catheters and device) has been granted registration approval by the NMPA in July and October 2023, thus fully realized in-house manufacturing.

Manufacturing of our navigation systems

Our navigation systems, including LungPoint, LungPoint Plus and Archimedes System, are manufactured in our San Jose, California facility in the United States. The facility is ISO13485 compliant and Broncus Medical is the manufacturer of record in the U.S. 510(k) clearance and European CE Marked LungPoint products. Domestic LungPoint (bronchoscopic placement navigation system) has obtained the NMPA registration approval in September 2023. Domestic Archimedes System (whole lung navigation system, known as LungPro in China) is expected to be approved in the third quarter of 2024.

Manufacturing of our diagnosis medical consumables and product candidates

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

Innovation and 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 devices 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.

We are engaged in ongoing R&D activities to deliver clinical advanced new products, to enhance the effectiveness, ease of use, safety, reliability, and to expand the applications of our products as appropriate. As of the date of this annual report, we had 19 product candidates in various stages.

Intellectual Property

As of December 31, 2023, we obtained 844 patents and patent applications, including 400 issued patents and 194 patent applications in China, and 117 issued patents and 136 patent applications overseas, including major markets such as the United States and the EU. Among the patents obtained, 127 and 53 of them were related to InterVapor® and RF-II, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMERCIALIZATION

Market Review

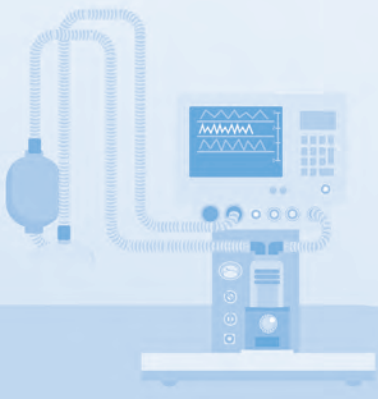
Facing the global prevalence of COPD and lung cancer that has been propelled by aging population, air pollution and smoking habits, we see a huge market demand for minimally invasive solutions to treat lung diseases. According to Frost & Sullivan, in 2022, there were 233.6 million cases of COPD in the world and 107 million cases in China, which are expected to increase to 258.4 million and 109.6 million by 2025, respectively. On November 16, 2022, the China COPD Care Conference was held in Beijing, which published the Annual Report of the National Center for Respiratory Medicine on COPD and information on the major COPD-affected areas in 2022. In terms of incidence, the prevalence rate of people over 40 years old reached 13.7%, and that of people over 70 years old reached as high as 30%. According to Frost & Sullivan, among the COPD patients, 27.0% are at severe or extreme severe stages in China, who would face a mortality rate of 54.0% within five years without proper treatment. In addition, the median number of acute exacerbation of COPD patients in China was 3 in the past year, and patients under acute exacerbation condition accounted for approximately 51.6% of COPD patients. Patients with onset of COPD require emergency admission to the ICU wards. Therefore, the entire population of COPD patients, especially patients in the severe and extremely severe conditions, is in great need of effective COPD therapeutic solutions.

Global lung cancer incidence reached approximately 2.26 million 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 global 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 cancer already at late stages at first diagnosis with a five-year survival rate as low as 12.6% for stage III patients and 2.9% for stage IV patients, according to Frost & Sullivan. Early diagnosis and treatment is an effective way to improve the overall survival rate of lung cancer patients. Patients can effectively receive an early diagnosis, and safe and effective treatment solutions at an early stage to achieve a higher survival rate.

Marketing

In 2023, we comprehensively launched the respiratory interventional diagnosis "Broncus Scheme", forming a closed loop of respiratory interventional diagnosis and treatment logic of "positioning-arrival-diagnosis-treatment". With navigation as the basic diagnosis platform, we take the interventional treatment of COPD and lung cancer as the core starting point, progressively advancing respiratory intervention into the treatment era.

Currently, we primarily sell and market our interventional pulmonary products in the U.S., Europe and Asia. In 2023 financial year, our products were sold to various countries and regions, including the United States, the United Kingdom, Germany, France, etc. As our current products and product candidates receive more marketing approvals or CE Marking certification, we expect to generate more sales globally.



MANAGEMENT DISCUSSION AND ANALYSIS

InterVapor® Thermal Vapor Treatment System is the first innovative non-implantable medical device in the world to treat COPD with bronchial intervention, creating a precedent for thermal vapour in the field of respiratory intervention and a transbronchial thermal vapour lung ablation (BTVA), which has been included in the Global Initiative for Chronic Obstructive Lung Disease (GOLD) Guideline consecutively for years 2019-2023 and recommended for patients with severe and very severe emphysema. The treatment technology based on InterVapor® is highly innovative and groundbreaking, which has been clinically proven to be effective and safe, making up for the current effective treatment of patients with severe emphysema. In 2019, InterVapor® was awarded "Breakthrough Device" by the U.S. FDA. Although innovative medical devices have addressed clinical pain points, there are still difficulties such as clinical surgical promotion, science popularization among patients, complicated hospital admission and bidding process in the pre-marketing stage. After the launch of InterVapor® in China, we have achieved certain results through our efforts. As at the date of this annual report, InterVapor® has been commercialized and applied in more than 20 hospitals. About 100 hospitals have tried the technology. Meanwhile, the progress in the procurement of the product and its entry into hospitals in China was promoted in an orderly manner. The product prices of the disposable thermal vapor treatment catheter were collected by the open and fair procurement platform in over 20 provinces and cities across the country.

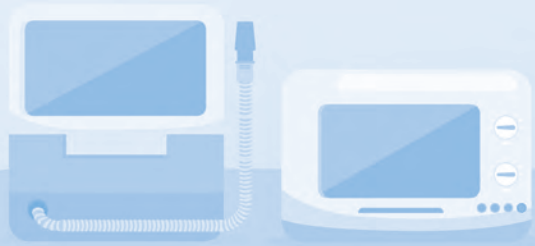
According to public information statistics by the Company, the market share of our lung navigation products in China reached 40%.

BroncTru™, the disposable transbronchoscopic puncture dilatation catheter, has been applied in multi-scenarios in the field of diagnosis and treatment of lung diseases. After commercialization, it has been clinically applied in multi-scenarios in Chest Hospital of Shanghai Jiao Tong University and other hospitals.

FUTURE AND PROSPECTS

People deeply understand and pay attention to lung health, in the face of the global spread of COPD and lung cancer as a result of the aging population, air pollution and smoking habits, and the pandemic. We see a huge market demand for minimally invasive solutions to treat lung diseases. According to Frost & Sullivan, in 2022, there were 233.6 million cases of COPD in the world and 107 million cases in China, which are expected to increase to 258.4 million and 109.6 million by 2025, respectively. As a global leader in interventional diagnosis and treatment products for lung diseases, we offer a full range of solutions from navigation platforms to diagnosis and treatment, and expand into the field of minimally invasive interventional surgery with surgical robots in the future through the R&D of our own flexible surgical robots.

We plan to expand our sales network by providing systematic doctor training and patient education, raising the awareness of hospitals, doctors and patients about the navigation platform as an indispensable tool for interventional pulmonology diagnosis and treatment, and raising the awareness of interventional treatment for lung diseases to promote the launch of our products and deepen the penetration of treatment products in hospitals. Meanwhile, through the penetration of our proprietary BTPNA technology and the development and commercialization of a series of therapeutic products such as RF-II and TLD, the penetration of navigation devices in hospitals is further promoted.



MANAGEMENT DISCUSSION AND ANALYSIS

With respect to InterVapor®, our key marketing strategies will include, firstly, enhancing our position as a leader in differentiated therapeutic areas and further improving utilization through professional education and marketing; secondly, accelerating the process of product procurement, introduction into hospitals and medical insurance; thirdly, focusing on mobilizing our internal sales team via targeted coaching and progress tracking to drive consumable utilization.

By leveraging our extensive experience in promoting LungPoint and Archimedes System, we plan to expand the sales of other diagnostic consumables. Our R&D team will continue to deepen our efforts in the field of pulmonary intervention, mainly focusing on the R&D of products for the treatment of lung diseases, continuously improving the alignment of our major products with clinical needs, and sustaining technological and product innovation. Meanwhile, we will consolidate and enrich our intellectual property portfolio of existing and future technologies through precise market positioning, forming strong defensibility for our patents. We also plan to increase spending on artificial intelligence and machine learning to accumulate large sets of clinical data and cases to further improve the performance of our navigation systems and diagnosis and treatment procedures.

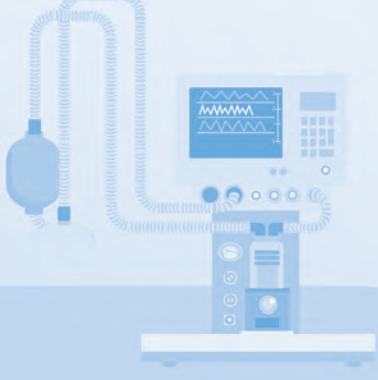
In 2024, with the launch of the Company's domestic series of navigation system, the navigation system in China will gradually shift to the lower-tier market, which also paves the way for the subsequent increase in treatment and diagnostic consumables. Since most of the Company's product offerings are innovative technologies and product solutions, this year we will also made market access in various regions as a key task, laying a solid foundation for subsequent product launches and volume growth.

Looking forward to 2024, we will continue to promote the pre-marketing clinical trials of our product candidates, and improve the evidence-based medical evidence of our marketed products through post-marketing clinical studies that meet regulatory requirements.

a. The pivotal clinical study of the TLD product was initiated in the first quarter of 2023. It is a prospective, randomized, single-blind, sham-operated group-controlled multicenter clinical trial. A total of 189 patients with moderate to severe COPD were planned to be enrolled in 26 research centers in China to evaluate the safety and efficacy of the product. The study is expected to have a 28-month enrollment period and a 12-month follow-up period. All subject follow-up visits are expected to be completed in July 2026.

b. We plan to support a government-sponsored prospective, multi-center, single-blind, randomized controlled trial in Germany, titled Targeted Segmental Vapor Ablation Treatment of Emphysema with Upper LobePredominance: A randomized Controlled Trial of InterVapor®, which is expected to initiate in the fourth quarter of 2023 and be completed by 2025.

c. We plan to conduct a series of clinical studies focusing on lung cancer indications and certain post-marketing clinical studies for InterVapor® in several other regions. Clinical trials for lung cancer indications are expected to be conducted in China and Europe from 2023 to 2025. Our planned post-marketing clinical studies include post-marketing clinical studies to be conducted in China from 2023 to 2025 and post-marketing clinical studies to be conducted in India from 2021 to 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.

Revenue

For the Reporting Period, the revenue of the Group was mainly derived from sale of medical devices and consumables. For the year ended December 31, 2023, the revenue of the Group was US$10.3 million, representing an increase of 8.9%, compared with US$9.4 million in the corresponding period last year. Of which, the revenue generated from sale of medical devices and consumables was US$12.4 million, representing an increase of 31.8% as compared to last year.

The following table sets out a breakdown of revenue by product:

Revenue	**For the year ended December 31, 2023**		For the year ended December 31, 2022	
	US$'000	***Proportion***	*US$'000*	*Proportion*
Revenue from product sales and after-sales services				
Navigation products	**5,987**	**48.3%**	5,874	62.4%
Vapor products[(1)]	**5,152**	**41.5%**	2,485	26.4%
Other consumables and after-sales services	**1,268**	**10.2%**	1,054	11.2%
Sub-total	**12,407**	**100.0%**	9,413	100.0%
Licensing fees	**(2,152)**	**–**	–	–
Total	**10,255**	**–**	9,413	–

Note:

(1) Vapor products include Vaopr devices and consumables.

MANAGEMENT DISCUSSION AND ANALYSIS

Costs of Sales

Costs of sales mainly consist of staff cost, raw material costs, depreciation and amortization, utility costs and others. For the year ended December 31, 2023, the Group's costs of sales was US$3.0 million, representing an increase of 44.3% from US$2.1 million in the corresponding period last year, mainly due to an increase in revenue from product sales.

Gross Profit and Gross Profit Margin

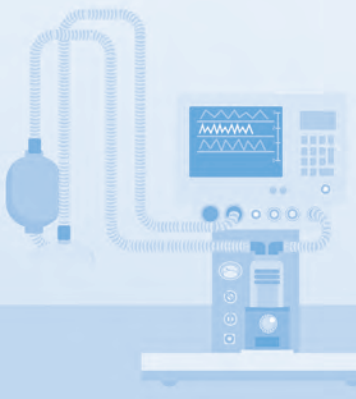
For the year ended December 31, 2023, gross profit was US$7.2 million, representing a decrease of 1.2% from US$7.3 million in the corresponding period last year. Gross profit margin is calculated based on gross profit divided by revenue. Excluding the effect of income from licensing fees, the Group's gross profit margin on products sold decreased from 78% for the year ended December 31, 2022 to 74% for the year ended December 31, 2023, which was due to the fact that, on the one hand, the products currently sold were mainly navigation and vapor products manufactured in the US with a slight increase in production costs as compared with last year, and on the other hand, sales revenue in China was affected by the exchange rate, and the gross profit margin also declined.

Other Income and Gains

For the Reporting Period, our other income and gains consist primarily government grants and bank interest income. For the year ended December 31, 2023, total other income and gains were approximately US$6.0 million, representing an increase of approximately US$1.2 million from the year ended December 31, 2022, mainly due to an increase in interest income from US$2.6 million to US$ 6.0 million.

Selling and Distribution Expenses

For the years ended December 31, 2023 and 2022, our selling and distribution expenses were US$11.5 million and US$11.2 million, respectively, representing an increase of 2.7%. Our sales revenue increased, but selling and distribution expenses remained substantially stable.



MANAGEMENT DISCUSSION AND ANALYSIS

R&D Expenses

Our R&D costs mainly consist of staff costs for our research and development employees, depreciation and amortization, raw material costs, technical service fees, clinical trial expenses, 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 years ended December 31, 2023 and 2022, we incurred R&D costs of approximately US$20.2 million and US$19.2 million, respectively, representing an increase of 5.1%. The increase in our R&D costs was mainly due to an increase in clinical trial fees from US$0.6 million to US$1.5 million as a result of an increase in the number of clinical trials.

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	US$'000	***Proportion***	*US$'000*	*Proportion*
Staff cost	**10,851**	**53.9%**	10,446	54.5%
Technical service fees	**2,364**	**11.7%**	2,537	13.2%
Depreciation and amortization	**2,386**	**11.8%**	2,426	12.7%
Clinical trial expenses	**1,496**	**7.4%**	623	3.3%
Raw material costs	**760**	**3.8%**	909	4.7%
Share awards	**318**	**1.6%**	859	4.5%
Others	**1,979**	**9.8%**	1,367	7.1%
Total	**20,154**	**100.0%**	19,167	100.0%

Administrative Expenses

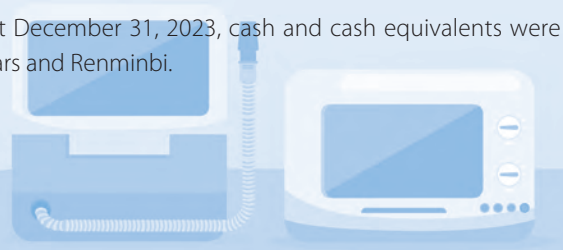
For the years ended December 31, 2023 and 2022, our total administrative expenses were approximately US$8.9 million and US$9.2 million, respectively.

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 December 31, 2023, our cash and bank balances and deposits totaled US$156.6 million, as compared to our cash and bank balances and deposits of US$188.4 million as at December 31, 2022. The decrease was mainly due to the R&D investment, sales promotion, daily operation and other expenses incurred by the Company as well as the external investment.

As at December 31, 2023, cash and cash equivalents were mainly denominated in United States dollars, Hong Kong dollars and Renminbi.



MANAGEMENT DISCUSSION AND ANALYSIS

Bank Borrowings and Gearing

As at December 31, 2023, the Group's outstanding borrowings of US$16,000 (December 31, 2022: US$29,000) were denominated in US$ and Shekel.

The Group's overseas credit card overdraft facilities amounting to US$84,000 (2022: US$80,000), of which US$16,000 (2022: US$29,000) had been utilized, were secured by certain of the Group's time deposits totaling US$25,000 (2022: US$25,000).

The Group monitored capital using gearing ratio. As at December 31, 2023, the Group's gearing ratio (calculated as total borrowings and lease liabilities divided by total equity) was 1.3% (December 31, 2022: 0.7%).

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.

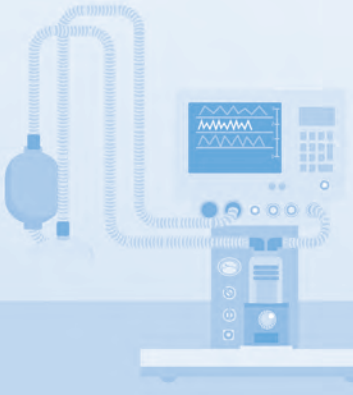
In response to the foreign exchange risk, the Company seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position to reduce the impact of the foreign exchange risk on the Company. Our management monitors foreign exchange risk and considers appropriate hedging measures if necessary in the future.

Contingent Liabilities

As at December 31, 2023, the Group did not have any significant contingent liabilities.

Charge or Restrictions on Assets

As at December 31, 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 above, the Group did not pledge any group assets.



MANAGEMENT DISCUSSION AND ANALYSIS

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 changes in fair value of convertible redeemable preferred shares, share awards and listing expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Changes in fair value of convertible redeemable preferred shares represent the changes in fair value of various rights associated with the preferred shares, which is non-recurring and non-operational in nature. 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. Listing expenses are one-off expenses in relation to the Listing and the Global Offering. Therefore, we do not consider changes in fair value of convertible redeemable preferred shares, share awards and listing 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.

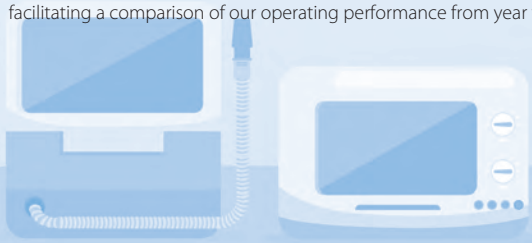
The following table shows reconciliation of net loss for the year to our adjusted net loss for the years indicated:

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Loss for the year	**(28,092)**	(28,036)
Add:		
Share awards[1]	**556**	1,123
Non-IFRS adjusted net loss for the year[2]	**(27,536)**	(26,913)

Notes:

(1) Represent the total expenses associated with the shares we granted to our sales and marketing employees, administrative employees and research and development employees.

(2) We consider the 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 the share awards expenses provides useful information to investors in facilitating a comparison of our operating performance from year to year.



MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

CAPITAL COMMITMENT

Particulars of capital commitments of the Group as at December 31, 2023 are set out in note 30 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

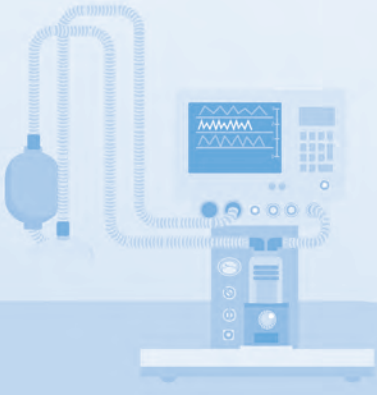
FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2023, the Group had 308 employees, of which 266 were based in China while 42 were based overseas (mainly in the U.S., Europe, Israel and India).

During the Reporting Period, the total staff costs (including Director's emoluments and excluding share award expenses) were approximately US$22.6 million (for the same period in 2022: US$22.4 million). For details on our employees' remuneration policy, please refer to the section headed "Report of the Directors — Relationships with the Group's Employees" of this annual report.



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Hong XU (徐宏), aged 37, was appointed as an executive Director and CTO of our Company on May 6, 2021, and was also appointed as the CEO and General Manager of our Company on September 1, 2023. He joined our Group as CTO of Broncus Hangzhou in February 2018, and is mainly involved in overall strategic planning, business direction and operational management. In June 2022, Mr. Xu obtained the Qualification Certificate issued by Zhejiang Province Human Resources and Social Security Department in the field of Medical Devices and obtained the title of Senior Engineer.

Mr. Xu has over 13 years of industry experience. Prior to joining our Group, Mr. Xu served as the associate general manager at Shenzhen Chuangling Image Technology Co., Ltd. (深圳市創領圖像技術有限公司), a subsidiary of APT Medical Inc (深圳惠泰醫療器械股份有限公司), an electrophysiological and vascular interventional medical device company from September 2014 to February 2018 and held positions of manager of R&D, associate manager of R&D department and R&D engineer at APT Medical Inc. from July 2010 to March 2015.

Mr. Xu obtained a bachelor's degree in polymer material and engineering from Sichuan University in Chengdu, China, in June 2010.

Mr. Xu currently holds legal representative and manager in the major subsidiaries of our Group, including Broncus Hangzhou, Broncus Medical (China) Co., Ltd.* (堃博生物科技(上海)有限公司) and Hangzhou Kunpeng Medical Co., Ltd.* (杭州堃鵬生物科技有限公司).

Non-executive Directors

Mr. Michael Yi Wei ZHAO, aged 57, was appointed as a Director of our Company from April 30, 2012 to June 25, 2014, and was re-appointed as a Director on September 15, 2015. Mr. Zhao was re-designated as a non-executive Director and appointed as chairman of the Board on May 6, 2021. Mr. Zhao is responsible for participating in formulating our Company's corporate and business strategies.

Mr. Zhao has around 26 years of experience in medical devices, pharmaceuticals and health care areas. Prior to founding Broncus, Mr. Zhao served as the chief executive officer from April 2010 to March 2015 and the executive director with effect from October 2011 to March 2015 in Lifetech Scientific Corporation (先健科技公司) (stock code: 1302). From 1998 to 2006, Mr. Zhao worked at Johnson & Johnson Medical (China) Ltd. (強生(中國)醫療器材有限公司), a multinational corporation in the medical industry, in a number of senior management roles. Those roles include the Sales Representative of Ethicon Suture U.S., European Project Leader for Hepacoat Stents at Cordis European Office, Product Manager at Cordis Endovascular, Medical Australia, Group Marketing Manager of Cordis Franchise, Franchise Manager, Cordis, Medical China, Franchise Director and General Manager. Mr. Zhao received the Marketing Award in 2000 issued by Johnson & Johnson Medical in recognition of his outstanding performance and achievement.

Mr. Zhao obtained a bachelor's degree in science from Huntington College in Huntington, the United States in May 1990 and earned his master's degree in business administration from the University of Western Ontario in London, Canada in April 1998.

Mr. Zhao was the Secretary General of the Chinese Medical Association Arrhythmia Diagnosis and Treatment Committee.

Mr. Zhao currently holds directorship in the major subsidiaries of our Group, including Broncus Medical, Uptake Medical and Broncus Hangzhou.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ao ZHANG (張奧), aged 39, was appointed as a Director of our Company on April 29, 2021 and re-designated as a non-executive Director on May 6, 2021. He is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Zhang has around 11 years of experience in healthcare investments. Mr. Zhang has worked at Qiming Weichuang Chuangye Investment Management (Shanghai) Co., Ltd. since January 2015 and is currently an executive director. Mr. Zhang served as a vice president and was responsible for the healthcare investment area at WI Harper Group, a venture capital firm focusing on early to growth stage companies across the United States, Greater China, and Asia Pacific, from June 2013 to December 2014. Prior to that, he worked as an investment associate at CEC Capital Group (formerly known as China eCapital Corporation) (易凱資本有限公司), an investment bank with a core focus on healthcare, consumer and technology, media and telecom sectors, from May 2010 to May 2013.

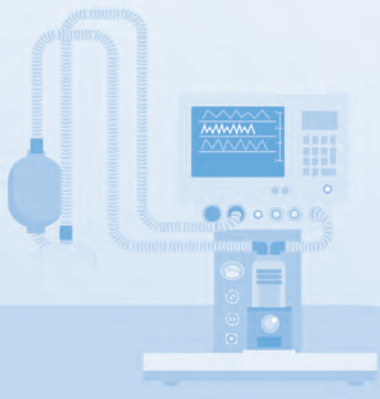
Mr. Zhang obtained a bachelor's degree in biomedical engineering from Tsinghua University (清華大學) in Beijing, China in July 2007 and received his master of science degree in medical and radiological sciences from the University of Edinburgh in Edinburgh, the United Kingdom in December 2008 and a master of science degree in risk management and financial engineering from Imperial College London in London, the United Kingdom in November 2009.

Mr. Zhang currently holds directorship in the major subsidiaries of our Group, including Broncus Medical, Uptake Medical and Broncus Hangzhou.

Mr. Guowei ZHAN (湛國威), aged 47, was appointed as a Director of our Company on May 6, 2021. He was re-designated from an executive Director to a non-executive Director on September 1, 2023. He is primarily responsible for participating in formulating our Company's corporate and business strategies.

Mr. Zhan has over 24 years of experience in the industry of medical devices. Prior to joining our Group, Mr. Zhan was the vice president of DiNovA Medtech Technology Co., Ltd. (杭州德諾科技有限公司), a specialized medical device business incubator in China, from August 2015 to June 2017. Prior to joining DiNovA Medtech Technology Co., Ltd., Mr. Zhan served as a sales director and later as the Chief Marketing Officer at Lifetech Scientific Corporation (先健科技公司), a company listed on the Hong Kong Stock Exchange (stock code: 1302). Prior to that, he worked at Johnson & Johnson Medical (China) Ltd. (強生(中國)醫療器材有限公司) from July 1999 to June 2009 and held positions including national sales manager at Johnson & Johnson Biosense Webster. Mr. Zhan has been awarded as a yearly Top Sales Manager in 2007 at Johnson & Johnson Medical (China) Ltd. with outstanding sales performance.

Mr. Zhan graduated with a bachelor's degree in international finance from Sun Yat-sen University, China in June 1999.



DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Dr. Pok Man KAM (甘博文), aged 74, was appointed as an Independent Non-Executive Director of our Company on September 13, 2021. Dr. Kam is a certified public accountant. He was the chief executive officer of the Financial Reporting Council from April 2010 to March 2013. Dr. Kam joined Jardine Matheson in April 1976 and was its group financial controller from 1984 until his retirement in March 2010. Prior to that, he worked as an auditing professional at PricewaterhouseCoopers (formerly Lowe, Bingham & Matthews/Price Waterhouse & Co.) from April 1972 to March 1976.

Dr. Kam is a member of the Supervisory Committee of the Tracker Fund of Hong Kong since April 2016, and a member of the Steering Committee of the HKSAR Government Scholarship Fund (GSF) and the Investment Committees of GSF and the Self-financing Post-secondary Education Fund since May 2019. He was a member of the Hospital Authority from April 2013 to March 2019 and the chairman of its Provident Fund Scheme from November 2015 to November 2020. He was the chairman of the Hospital Governing Committee of Queen Elizabeth Hospital from April 2016 to March 2022, and a convenor of Financial Reporting Review Panel from July 2016 to July 2022. He was the president of the Hong Kong Institute of Certified Public Accountants in 1999 and 2000, and a member of the IFRS Advisory Council (formerly Standards Advisory Council) of International Accounting Standards Board from August 2005 to December 2011. In recognition of his distinguished and outstanding service to the community, he was awarded the Bronze Bauhinia Star in 2017.

Dr. Kam obtained his Doctor of Philosophy degree in Accounting from the University of the Sunshine Coast in Australia in April 2008 and his Master degree in Business Administration from the Chinese University of Hong Kong in December 1983. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants and the Chartered Governance Institute. He is also a member of the Chartered Professional Accountants of British Columbia in Canada and an honorary member of CPA Australia.

Ms. Yee Sin WONG (黃依倩), aged 59, was appointed as an Independent Non-Executive Director of our Company on August 30, 2022. Ms. Wong is primarily responsible for supervising and providing independent judgement to our Board.

Ms. Wong has been working at the University of Hong Kong for many years and is committed to promoting exchanges and development between the University of Hong Kong and the Mainland. From June 2020 to present, Ms. Wong has been the secretary general of the University of Hong Kong. Since March 2017, Ms. Wong has been serving as the Associate Vice-President (China Affairs), where she has provided advice and high-level support to the President and school management on the policies and strategies of the University of Hong Kong's Mainland development. From September 2014 to May 2020, Ms. Wong served as the director of China Affairs and director of the Student Enrolment and Academic Exchange Department of the University of Hong Kong, providing a high level of support for the University of Hong Kong's development strategy in the Mainland and planning new initiatives for various projects undertaken by the University of Hong Kong in the Mainland and strategic projects such as the University of Hong Kong's campus in the Greater Bay Area. From June 2002 to August 2014, Ms. Wong served as the director of China Affairs and director of Academic Exchange Department at the University of Hong Kong, providing support to all Mainland projects of the University of Hong Kong, promoting undergraduate programmes at the University of Hong Kong to prospective students in Mainland China and maintaining contact with Mainland and overseas universities. Ms. 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.

Ms. Wong obtained a bachelor of science degree from Jinan University in Guangzhou, China in 1987.

SENIOR MANAGEMENT

Mr. Hong XU (徐宏), aged 37, is our executive Director, CEO and CTO. Please see his biography in the sub-section headed "Executive Director" in this section.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange (stock code: 2216) since September 24, 2021.

The Company is a medical device company focused on the development of interventional pulmonology products. The Company is a pioneer in the field of interventional pulmonology, providing innovative lung solutions in China and globally. Leveraging its whole lung access navigation technology and encompassing navigation, diagnosis and treatment, the Company's 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. There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this annual report.

Particulars of the Company's major subsidiaries as at December 31, 2023 are set out in note 1 to the Consolidated Financial Statements.

BUSINESS REVIEW

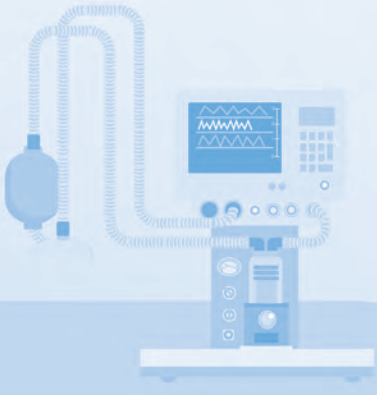
A review of the Group's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report.

The Group's financial risk management objectives and policies are set out in note 35 to the Consolidated Financial Statements.

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2023 are set out in the Consolidated Financial Statements and their accompanying notes on pages 123 to 207.

No dividend was paid or declared by the Company or other members of the Group during the Reporting Period. No shareholder has waived or agreed to waive any dividends.



REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on September 24, 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 210 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the Reporting Period set out on pages 73 to 117, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 of the Listing Rules.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as customers, employees, investors and shareholders, governments and regulatory agencies, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, and regards them as an important basis for the Group to improve operations management and sustainable development standards. To fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes.

We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out on pages 49 and 50 in the section headed "Report of Directors" of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

During the year ended December 31, 2023 and up to the Latest Practicable Date, the Board consists of the following Directors:

Executive Director

Mr. Hong Xu *(Chief Executive Officer)*[Note 1]

Non-executive Directors

Mr. Michael Yi Wei Zhao *(Chairman)*
Mr. Zhenjun Zi[Note 3]
Mr. Ao Zhang
Mr. Guowei Zhan[Note 1]

Independent Non-executive Directors

Dr. Pok Man Kam
Professor Joseph Wan Yee Lau[Note 2]
Ms. Yee Sin Wong

Notes:

1. 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.

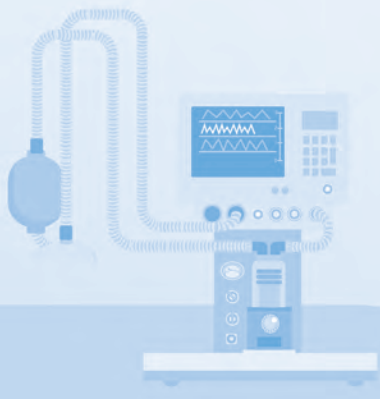
2. Professor Joseph Wan Yee Lau passed away on February 7, 2024.

3. With effect from March 1, 2024, Mr. Zhenjun Zi resigned as a non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 24 to 26 in the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in this annual report, since the publication of the interim report for the six months ended June 30, 2023 of the Company and up to the Latest Practicable Date, there was no change to information which was required to be disclosed by the Directors and senior management members pursuant to Rule 13.51B(1) of the Listing Rules.



REPORT OF THE DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Following the passing away of Professor Joseph Wan Yee Lau on February 7, 2024, the Company had not met (i) the minimum number of independent non-executive directors in the Board required under Rule 3.10(1) of the Listing Rules; (ii) the requirement under Rule 3.10A of the Listing Rules which stipulates that independent non-executive directors must represent at least one-third of the Board; (iii) the minimum number of members in the audit committee required under Rule 3.21 of the Listing Rules; and (iv) the requirement under Rule 3.27A of the Listing Rules which stipulates that the nomination committee must comprise a majority of independent non-executive directors. Upon the resignation of Mr. Zhenjun Zi on March 1, 2024 and up to the Latest Practicable Date, the Company has complied with the requirement of Rule 3.10A of the Listing Rules.

The Company has endeavored to identify a suitable candidate to fill the vacancy of independent non-executive director of the Company and will make the appropriate adjustment to the composition of the Board committees, in order to fulfill the requirements of the Listing Rules as soon as practicable and in any event within the period prescribed under Rule 3.11 and Rule 3.23 of the Listing Rules. Further announcement will be made by the Company as and when appropriate, in accordance with the Listing Rules.

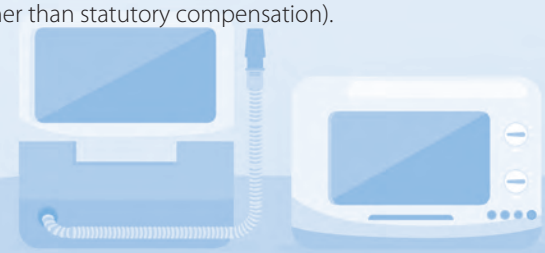
The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors have been independent during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors (save and except for Mr. Guowei Zhan) has entered into a service agreement with the Company under which the initial term of three years shall commence from May 6, 2021 until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Following his re-designation from an executive Director of a non-executive Director effective from September 1, 2023, Mr. Guowei Zhan entered into a new service contract with the Company for a term of one year commencing from September 1, 2023 until terminated in accordance with the terms and conditions of the new service contract or by either party giving to the other not less than three months' prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment letters commenced from their respective effective date of appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).



REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the responsibilities, qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities. The Directors receive compensation in the form of salaries, bonuses, allowances, benefits in kind, pension scheme contributions and equity-settled share option expenses.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in notes 8, 32 and 9 to the Consolidated Financial Statements of this annual report.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Except as disclosed in this annual report, no other payments have been made or are payable, for the year ended December 31, 2023, by our Group to or on behalf of any of the Directors.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

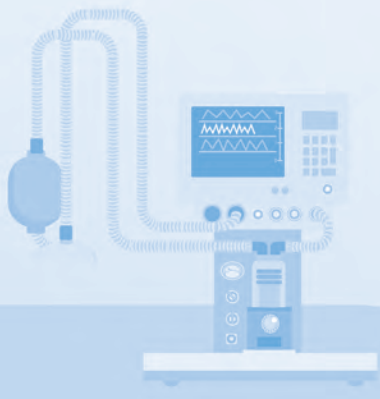
A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period and as of the Latest Practicable Date.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Related Party Transactions" in this annual report, no Director nor an entity connected with him/her had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

Save for the Directors' service contracts and appointment letters, no contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.



REPORT OF THE DIRECTORS

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

As at the end of the Reporting Period, save for the Equity Incentive Plans as disclosed in this report, none of the Directors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. No member of the Group was a party to any arrangements to enable the Directors, or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period and up to the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

NON-COMPETITION ARRANGEMENTS

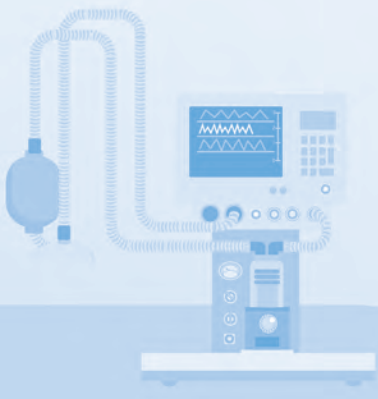
No non-competition agreements or arrangement has been provided by the substantial shareholders as at December 31, 2023 or at any time during the Reporting Period.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2023, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (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	97,591,492	18.51
	Beneficial owner	Long position	2,160,000	0.41
Hong Xu[5]	Beneficial owner	Long position	1,505,912	0.29



REPORT OF THE DIRECTORS

Notes:

(1) The calculation is based on the total number of 527,198,076 Shares in issue as at December 31, 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. Zhao. Accordingly, Mr. 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 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 21,785,249, 33,112,752, 14,643,588, 12,861,524, 9,172,328, 4,379,983 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 December 31, 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, 99,751,492 Shares and 1,505,912 Shares, respectively.

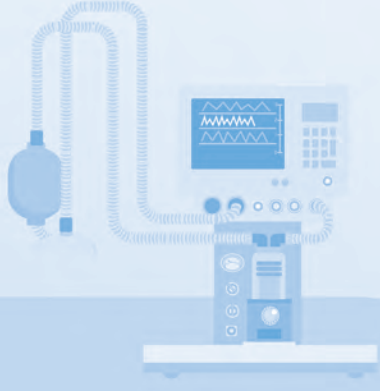
Save as disclosed above, as at December 31, 2023, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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 December 31, 2023, the interests or short positions of the following persons (other than the Directors and chief executives of the Company) in the shares and 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 Hong Kong 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	87,358,248	16.57
Qiming GP IV, L.P.[2]	Interest in controlled corporation	Long position	87,358,248	16.57
Qiming Corporate GP IV, Ltd[2]	Interest in controlled corporation	Long position	87,545,972	16.61
Xin Nuo Tong Investment Limited[3][4]	Beneficial interest	Long position	9,172,328	1.74
	Interest in controlled corporation	Long position	40,662,824	7.71
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



REPORT OF THE DIRECTORS

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 December 31, 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.

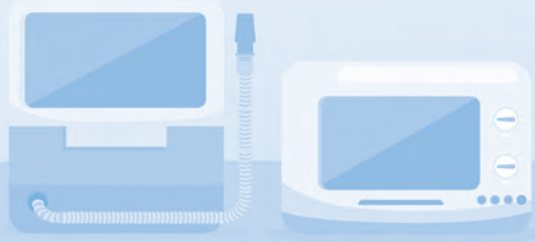
(3) Xin Nuo Tong Investment Limited is the sole shareholder of Dinova Capital Limited, which is the general partner of Dinova Venture Partners GP III, L.P., and Dinova Venture Partners GP III, L.P. is the general partner of Dinova Healthcare Gamma Fund (USD) L.P. which in turn is the sole shareholder of Broncus Biomedical Limited. For the purpose of the SFO, Xin Nuo Tong Investment Limited is deemed to be interested in the 21,785,249 Shares held by Broncus Biomedical Limited and 4,379,983 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 100% 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, 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 December 31, 2023, no person (other than the Directors and chief executives) of the Company had or was deemed to have any interests or short positions in the shares and 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 the Company or the Hong Kong 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.



REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries, and the controlling shareholders or any of their respective subsidiaries of the Company entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholders to the Company or any of its subsidiaries.

EQUITY INCENTIVE PLANS

Currently, the Company has adopted two equity incentive plans, being (i) the Share Option Plan and (ii) the RSU Scheme. Further details on each such plan, together with the relevant movement tables, are set forth below. As elaborated below, no options were granted during the Reporting Period. The number of new Shares that may be issued and allotted in respect of 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.

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 annual 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.

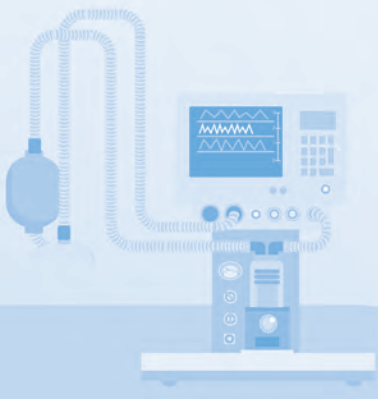
1. Summary of Terms

- *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.

- *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.



REPORT OF THE DIRECTORS

- *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.

- *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.

- *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.

  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).

- *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 Plan was approximately 7 years.

- *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.

- *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 be made are stated in the grant letters.

2. *Outstanding options during the Reporting Period*

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	–	–	–	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	–	–	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	–	–	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.

RSU Scheme

On May 9, 2021, the Company adopted the RSU Scheme which was first amended and restated on July 5, 2021.

On September 7, 2021, the Company has allotted 9,877,197 Shares to the trustee under the RSU Scheme for the purpose of satisfying future grants thereunder (the "**Trustee-held Shares**"), which represented 39,508,788 Shares following a share sub-division, being also the maximum of Shares subject to the RSUs under the RSU Scheme at the time.

On October 25, 2023 (the "**Amendment Date**"), the RSU Scheme was further amended and restated to comply with the provisions of Chapter 17 of the Listing Rules which took effect from January 1, 2023. In addition, the Shareholders have approved the resolutions to adopt (i) the Scheme Limit and (ii) the Service Provider Sublimit. As at such Amendment Date, the Scheme Limit and the Service Provider Sublimit stood at 52,719,807 Shares and 5,271,980 Shares, respectively.

During the period between the Amendment Date up to the date of this annual report, no grants were made under the RSU Scheme. Accordingly, each of the Scheme Limit and the Service Provider Sublimit stand unutilized since the Amendment Date.

As at the date of this annual report, the number of Trustee-held Shares was 16,067,158, which shall be utilized for the purpose of satisfying future grants under the RSU Scheme, along with any new Shares to be allotted and issued by the Company.

REPORT OF THE DIRECTORS

The numbers of awards available for grant under the RSU Scheme at the beginning of the Reporting Period was 18,323,157. Following the approval of (i) the amendments to the RSU Scheme and (ii) the adoption of the Scheme Limit and the Service Provider Sublimit, as at the end of the Reporting Period:

(a) as no options were granted after the Listing, the number of options available for grant under each of the aforesaid limits were 0, respectively; and

(b) the number of awards available for grant under each of the aforesaid limits were 52,719,807 and 5,271,980, respectively (in each case, inclusive of the Trustee-held Shares which may be used for satisfying future grants).

As at the date of this annual report, the total number of Shares available for issue under the RSU Scheme was 52,719,807, which represent approximately 10% of the total issued Shares.

1. Summary of Terms

- *Purpose*

  The specific objectives of the RSU Scheme are to (i) align the interests of the eligible participants with those of the Group through ownership of the Shares, dividends and other distributions paid on the Shares, and to (ii) encourage and retain the eligible participants to make contributions to the long-term growth and success of the Group.

- *Eligible Participants*

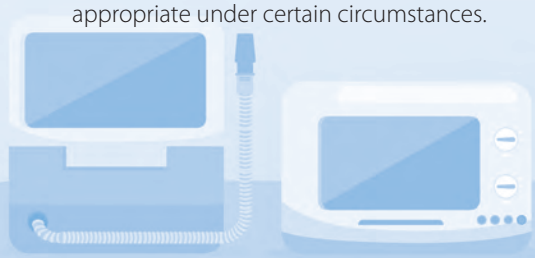
  Persons eligible to receive the awards under the RSU Scheme include: (i) any director and employee (full-time or part-time) of the Company or any of its subsidiaries; and (ii) any consultants and/or advisors who have been regularly providing contributions to the Company which are in the interests of the long-term growth of the Group.

- *Maximum Entitlement*

  No award shall 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 (excluding options or awards lapsed in accordance with relevant scheme rules) 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.

- *Vesting Period*

  The RSUs granted shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from the date of the notice of grant, subject to lapse of awards and clawback mechanism under the RSU Scheme. A shorter vesting period of the awards may be granted to an employee participant at the sole discretion of the Board and/or the Remuneration Committee as they may deem appropriate under certain circumstances.



- *Duration*

  The RSU Scheme shall be valid and effective for a period of 10 years commencing from May 9, 2021, i.e. the date on which the RSU Scheme was first adopted 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 annual report, the remaining life of the RSU Scheme was approximately 7 years and 1 month.

- *Purchase Price*

  The amount (if any) of the consideration for the award under the RSU Scheme shall be determined by the Board or its delegate(s) with reference to market comparable, taking into account factors including the historical trend of the Share price of the Company and the actual circumstances of the Company.

- *Amount Payable on Application or Acceptance of the Award*

  Save as aforesaid in relation to the Purchase Price, there is no other amount which is payable on acceptance of each grant of award under the RSU Scheme and neither is there any period within which payments or calls must or may be made or loans for such purpose must be repaid.

2. *Outstanding awards 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**	**Vested during the Reporting Period**	**Weighted average closing price of the Shares immediately before the dates on which the RSUs were vested (HKD)**	**Lapsed during the Reporting Period**	**Cancelled during the Reporting Period**	**Exercised during the Reporting Period**	**Weighted average closing price of the Shares immediately before the dates on which the RSUs were exercised (HKD)**	**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	–	N/A	–	–	–	N/A	4,320,000	6/20/2021	0.5015
Zi Zhenjun	5/14/2021	2,160,000	0	–	N/A	–	–	–	N/A	2,160,000	6/20/2021	0.5015
Xu Hong	5/14/2021	1,505,912	0	–	N/A	–	–	–	N/A	1,505,912	6/20/2021	0.5015
Zhan Guowei	5/14/2021	1,789,200	0	–	N/A	–	–	–	N/A	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	–	N/A	–	–	–	N/A	2,163,064	6/13/2022	1.63
Other employee participants												
	5/14/2021[5]	2,803,080	0	–	N/A	–	–	–	N/A	2,803,080	6/20/2021	0.5015
	5/30/2022[6]	1,850,826	0	–	N/A	–	–	–	N/A	1,850,826	5/30/2022	0
	9/28/2022[6]	3,000,000	0	–	N/A	–	600,000	–	N/A	2,400,000	5 years from the date of grant	*Note 4*
	12/28/2022[6]	211,601	0	52,900	1.34	–	158,701	52,900	1.25	–	4 years from the date of grant	0
	5/30/2023[6]	0	2,255,999[7]	1,775,999[8]	1.34	–	–	–	N/A	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	–	150,000[8]	1.34	–	–	–	N/A	450,000	3 years from the date of grant	1.63

REPORT OF THE DIRECTORS

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)	0.11

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 of this 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* multiplied by 80%.

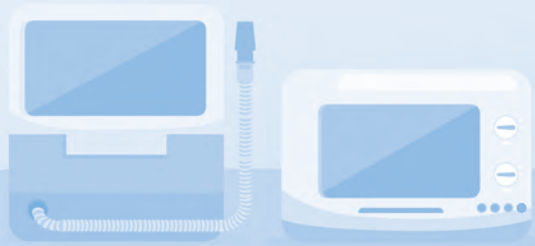
5. The purchase price is either (i) 0 or (ii) a price which is equivalent to the average closing price of the Company in the five business days prior to each vesting date* multiplied by 50%.

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.

7. Save as mentioned in this table, none of the other grantees under the RSU Scheme with respect to grants of RSUs made 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.

8. Such shares underlying awards which have been vested during the Reporting Period have yet to be transferred to the grantee as the relevant purchase prices have not been fully paid-up.

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 and the circular of the Company published on October 4, 2023.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 32 to the Consolidated Financial Statements contained herein. Save as disclosed in this annual report, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

Details of any related party transaction which also constitutes a connected transaction or continuing connected transaction not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below.

Non-Exempt Continuing Connected Transaction — License Agreement with NoahTron

Broncus Medical and NoahTron Intelligence Medtech (Hangzhou) Co., Ltd. (諾創智能醫療科技(杭州)有限公司) ("**NoahTron**") entered into a license agreement dated September 7, 2021 (the "**License Agreement**"), pursuant to which Broncus Medical granted to NoahTron a non-sublicensable, non-transferable, non-assignable and non- exclusive license of intellectual property rights related to navigation, diagnostic, and therapeutic technologies in the field of robotic-assisted medical interventions which were acquired by Broncus Medical on and/or before the date of the License Agreement in certain countries or regions worldwide.

The License Agreement commenced on the date thereof, being September 7, 2021, and shall continue until the expiration of the last to expire of the patent rights licensed under the License Agreement, and NoahTron shall pay Broncus Medical a license fee of US$250,000 per year for ten years. Such licensing fee and term were determined with reference to the licensing fees and term in the license agreement between Broncus Medical and Intuitive Surgical Operations, Inc. ("**ISI**") under which the licensing fee is US$250,000 per year for Broncus Medical granting non-exclusive rights of certain intellectual property rights to ISI. For details about the license agreement between Broncus Medical and ISI, please refer to the section headed "Business — Collaboration and Licensing Arrangements — Collaboration between BMI and Intuitive" to the Prospectus.

On November 24, 2023, Broncus Medical entered into a termination agreement (the '**"Termination Agreement"**') with NoahTron, pursuant to which Broncus Medical and NoahTron agreed to terminate the License Agreement with effect from November 24, 2023. Pursuant to the Termination Agreement, no value of transaction occurred for the year ended December 31, 2023. For more details please refer to the "Early Termination of the License Agreement" under section "Connected Transactions and Related Party Transactions" of this annual report.

Reason for the transaction

The Directors consider the License Agreement to be consistent with the business and commercial objectives of our Group. Due to the close proximity of NoahTron and our Group, NoahTron would be a more reliable partner to practice certain intellectual properties the Group hold.

The Licensing Agreement is of a term longer than three years as otherwise normally permitted for the continuing connected transactions under Rule 14A.52 of the Listing Rules. Our Directors are of the view that the terms of the Licensing Agreement is consistent with normal business practices for agreement of similar nature in the medical devices industry and are in the best interest of our Group and our Shareholders as a whole, mainly because (i) licensing our intellectual property rights to third parties assists the monetization and commercialization of the value of our intellectual property rights; (ii) the License Agreement brings us an additional stable income in next ten years; (iii) NoahTron intends to enter into a license agreement with longer terms as its research and development of robotic surgical systems is not expected to be completed within three years; and (iv) according to the Frost & Sullivan, the length of the License Agreement is in line with the industry norm where parties to such arrangement can utilize different aspects of the intellectual property rights.

REPORT OF THE DIRECTORS

Pricing policies

The license fees to be paid by NoahTron is determined after arm's length negotiation between the parties and on normal commercial terms with reference (i) to the prevailing market price rate in respect of similar intellectual properties in the same countries and regions; and (ii) the average license fees of similar intellectual properties in the same countries and regions licensed by our Group in the past, and should be determined on normal commercial terms and no less favorable than the license fees our Group may obtain from NoahTron than from Independent Third Parties.

Information about NoahTron

NoahTron is a limited liability company established in the PRC on July 10, 2019. It is ultimately owned as to approximately 83.54% by St. Christopher Investment Limited, which is wholly owned by Mr. Zhao, our non-executive Director and the chairman of our Board and therefore will become a connected person of our Company upon Listing pursuant to Chapter 14A of the Listing Rules.

NoahTron is primarily engaged in developing, marketing, and selling robotic surgical systems in the PRC.

Listing Rule implications

The transaction contemplated under the License Agreement is conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 5% but will be lower than 25% and the consideration under the License Agreement per year is expected to be lower than HK$10 million. Pursuant to Rule 14A.76(2)(b) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

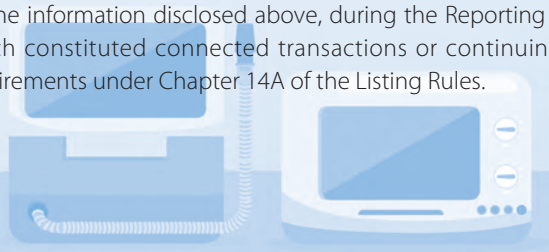
Confirmation from Directors

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests the Shareholders as a whole; and (iv) the Company has complied with the pricing guidelines and has adopted internal control measures which are adequate and effective when determining the prices and terms of the transactions conducted during the year.

Annual cap and basis for annual cap

There is no historical transaction between our Group and NoahTron. The licensing fees under the License Agreement is US$250,000 per year, which was determined with reference to the licensing fees in the license agreement between Broncus Medical and ISI as mentioned above. As such, the annual cap as disclosed in the Prospectus is set as US$250,000 per year for ten years.

For the year ended December 31, 2023, the annual cap was US$250,000 and the actual transaction amount was nil. The Company has confirmed that the execution and enforcement of the License Agreement under the continuing connected transaction set out above has followed the pricing policies of such continuing connected transaction. Save for the information disclosed above, during the Reporting Period, the Group did not enter into any other transactions which constituted connected transactions or continuing connected transactions that were subject to reporting requirements under Chapter 14A of the Listing Rules.



REPORT OF THE DIRECTORS

Conclusions from the Company's Independent Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transaction set out above in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its conclusion in respect of the continuing connected transaction disclosed above.

Connected Acquisition of Fibernova

On September 8, 2023, the Company entered into the sale and purchase agreement with Dinova Healthcare Holding Corporation ("**Dinova Healthcare**"), Mr. Yaniv Kirma, Ms. Bo Xu and Mr. Tamir Nahmias (collectively, the "**Fibernova Vendors**"), pursuant to which the Company has agreed to acquire and the Fibernova Vendors have agreed to dispose of 100% of the equity interests in Fibernova Holding Corporation ("**Fibernova**") at an aggregate consideration of US$2.7 million (of which US$1 million is subject to fulfillment of certain milestone conditions (the "**Milestone Conditions**") before June 30, 2024 or no later than August 31, 2024 as extended). Through this acquisition, the Company sought to take advantage of Fibernova's fiber optic technology to increase the precision of its own products.

As Mr. Michael Yi Wei Zhao ("**Mr. Zhao**"), being a non-executive Director, through St. Christopher Investment Ltd., indirectly controls more than 30% equity interest in Dinova Healthcare (a Fibernova Vendor), Dinova Healthcare is an associate of Mr. Zhao and hence a connected person of the Company. Therefore, the acquisition in respect of the transaction between Dinova Healthcare and the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for this acquisition in respect of the transaction between Dinova Healthcare and the Company were higher than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the acquisition in respect of the transaction between Dinova Healthcare and the Company was subject to the reporting and announcement requirements but was exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules. For more details, please refer to announcement of the Company dated September 8, 2023.

As of the date of this annual report, the Milestone Conditions have not been fulfilled and accordingly the Company had not paid the milestone payment of US$1 million.

Connected Acquisition of Hangzhou Jingliang

On November 23, 2023, Hangzhou Broncus Medical Co., Ltd. * (杭州堃博生物科技有限公司) ("**Broncus Hangzhou**") entered into the equity transfer agreement (the "**Equity Transfer Agreement**") with the each and collectively, Quantum Engineering (Hong Kong) Co., Limited ("**Quantum Engineering**"), Suzhou Industrial Park Patience Investment Co., Ltd. and Hangzhou Dinova Ruihan Medical Technology Co., Ltd. ("**Hangzhou Dinova**") (the "**Hangzhou Jingliang Vendor(s)**") to acquire the 100% equity interest in Hangzhou Jingliang Science and Technology Co., Ltd. ("**Hangzhou Jingliang**") at the aggregate consideration of RMB5.40 million. The Board was of the opinion that the integration of the business of Hangzhou Jingliang into that of the Group will offer significant synergies, and therefore, this acquisition is considered to be in line with the overall business strategies of the Company as disclosed in the Prospectus.

REPORT OF THE DIRECTORS

As Mr. Zhao (a non-executive Director) and Mr. Zhenjun Zi (a former non-executive director of the Company), controlled more than 30% equity interest in Quantum Engineering and Hangzhou Dinova, respectively, each of Quantum Engineering and Hangzhou Dinova (the "**Connected Vendors**") are connected persons of the Company. Therefore, the Equity Transfer Agreement and the transactions contemplated thereunder with the Connected Vendors constituted a connected transaction for the Company under Chapter 14A of the Listing Rules (the "**Connected Acquisitions**"). As the highest applicable percentage ratio in respect of the Connected Acquisitions on an aggregated basis exceeds 0.1% but was less than 5%, the Connected Acquisitions were subject to the reporting and announcement requirements but were exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Listing Rules.

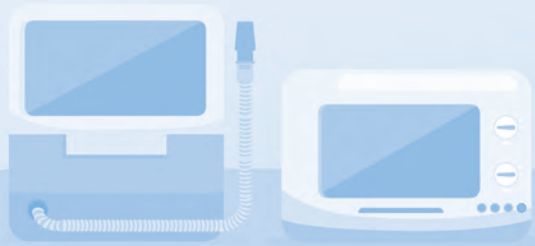
Since the Equity Transfer Agreement was entered into within 12 months of the completion of the acquisition of Fibernova as disclosed above, which was controlled by Mr. Zhao, the transaction between Dinova Healthcare and the Company under the he acquisition of Fibernova and the transaction under the Equity Transfer Agreement between Quantum Engineering and the Company were required to be aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio aggregated exceeds 0.1% but was less than 5%, the transaction under the Equity Transfer Agreement between Quantum Engineering and the Company was subject to the reporting and announcement requirements but was exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under the Listing Rules. For more details, please refer to announcement of the Company dated November 23, 2023.

Early Termination of the License Agreement

On November 24, 2023, Broncus Medical and NoahTron entered into the Termination Agreement to terminate the License Agreement and agreeing that it will be of no further force from November 24, 2023 (the "**Effective Date**"), subject to certain customary surviving clauses of the License Agreement. Pursuant to the Termination Agreement, Broncus Medical shall pay NoahTron US$500,000 as consideration of the Termination Agreement within ten business days following the Effective Date.

Upon the termination of the License Agreement, each party of the License Agreement shall immediately discontinue any use of confidential information of the other party under the License Agreement. Within ten business days following the Effective Date, NoahTron shall assign and transfer to Broncus Medical all of the relevant data, drawings, designs, methods, compounds, formulae, discoveries, developments, technology, techniques, procedures, specifications, inventions, patents, computer programs and any other scientific or technical data or information researched and developed based on the licensed IP under the License Agreement and any other documentation related thereto. Within ten business days following the Effective Date, all materials containing such confidential information shall be returned by the receiving party or (with the disclosing party's prior written consent) destroyed, subject to certain customary surviving clauses or any related obligations under law, regulation, or regulatory approvals.

The Company believed that these intellectual property rights are key patents for the development of the Group's own lung robot, and will play an important role in the research and development process to ensure the Group's advantageous position in the research and development on the medical robot market on lung treatment.



REPORT OF THE DIRECTORS

As NoahTron is an associate of the Director Mr. Zhao, it is regarded as a connected person of the Company. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Termination Agreement exceeds 0.1% but was less than 5%, the transaction contemplated thereunder the Termination Agreement was subject to the reporting and announcement requirements but were exempted from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules. For more details, please refer to announcement of the Company dated November 24, 2023.

PENSION SCHEME

The employees of the Group's subsidiaries which operate in Mainland China and the United States are required to participate in a central pension scheme operated by the local government. The subsidiaries operating in Mainland China and the United States are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the Consolidated Financial Statements.

SHARE CAPITAL

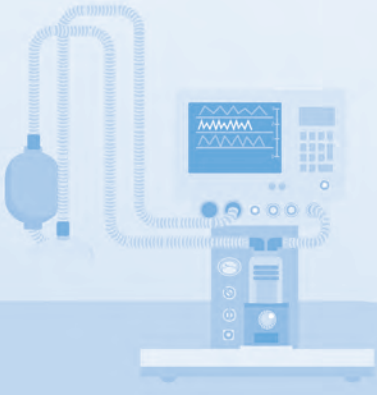
Details of the movements in share capital of the Company during the Reporting Period are set out in note 26 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the reserves of the Company available for distribution to its shareholders amounted to US$382.2 million (2022: US$379.9 million).

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.



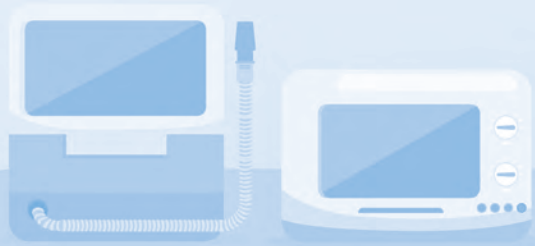
REPORT OF THE DIRECTORS

As at December 31, 2023, the Company has utilized approximately HK$548.9 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 balance of the unutilized net proceeds amounted to approximately HK$1,071.2 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 the beginning of the Reporting Period** HKD' million	**Actual usage during the Reporting Period** HKD' million	**Amount of unutilized net proceeds 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	369.5	84.1	285.4	Expected to be fully utilized by 2030
Development and commercialisation of RF-II	21.0%	339.4	299.8	13.0	286.8	Expected to be fully utilized by 2030
R&D of other product candidates	18.5%	299.9	218.1	103.8	114.3	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	19.2	194.0	Expected to be fully utilized by 2026
Working capital and other general corporate purposes	9.2%	149.2	68.3	26.8	41.5	Expected to be fully utilized by 2026
Total	**100.0%**	**1,620.1**	**1,318.1**	**246.9**	**1,071.2**	

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 during the Reporting Period and up to the date of this report as required under the Listing Rules.



REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

TAX RELIEF AND EXEMPTION

During the Reporting Period and up to the date of this report, the Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

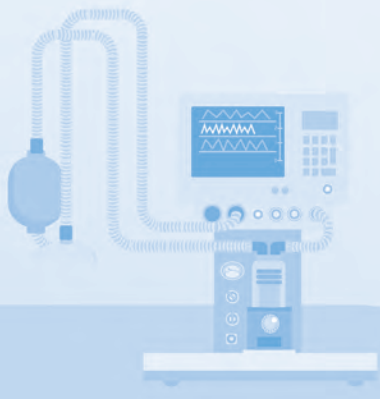
The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the Group's five largest customers and the largest customer accounted for 78% and 62%, respectively, of the Group's total revenue for the Reporting Period. The top five largest customers during the Reporting Period consist of distributors and hospitals. Their lengths of relationship with the Company is range from 1 to 3 years. The credit terms granted to them are in line with those granted to the Company's other customers. The Company has set up policies to monitor and manage the subsequent settlement of trade receivables with these major customers, which are in line with those policies for the Company's other customers. To monitor the settlement of the trade receivables, the Company conducted annual review of customers' financial performance, which is primarily based on the amount and aging of trade receivables from such customer in the respective period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 26.52% and 9.02%, respectively, of the Group's total purchases for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Reporting Period.



REPORT OF THE DIRECTORS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that had a significant impact on it.

MATERIAL LITIGATION

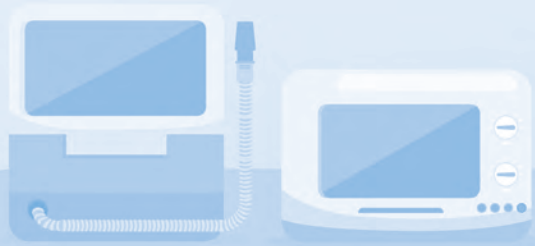
The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group's employees' remuneration consists of salaries, bonuses, share-based incentive plans, pension scheme contributions and other welfare payments. In accordance with applicable laws in China and other relevant jurisdictions, we have made contributions to social security insurance funds and housing funds for the employees of the Group.

We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide on-line and in-person formal and comprehensive company-level and department-level training to our employees in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills.

The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Share Option Plan and RSU Scheme. Details of such schemes are set out in the sub-section headed "Equity Incentive Plans" in this annual report.



REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from December 31, 2023 to the date of this report.

KEY RISKS AND UNCERTAINTIES

There are certain key risks and uncertainties that may cause the Group's financial conditions or results to materially deviate from the expected or historical results can be categorized into the following areas: (i) risks relating to the development of our product candidates; (ii) risks relating to extensive government regulations; (iii) risks relating to commercialization and distribution of our products; and (iv) risks relating to manufacture and supply of our products. Set out below are the details of the material risks and uncertainties that we face:

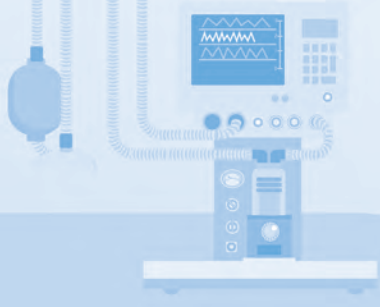
Risks Relating to the Development of Our Product Candidates

- Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.
- We have incurred net losses since our inception and may incur net losses for the foreseeable future.

If we are unable to successfully complete clinical development, obtain regulatory approval or CE Marking certification and commercialize our product candidates, or further promote our approved or CE Marked product candidates, or experience significant delays in doing so, our business will be materially harmed.

Risks Relating to Extensive Government Regulations

- All material aspects of the research, development and commercialization of our products are heavily regulated.
- If we are not able to obtain, or experience delays in obtaining, required regulatory approvals or CE Marking certification, we will not be able to commercialize our product candidates in a timely manner or at all, and our ability to generate revenue will be materially impaired.
- Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval or CE Marking certification, limit the commercial profile of an approved or CE Marked label, or result in significant negative consequences following any regulatory approval or CE Marking certification.



REPORT OF THE DIRECTORS

Risks Relating to Commercialization and Distribution of Our Products

- We are subject to the risk of product concentration.
- If our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected.
- Failure to achieve broad market acceptance or maintain good reputation necessary for our interventional pulmonary products and any future products would have a material adverse impact on our results of operations and profitability.

Risks Relating to Manufacture and Supply of Our Products

- Delays in completing and receiving applicable regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.
- If we fail to increase our production capacity to meet customer demand, our business prospects could be materially and adversely affected.
- The manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

TRANSACTIONS IN ITS SECURITIES AND EQUITY-LINKED AGREEMENT

During the year ended December 31, 2023, the Group did not issue any shares, nor issue any debentures. None of the subsidiaries of the Company had any debt securities subsisting at the end or the year or at any time during the year ended December 31, 2023. Save as disclosed in the sub-section headed "Equity Incentive Plans" in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2023.

CHARITABLE DONATIONS

During the year ended December 31, 2023, the Group made no donations for charitable or other purposes.

REPORT OF THE DIRECTORS

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements for the year ended December 31, 2023 with the management of the Company. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

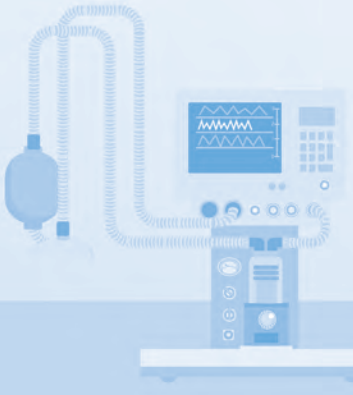
INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by Ernst & Young who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Ernst & Young as the independent external auditor for the ensuing year will be put to the forthcoming AGM for shareholder's approval.

There has been no change of independent auditor of the Company since the Listing.

By order of the Board
Broncus Holding Corporation
Hong XU
Executive Director

Hong Kong, March 28, 2024



CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2023 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Appendix C1 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

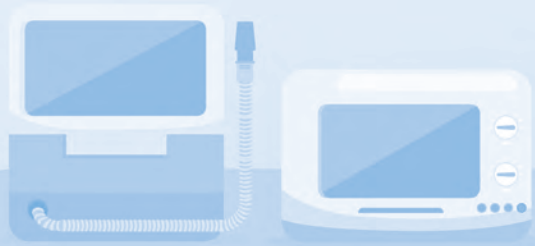
The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to 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.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.



CORPORATE GOVERNANCE REPORT

Board Composition

During the Reporting Period and up to the Latest Practicable Date, the Board comprised Directors as follows:

Executive Director

Mr. Hong Xu *(Chief Executive Officer)*[Note 1]

Non-executive Directors

Mr. Michael Yi Wei Zhao *(Chairman)*
Mr. Zhenjun Zi[Note 3]
Mr. Ao Zhang
Mr. Guowei Zhan[Note 1]

Independent Non-executive Directors

Dr. Pok Man Kam
Professor Joseph Wan Yee Lau[Note 2]
Ms. Yee Sin Wong

Notes:

1. 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.

2. Professor Joseph Wan Yee Lau passed away on February 7, 2024.

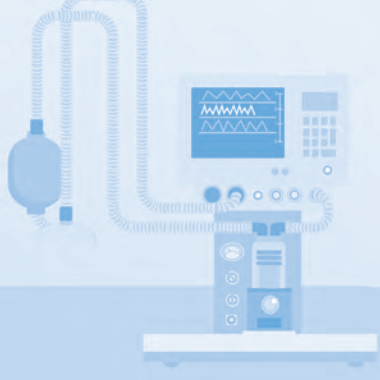
3. With effect from March 1, 2024, Mr. Zhenjun Zi resigned as a non-executive Director.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Independent Non-executive Directors

During the Reporting Period, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.



CORPORATE GOVERNANCE REPORT

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors and non-executive Directors (save and except for Mr. Guowei Zhan) has entered into a service agreement with the Company under which the initial term of three years shall commence from May 6, 2021 until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Following his re-designation from an executive Director of a non-executive Director effective from September 1, 2023, Mr. Guowei Zhan entered into a new service contract with the Company for a term of one year commencing from September 1, 2023 until terminated in accordance with the terms and conditions of the new service contract or by either party giving to the other not less than three months' prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment letters commenced from their respective effective date of appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Responsibilities of the Directors and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

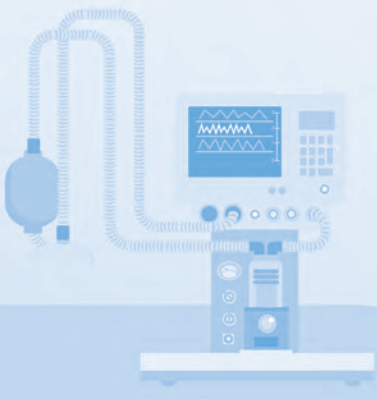
Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.



CORPORATE GOVERNANCE REPORT

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Period is summarized as follows:

Directors	Type of Training[Note]
Executive Director	
Mr. Hong Xu *(Chief Executive Officer)*	A&B
Non-executive Directors	
Mr. Michael Yi Wei Zhao *(Chairman)*	A&B
Mr. Zhenjun Zi	A&B
Mr. Ao Zhang	A&B
Mr. Guowei Zhan	A&B
Independent Non-executive Directors	
Dr. Pok Man Kam	A&B
Professor Joseph Wan Yee Lau	A&B
Ms. Yee Sin Wong	A&B

Note:

Types of Training

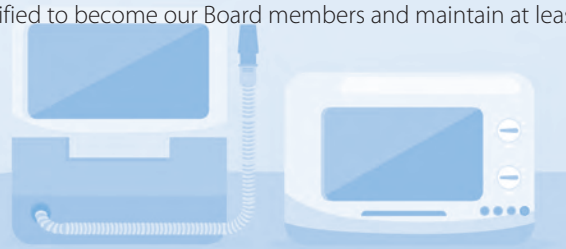
A. Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B. Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee considers a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to business management, medical devices, biomaterials, pharmaceuticals, surgery, finance, investment and accounting. They obtained degrees in various majors including medicine, science, chemistry, applied chemistry, polymer chemistry, physics, engineering, risk management, financial engineering, business administration and international finance. Furthermore, our Board has a relatively wide range of ages, ranging from 37 years old to 74 years old. In particular, given that one of our Directors is female, our Board will, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, use its best endeavors to actively identify female individuals suitably qualified to become our Board members and maintain at least one female Director in our Board.



CORPORATE GOVERNANCE REPORT

The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee from time to time reviews the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company (i) disclosed the biographical details of each Director and (ii) reported on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices.

We have witnessed a balanced gender ratio in the workforce with a male to female ratio of approximately 1: 1.2 as at December 31, 2023. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We plan to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. We are of the view that such strategy will offer chances for our Board to identify capable female employees to be nominated as a member of the Board in future with an aim to providing our Board with a pipeline of female candidates to achieve gender diversity in our Board in the long run.

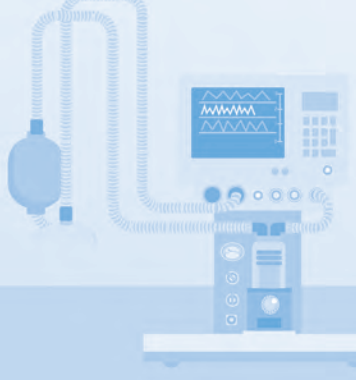
Nomination Policy

The Board has adopted a Nomination Policy with regard to nomination of Directors. The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board diversity policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment. The Nomination Committee will review the Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

As at December 31, 2023, the Audit Committee consists of three independent non-executive Directors, namely, Dr. Pok Man Kam, Professor Joseph Wan Yee Lau, 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 primary duties of the Audit Committee are to assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities assigned by our Board of Directors.

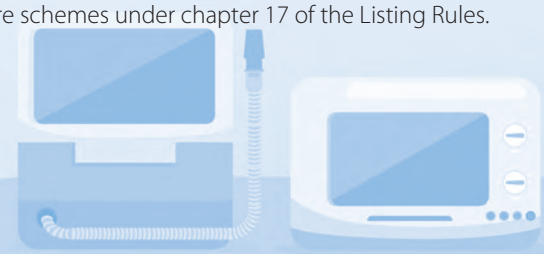
During the Reporting Period, the Audit Committee held 2 meetings to review, among others, the unaudited interim results and financial report for the six months ended June 30, 2023, the financial reporting and the compliance procedures, and the policies and practices on corporate governance, the audited annual results and financial report for the year ended December 31, 2022, the financial, operational and compliance monitoring, the risk management and internal control, the work of the internal and external auditors, the service fees due to the external auditor as well as the re-appointment of external auditors. During the Reporting Period, the Audit Committee has conducted two rounds of review to assess the effectiveness of the risk management and internal control systems of the Company. These reviews took place at the meeting to review the unaudited interim results and financial report for the six months ended June 30, 2023, and at the meeting to review the audited annual results and financial report for the year ended December 31, 2022.

The Audit Committee also met the external auditors 2 times without the presence of the executive Director.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

Remuneration Committee

As at December 31, 2023, the Remuneration Committee consists of one non-executive Director, namely, Mr. Michael Yi Wei Zhao, and two independent non-executive Directors, namely, Ms. Yee Sin Wong and Dr. Pok Man Kam. Ms. Yee Sin Wong is the chairwoman of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, making recommendations to the Board of Directors on our policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration, determining the specific remuneration packages of all Directors and senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors from time to time, and reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.



CORPORATE GOVERNANCE REPORT

During the Reporting Period, 1 meeting of the Remuneration Committee was held to, amongst others, determine the policy for the remuneration of executive directors, assess performance of executive directors and approve the terms of executive directors' service contracts, make recommendations to the board on the remuneration packages of individual executive directors and senior management. During the Reporting Period, no material matters relating to share schemes (as defined under Chapter 17 of the Listing Rules) required the Remuneration Committee to review or approve.

The attendance records of the Remuneration Committee are set out under "Attendance Record of Directors and Committee Members".

Details of the remuneration of the senior management by band for the year ended December 31, 2023 are set out below:

Remuneration by band (HK$)	Number of person(s)
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$2,000,001 to HK$2,500,000	1

Nomination Committee

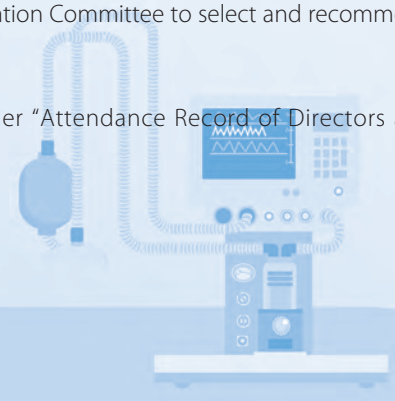
As at December 31, 2023, the Nomination Committee consists of one non-executive Director, namely, Mr. Michael Yi Wei Zhao, and two independent non-executive Directors, namely, Professor Joseph Wan Yee Lau and Ms. Yee Sin Wong. Mr. Michael Yi Wei Zhao is the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of the independent non- executive Directors, making recommendations to the Board of Directors on matters relating to the appointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, 1 meeting of the Nomination Committee was held to, amongst others, determine the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year.

The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

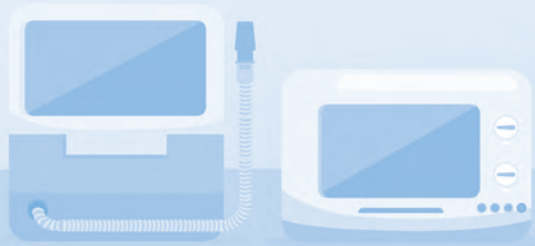
ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. During the Reporting Period, 5 Board meetings were held for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2022, unaudited interim results for the six months ended June 30, 2023 and change of composition of the Board.

During the Reporting Period, 1 meeting was held by the chairman with the independent non-executive Directors without the presence of other Directors in accordance with code provision C.2.7 of the CG Code.

The attendance record of each Director during their tenure of office at the Board meetings, Board committees' meetings, and the general meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting(s)
Executive Director					
Mr. Hong Xu *(Chief Executive Officer)*	5/5	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Michael Yi Wei Zhao *(Chairman)*	5/5	N/A	1/1	1/1	2/2
Mr. Zhenjun Zi	5/5	N/A	N/A	N/A	2/2
Mr. Ao Zhang	4/5	N/A	N/A	N/A	2/2
Mr. Guowei Zhan	5/5	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Dr. Pok Man Kam	5/5	2/2	1/1	N/A	2/2
Professor Joseph Wan Yee Lau	3/5	2/2	N/A	1/1	2/2
Ms. Yee Sin Wong	4/5	1/2	0/1	0/1	2/2



CORPORATE GOVERNANCE REPORT

Company's Culture

We are a pioneer in the field of interventional pulmonology, providing innovative lung solutions in China and globally. As a global innovative leader in delivering integrated diagnostic and therapeutic solutions to different lung diseases, we provide minimally invasive interventional therapy for lung disease treatment leveraging our unique whole lung access navigation technology.

The board believes that a strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

OUR VISION

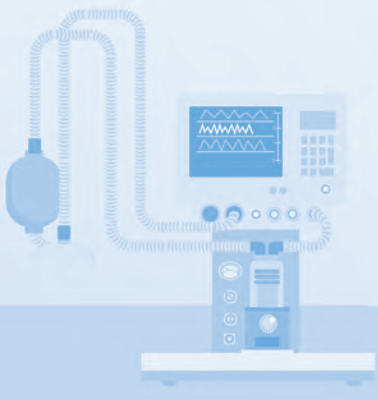
Our vision is to be a global leader in the transformation of lung disease treatment.

OUR MISSION

Our mission is to establish our interventional diagnosis and therapeutic solutions as the gold standard for the treatment of lung diseases.

The birth of medical devices is a long and difficult process, each step requires a variety of highly specialized institutions and multi-direction talent participation and collaboration. Since our inception, Company have developed a fully-integrated platform for the discovery, development, manufacture and commercialization of a comprehensive suite of diagnosis and treatment solutions for lung diseases. The integration of our platform promotes seamless collaboration among different functional groups at key stages in the lifecycle of a product candidate. We have successfully built up the necessary capabilities of a fully-integrated platform focused on precision diagnosis and minimally invasive therapy for lung disease treatment. These capabilities are housed in four main functional platforms: R&D, clinical development, manufacturing and commercialization. These individual functional platforms have been optimized and great attention has been given to building cross-functional integration.

Company continue to conduct staff training on corporate culture, laws and regulations, also reward teams and employees with excellent performance and corporate culture practice. Through these approaches, the management and employees integrate their development with the realization of the Company's mission and vision, which do contribute to the Company's performance and growth.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

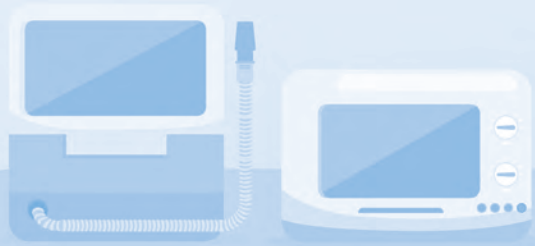
The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not to eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

We recognize that risk management is critical to the success of our business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global medical device markets, our ability to develop, manufacture and commercialize our products and product candidates, and our ability to compete with other medical device companies. For details of various risks and uncertainties we face, see the section headed "Report of the Directors — Key Risks and Uncertainties" of this annual report. We also face various financial risks. In particular, we are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of our business.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- Internal auditors provide independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.



CORPORATE GOVERNANCE REPORT

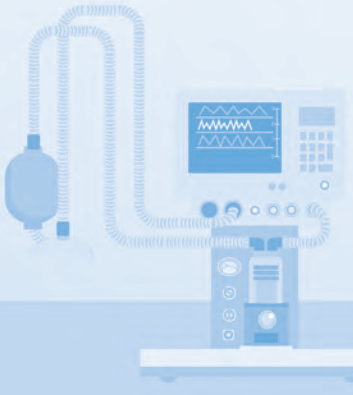
The following key principles outline our Group's approach to risk management and internal control:

Our Audit Committee oversees and manages the overall risks associated with our business operations, including:

- reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives;
- reviewing and approving our corporate risk tolerance;
- monitoring the most significant risks associated with our business operation and our management's handling of such risks;
- reviewing our corporate risk in light of our corporate risk tolerance; and
- monitoring and ensuring the appropriate application of our risk management framework across our Group.

Our senior management are responsible for:

- formulating and updating our risk management policy and objectives;
- reviewing and approving major risk management issues of our Company;
- promulgating risk management measures;
- providing guidance on our risk management approach to the relevant departments in our Company;
- reviewing the relevant departments' reporting on key risks and providing feedback;
- supervising the implementation of our risk management measures by the relevant departments;
- ensuring that the appropriate structure, processes and competences are in place across our Group; and
- reporting to our Audit Committee on our material risks.



CORPORATE GOVERNANCE REPORT

The relevant departments in our Company, including the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments shall:

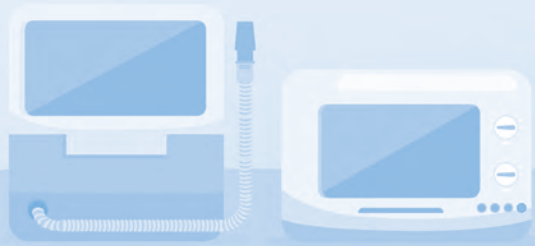
- gather information about the risks relating to their operation or function;
- conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives;
- prepare a risk management report annually for our chief executive officer's review;
- monitor the key risks relating to their operation or function;
- implement appropriate risk responses where necessary; and
- develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Intellectual Property Rights Risk Management

Compliance with applicable PRC and overseas laws and regulations, especially laws and regulations governing the protection of our intellectual property rights and the prevention of liabilities resulting from potential illegal content of publication and intellectual properties infringement are major focus areas of our operational risk management. Our legal department is responsible for approving contracts, monitoring any changes in the applicable laws and regulations and ensuring the ongoing compliance of our operations with the applicable law and regulations.

Our intellectual property department assists in conducting searches to help ensure that all of our intellectual property is under the protection of relevant laws and regulations, and also helps ensure the application for trademark, copyright or patent registrations for, as well as filing with relevant authorities of all of our products. For example, under our internal policies, during the product development phase, our intellectual property department shall assess the potential legal issues surrounding the product being developed. The intellectual property department shall then administer the execution process of obtaining the necessary filings, approvals, and/or licenses. All the contracts of our Company are required to be reviewed and approved by our legal department prior to execution. In addition, we establish policies for intellectual property infringement notices to help ensure timely monitoring the infringement incidents.



CORPORATE GOVERNANCE REPORT

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. During the Reporting Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process.

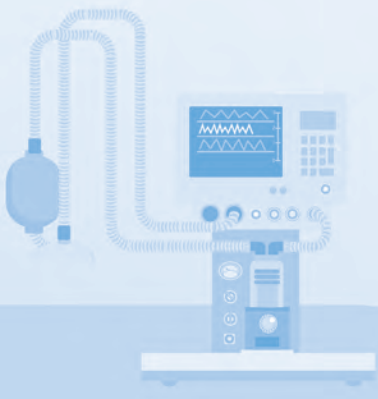
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisers, have periodically reviewed our compliance status with all relevant laws and regulations.

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, preclearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.



CORPORATE GOVERNANCE REPORT

The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

The Board has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting, internal audit and financial reporting functions and the adequacy of their training programs and budget.

The Board will conduct annual review on the risks management and internal control system of the Company. The Board, through a review covering all material controls, including financial, operational and compliance controls for the Reporting Period, considered that the risk management and internal control system of the Group was effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

AUDITORS' REMUNERATION

The total fee paid/payable to the independent auditor of the Company, in respect of audit services for the year ended December 31, 2023 is US$320,000. The total fee paid/payable to the independent auditor of the Company, in respect of non-audit services for the year ended December 31, 2023 is nil.

COMPANY SECRETARY

During the Reporting Period, Ms. Yin Kwan Ho ("**Ms. Ho**") acted as the sole company secretary of the Company. Ms. Ho is a Vice President of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited and a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. The primary contact person of the Company is Ms. Qi Cheng, a financial director of the company.

Ms. Ho has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices related matters.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

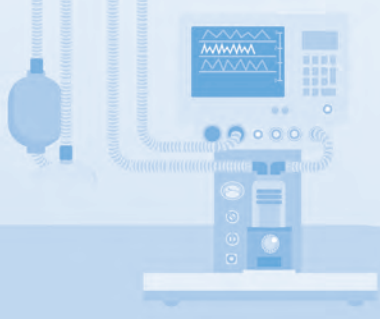
The Company shall hold a general meeting as its annual general meeting in each financial year, within six months from the end of last financial year (or such other period as may be permitted by the Listing Rules or the Stock Exchange). The annual general meeting shall be specified as such in the notices calling it.

The Board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

The chairperson of the Board of Directors shall take the chair at every general meeting, or, if there be no such chairperson or, if at any general meeting such chairperson shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present shall choose another Director as chairperson, and if no Director be present, or if all the Directors present decline to take the chair, or if the chairperson chosen shall retire from the chair, then the members present (whether in person or represented by proxy or duly authorised representative) shall choose one of their own number to be chairperson.

Procedures for Shareholders to propose a person for election as a Director

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.



CORPORATE GOVERNANCE REPORT

Base on this, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. The notice must (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

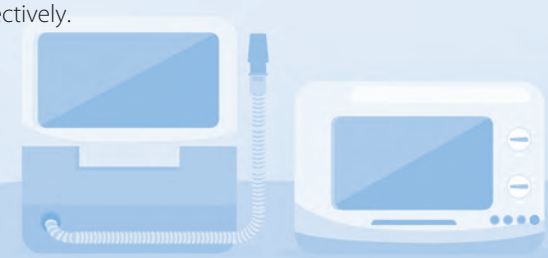
Shareholders may send their enquiries or requests as mentioned above to ir@broncuschina.com or submit at https://www.broncus.com/dist/index.html#/contact. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.broncus.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

In addition, the Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The implementation and effectiveness of the shareholders' communication policy has been reviewed by the Board during the year ended December 31, 2023 and considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.



CORPORATE GOVERNANCE REPORT

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

CHANGES TO THE CONSTITUTIONAL DOCUMENTS

On May 15, 2023, the Company has adopted amendments to the Memorandum and Articles of Association for the purpose of, among others, (i) bringing the Memorandum and Articles of Association in line with the Core Shareholders Protection Standards as set out in Appendix A1 to the Listing Rules; and (ii) allowing all general meetings to be held in the format of physical, electronic or hybrid meetings. Other minor amendments to the Memorandum and Articles of Association relate to corresponding and house-keeping changes. The latest Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

On March 28, 2024, the Board has proposed to amend the Memorandum and Articles of Association and to adopt the amended and restated Memorandum and Articles of Association incorporating the amendments (the "**Proposed Amendments**") for the purpose of, among others, (i) bringing the Memorandum and Articles of Association in line with the relevant amendments made to the Listing Rules in respect of the electronic dissemination of corporate communications by listed issuers (effective from December 31, 2023); and (ii) make other consequential and housekeeping amendments.

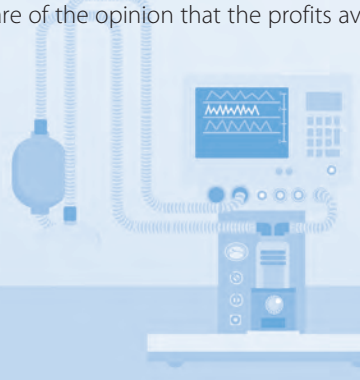
The Proposed Amendments and the adoption of the amended and restated Memorandum and Articles of Association are subject to Shareholders' approval by way of a special resolution at the AGM. A circular containing, among other things, particulars relating to the Proposed Amendments and the adoption of the amended and restated Memorandum and Articles of Association together with a notice convening the AGM will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DIVIDEND POLICIES

Subject to the applicable laws of the Cayman Islands and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.



CORPORATE GOVERNANCE REPORT

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

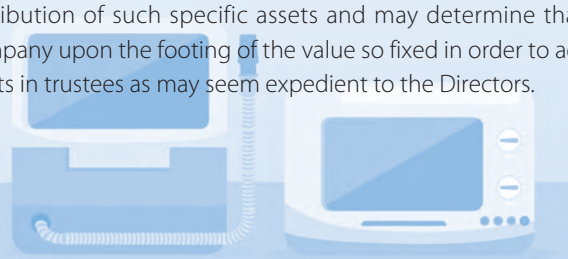
No dividend shall carry interest against the Company

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Broncus Holding Corporation and its subsidiaries (hereinafter referred to as "**Broncus**", the "**Company**" or "**we**") hereby issue the 2023 Environmental, Social and Governance ("**ESG**") Report (the "**Report**") to disclose our ESG-related strategies, practices, measures and achievements in 2023 to governments and regulatory authorities, shareholders and investors, employees, customers and other stakeholders.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**ESG Reporting Guide**" or the "**Guide**") contained in Appendix C2 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), covering (a) mandatory disclosure requirements; and (b) "comply or explain" provisions. Unless otherwise specified, the Report covers the main business of Broncus in China, and the environmental key performance indicators (KPIs) include information on our main manufacturing sites and offices in Hangzhou, Shanghai, Shenzhen, Beijing and Guangzhou. In the future, we will disclose the information on other operating areas as appropriate. The Report covers the period from January 1, 2023 to December 31, 2023 (the "**Reporting Period**").

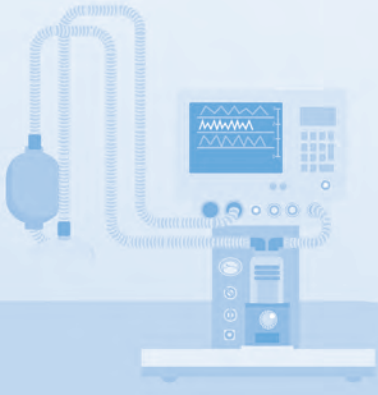
The reporting principles under the ESG Reporting Guide that underpin the preparation of this report include:

"**Materiality**": the Company has identified material ESG issues related to the Company's development through continuous stakeholder engagement and materiality assessment, and made targeted disclosure in the Report.

"**Quantitative**": The Report has covered all KPIs required to be disclosed by the Guide, and the corresponding statistical standards, methods, assumptions and/or calculation tools, as well as the source of conversion factors, have been disclosed in the definition of the Report.

"**Balance**": The Report presents an accurate, truthful and complete picture of the Company's ESG performance, and avoids the possibility of inappropriately affecting readers' decision-making or judgments.

"**Consistency**": The Report adopts statistical and KPI reporting methods consistent with those for 2022 ESG Report to allow for comparability of information. Any changes in statistical methods or KPIs or any other relevant factors that may affect meaningful comparisons will be clearly explained in the ESG Report.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE CHAIRMAN

Dear Shareholders and Investors:

On behalf of the Board, I would like to express my sincere greetings to you. The Company understands the importance of environmental, social and corporate governance (ESG). We firmly believe that only by adhering to the principle of sustainable development, we can achieve long-term business success and maximize social value.

In the past year, we made significant progress in the ESG field. We actively undertook social responsibilities, supported community development and welfare programmes, and strived to provide high-quality medical products and services for the health and well-being of patients, while focusing on employee welfare and diversity inclusion. We also actively promoted environmental protection, adopted a series of measures to reduce carbon emissions, optimized resource utilization, and strived to reduce our environmental footprint. Meanwhile, we adhered to the principles of fairness, transparency and efficiency in corporate governance, and strengthened internal control and risk management to protect the interests of shareholders and stakeholders.

Our ESG Report provides a comprehensive summary and presentation of our achievements in various areas. This Report reflects our commitment and efforts to sustainable development, and serves as a communication channel between us and our shareholders and investors, so that all parties can understand our ESG strategies, goals and implementation. We value the trust of all sectors of society in our Company and will continue to strive for sustainable development. We will adhere to our approach to provide patients with more options for lung disease diagnosis and treatment, seize growth opportunities to advance long-term development of our business, and create greater value for shareholders, investors and the society.

Hong XU
Chief Executive Officer

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE ASPECT

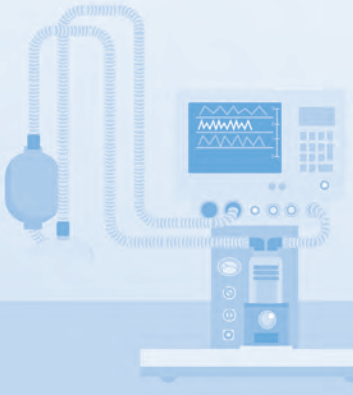
2. BOARD STATEMENT

The Board of Broncus is fully responsible for the overall management of Environmental, Social and Governance (ESG) issues, and supervises the senior management to strengthen the improvement of ESG policies and measures. The Board pays close attention to the ESG issues related to operations and adjusts the operation policies in a timely manner to adapt to changes, so as to ensure the long-term interests of various stakeholders and assume the due social responsibilities. The Board is committed to establishing a communication platform with the Company's major stakeholders, regularly reviewing the ESG issues of concern to major stakeholders, ensuring the smooth flow of information, and conducting materiality assessment to clarify the Group's focus on ESG governance.

As the Board, we recognize the importance of ESG to the long-term development and value creation of the Company. Therefore, we ensure that ESG factors are fully considered in the Company's decision-making and strategy, and formulate corresponding policies and measures to manage and improve environmental impact, to focus on social responsibility and to strengthen corporate governance. We oversee the proactive actions taken by the ESG Working Group to ensure that the established policies and measures are effectively implemented and monitored.

The Board also pays close attention to the ESG risks that may arise from business operations. We recognize that ESG risks may have an impact on our reputation, operational efficiency and long-term sustainability. Therefore, we actively evaluate and manage these risks, and timely adjust our operational policies and take corresponding measures to respond to the changing environmental and social requirements. We are well aware that as an enterprise in the medical industry, we must not only pursue the long-term interests of stakeholders, but also assume our social responsibility to provide safe, effective and quality medical services to meet the needs of patients. We also actively participate in medical research and innovation to promote the development and progress of medical technology.

The Company will actively control greenhouse gas emissions, electricity consumption, water consumption and waste generation based on the actual production and operation situation. The Board discussed the progress of these targets during the Year to improve the sustainability work.



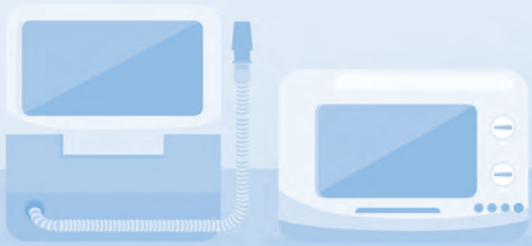
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ESG MISSION AND VISION

Broncus attaches great importance to corporate social responsibility and ESG management, with medical services as the core, and actively undertakes corporate social responsibility in five aspects, namely corporate operation, employer brand, user, corporate citizen and patient care, to achieve sustainable development.

As the highest decision-making body for ESG matters of the Company, the Board is responsible for supervising, reviewing and making decisions on ESG-related matters. The Board has strengthened ESG governance, reviewed and confirmed the effectiveness of ESG risk management and internal control systems in accordance with the requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange. The Board participated in and reviewed the Company's assessment of ESG issues, the prioritization and management process of material issues, details of which are described in the sections headed "Stakeholder Engagement" and "Materiality Assessment" in this report.

This Report discloses in detail the progress of Broncus's ESG work and the achievement of its goals in 2023, which was considered and approved at the Board meeting on March 28, 2024.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management

With the established three-level ESG governance structure that consists of the Board of Directors, senior management and ESG working group, the Company specified roles of each level and solidified the ESG management and supervision responsibilities, to ensure a scientific and systematic ESG management.

Board of Directors

- As the highest responsible body for overseeing the Company's ESG-related matters, the Board of Directors formulates and regularly reviews ESG management strategies and objectives; reviews and approves the ESG risks and opportunities assessed and the ESG management approaches formulated by senior management; reviews and discusses major ESG risks and corresponding countermeasures; and examines and approves information disclosed in the ESG Report.

Senior Management

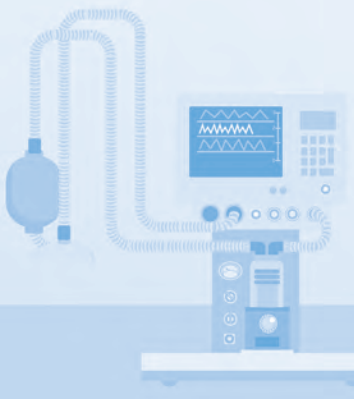
- Senior management is responsible for assessing and determining ESG risks related to the Company's businesses, developing ESG management approaches, and ensuring the effectiveness of ESG risk management and internal control systems, and reports to the Board of Directors on progress of ESG management.

ESG Working Group

- Composed of ESG-related departments, the ESG working group is responsible for implementing strategies and ESG management policies formulated by the Board of Directors and senior management, carrying out ESG management and preparing ESG Report, then presenting progress on ESG management and reporting to senior management.

Stakeholder Engagement

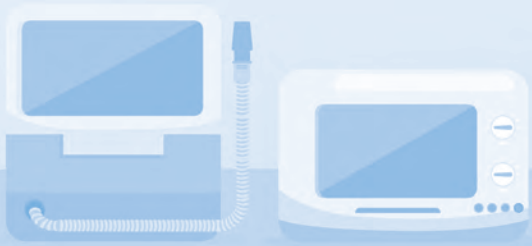
The Company firmly believes that the participation and continuous support of stakeholders are crucial to the long-term development of the Company. In order to improve our sustainability strategy and achieve our sustainability goals, we maintain close communication with various external and internal stakeholders. These stakeholders include shareholders and investors, government and regulatory authorities, employees, customers and patients, suppliers, partners, communities and the public. We maintain communication with these stakeholders to ensure that their opinions and interests are fully considered, and work with them to promote sustainable development.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To ensure effective communication, we adopt various forms of communication. We communicate with stakeholders on a regular basis and arrange other communication opportunities from time to time to enable stakeholders at different levels to express their opinions and suggestions. We respond to their expectations and concerns through different channels, continuously improve our ESG performance and formulate future development strategies to meet the expectations of stakeholders.

Stakeholders	Issues of concern	Main communication channels
Shareholders and investors	Investment return Governance compliance Risk management	General meeting of shareholders Information disclosure Roadshow
Government and regulatory authorities	Risk management Product quality control Access to healthcare	Institutional inspection Policy implementation Information disclosure
Employees	Employee compensation and benefits Talent development and training Occupational health and safety Diversity and equity	Employee training Internal communication channels Employee activities
Customers and patients	Protection of intellectual property rights Privacy and data protection Product and service quality Marketing compliance	Customer surveys Customer satisfaction survey Patient education
Suppliers	Supply chain management Environmental and social risk management of supply chain	Supplier assessment Contract performance Communication with suppliers
Partners	Industry development and win-win cooperation	Communications and exchange visits Industry forums
Community and the public	Community and public welfare	Community activities Seminars/lectures/workshops

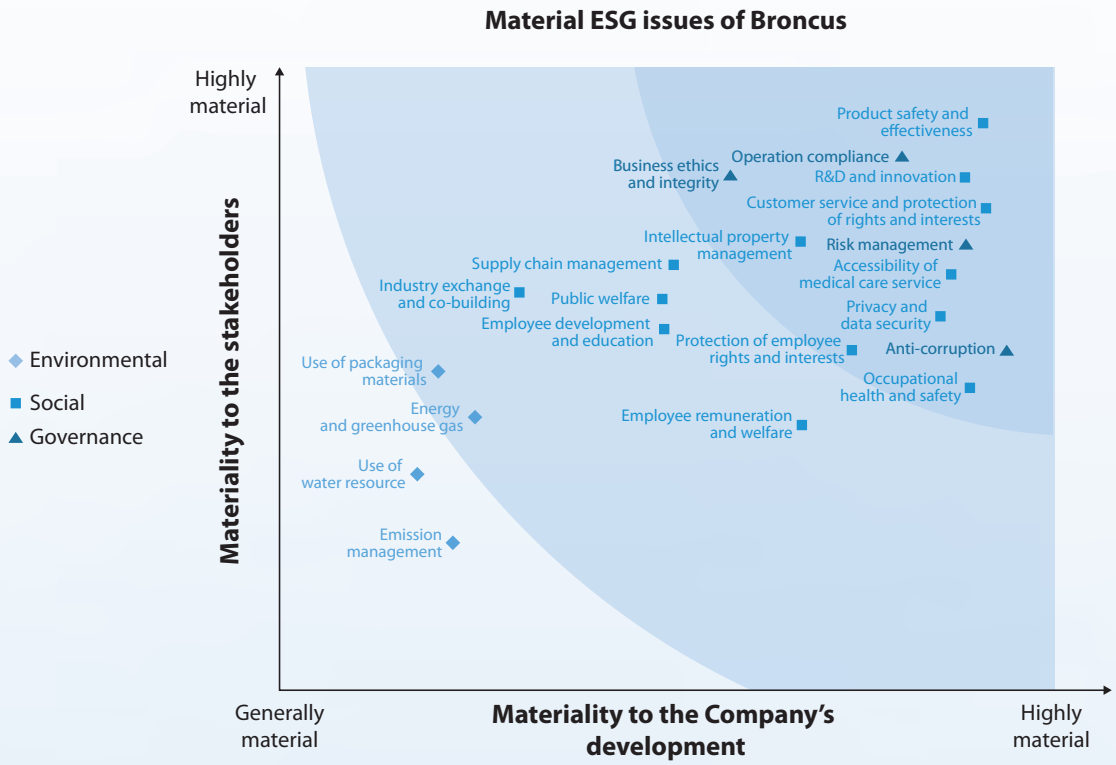


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Company followed the "materiality principle" in the ESG Reporting Guide of the Hong Kong Stock Exchange, and conducted a comprehensive analysis based on the survey results of material issues to various stakeholders and the Company's annual business operations. The Board, senior management and the ESG Working Group of the Company confirmed that the previously identified materiality assessment results remain applicable for the current year as (i) there were no material changes in the Company's business and business environment during the Reporting Period; and (ii) the results of the materiality assessment remain reflective of the expectations of stakeholders and will continue to be applied for the current year.

Based on the analysis of stakeholders on the results of the materiality assessment, the Company identified 21 material issues, of which 12 are highly material, 7 are moderately material and 2 are generally material. The following chart shows the material ESG issues we identified this year:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

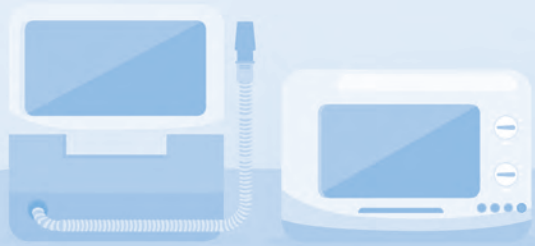
4. OPERATING WITH INTEGRITY

With integrity, honesty, fairness, justice, excellence, win-win results and business ethics as one of our core values, Broncus upholds business ethics and integrity, pursues high standards of honesty, and opposes any form of bribery, fraud, extortion, money laundering and other illegal acts. We abide by the *Anti-monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery* and other laws and regulations, and have formulated internal rules and regulations such as the Anti-corruption Policy and the Administrative Measures for Anti-money Laundering to protect our reputation, income, assets and information from any fraud, corruption, attempted fraud or other misconduct by employees or third parties. Meanwhile, we encourage all business partners, including joint venture partners, associates, consultants and suppliers, to comply with the requirements of the above policies when cooperating with the Company. During the Reporting Period, there were no corruption cases brought against employees or the Company.

4.1 Reporting channels

The Company is committed to upholding the highest standards of openness, integrity and accountability. Employees and those who deal with the Company, including suppliers, customers or other stakeholders, are encouraged to report any suspected misconduct, malpractice or impropriety within the Company to us. Whistleblowers are not required to fully verify the reported cases. Even if the reported cases are not confirmed at the end, we are grateful for all good-faith reports. Reports can be made in real name or anonymously to the Legal Department, or through directly communication with middle and senior management or through specific mailbox and e-mail and other channels. The Company encourages real-name reporting. If a real-name report is made, the Company's Compliance Department will conduct investigation and verification. We are committed to protecting whistleblowers from unfair dismissal, harm or unwarranted disciplinary action, and any forms of retaliation are considered inappropriate. The Company also firmly opposes to false reports and accusations against others. For those who maliciously lodge false accusations against others or provide false evidence, the Company will actively assist the victims to file legal proceeding and make sure the offender will be punished by law to make up for the losses of the victims.

Hotline:	0086-021-33537002
Email:	broncuschina@compliance.com
Post:	Room 2412, Shanghai World Trade Center, 2299 West Yan' an Road, Changning District, Shanghai (for the attention of the Legal Department)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 Integrity training

We continue to carry out anti-corruption training for the Board and all employees. All employees are required to receive appropriate training on anti-corruption topics, and we arrange refresher training periodically to ensure that employees are aware of the Company's anti-corruption practices. During the Reporting Period, we provided anti-corruption training to our Directors and all employees.

Anti-corruption trainings	Unit	FY2023
Total number of directors trained in anti-corruption and compliance	Person	2
Total number of senior management trained in anti-corruption and compliance	Person	2
Total number of middle management trained in anti-corruption and compliance	Person	12
Total number of entry-level employees trained in anti-corruption and compliance	Person	300
Total number of anti-corruption and compliance training	Time	1
Total number of anti-corruption and compliance training hours	Hour	1

SOCIAL ASPECT

5. PRODUCT RESPONSIBILITY

Broncus takes "establishing interventional diagnosis and treatment solutions as the gold standard for lung disease treatment" as our mission. In the large, untapped and fast-growing interventional pulmonology market, relying on the world's exclusive whole lung access navigation technology, the Company has developed a comprehensive interventional pulmonology platform covering navigation, diagnosis and treatment, providing safe and effective interventional treatment methods for lung cancer, COPD and other lung diseases, solving the pain points of the existing diagnosis and treatment model, leading the transformation of diagnosis and treatment methods for lung diseases, meeting the clinical medical needs of a large number of lung diseases, and promoting the field of lung diseases to enter the era of precision diagnosis and treatment.

5.1 Innovative R&D

Adhering to technological innovation in the field of interventional diagnosis and treatment of lung diseases, Broncus has gradually developed into a leader in the field of precision interventional diagnosis and treatment of lung diseases, and has comprehensive lung disease solutions for navigation-diagnosis-treatment. Based on the Company's exclusive whole lung access augmented reality navigation technology platform, the Company pioneered the provision of precision minimally invasive interventional diagnosis and treatment products for lung diseases such as lung cancer and COPD.

Our Core Product, InterVapor®, is the world's first thermal vapour energy ablation system for lung diseases such as COPD and lung cancer. The product has been approved for marketing in the European Union and China, and has been widely used in the interventional treatment of COPD patients at home and abroad, and has been internationally recognized. At the 33rd European Respiratory Society International Congress in 2023, the long-term follow-up data released from the bronchial endoscopic thermal vapour ablation therapy (BTVA) proved that BTVA has long-term safety and efficacy stability.

Our Core Product, Zhiheng RF-II, is the world's first transbronchial interventional product for lung cancer. The product has completed follow-up visit to the registered clinical trial, and the research results have confirmed the safety and efficacy of RF-II in the clinical treatment of lung cancer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Broncus made its debut at the 33rd European Respiratory Society International Congress (ERS 2023)

The 33rd European Respiratory Society International Congress (ERS 2023) was held in the Mico, Milan, Italy from September 9 to 13. During the presentation of "Frontier Progress in Respiratory Intervention" on September 11, we released the long-term follow-up visits data of the bronchial endoscopic thermal vapour ablation therapy (BTVA) of InterVapor®, our first product for COPD in the world.

By using Broncus's thermal vapour treatment system InterVapor®, BTVA is applied to the patients' lung segment with severe lesions, delivering thermal vapour to the target lung segments for ablation, and ultimately achieving lung volume reduction. This treatment has been included in the Global Initiative for Chronic Obstructive Lung Disease (GOLD) Guidelines for five consecutive years from 2019 to 2023, and recommended for patients with severe and very severe emphysema.

Since its launch, InterVapor® is available in China, the European Union and other major European countries (including France, Germany, the United Kingdom, Italy, etc.) as well as many countries and regions in the Asia-Pacific region. With increasing clinical data and experience worldwide, BTVA has developed into an important treatment method for more COPD patients.

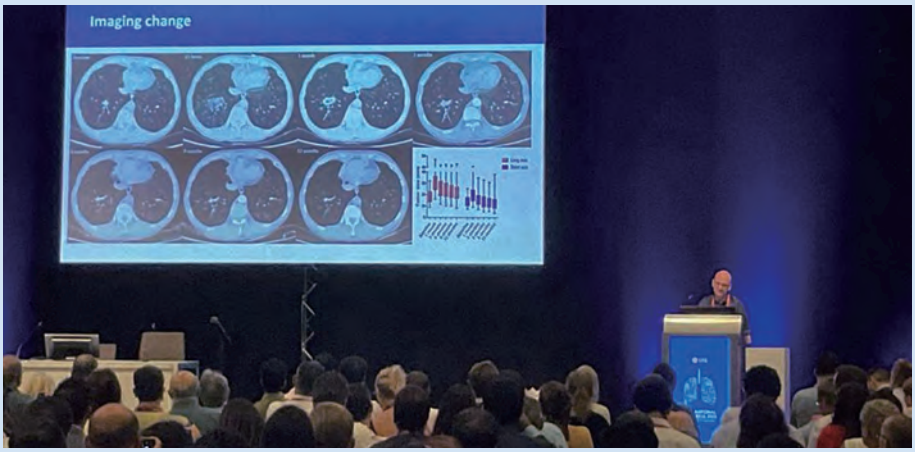
The release of the long-term follow-up data fully verified the long-term safety and effectiveness of thermal vapour ablation. In the future, Broncus will spare no effort to promote our thermal vapour treatment system InterVapor® around the world, bringing more patents a longer-lasting and safer treatment option for COPD.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Six-month follow-up visit data from a multi-centre prospective clinical study after bronchial radiofrequency ablation for the treatment of surrounding lung cancer at the ERS Congress

At the presentation of "Frontier Progress in Respiratory Intervention" on September 11, 2023, an invited professor from Heidelberg University, Germany gave a speech on the keynote report of "Evaluation of a Novel Transbronchial Radiofrequency Ablation System for the Treatment of Lung Nodules: 6-Month Follow-up Visit of the First Large-scale Clinical Trial (RF-II)", releasing the 6-month follow-up visit data of Broncus's clinical trial of Zhiheng™ Pulmonary Radiofrequency Ablation System (hereinafter referred to as "Zhiheng™").

According to the clinical data released, the efficacy of Zhiheng™ in the treatment of bronchial radiofrequency ablation lung cancer was significant with 126 patients with lung cancer included in the trail for the treatment of radiofrequency ablation system and proven safety. The 6-month data from the registered clinical trial of Zhiheng™ showed a significant breakthrough in the treatment of lung cancer as compared with traditional radiofrequency technology



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: BroncTru™, a disposable transbronchoscopic puncture dilatation catheter, was officially approved by the National Medical Products Administration (NMPA) for marketing

The team of professors from the respiratory endoscopy centre of the Chest Hospital of Shanghai Jiao Tong University successfully conducted a case of BTPNA with lung biopsy and laser ablation by applying BroncTru™, a disposable transbronchoscopic puncture dilatation catheter (referred to as BroncTru™), with the assistance of LungPro® augmented reality whole lung diagnosis and treatment navigation. The use of BroncTru™ can greatly shorten the operation time, reduce the operation difficulty, and rapidly establish intraoperative tunnel to facilitate follow-up diagnosis and treatment.

During the Year, the Company received the following key honours:

Award Name	Organiser	Award
2023 Second Batch of Specialized and New Small and Medium-sized Enterprises in Zhejiang Province	Economy and Information Technology Department of Zhejiang Province	
2023 Top 100 Most Innovative Medical Device Product	VB-Find Award	
Enterprise with Best Strategic Layout	2023 China-Go-Global Medical Device Conference	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2 Products Benefit Patients

We always stay true to our original intention and mission, utilizing our professional advantages, striving to enable more patients to benefit from high-quality medical devices and services, and giving back to the community. During the Year, we were committed to developing innovative medical products and ensuring that they meet stringent quality standards. By providing better and more modern medical solutions to hospitals at all levels across the country, we expect to continue to bring safe and effective treatments to a wider patient population and improve treatment effect and experience.

Case: The first transbronchial endoscopic thermal vapour ablation treatment was successfully carried out in a county hospital in China

On April 17, 2023, the Company's InterVapor® Thermal Vapour Treatment System completed the first case of transbronchial endoscopic thermal vapour ablation therapy (BTVA) for treatment of emphysema in Shandong Province at the Caoxian People's Hospital, Heze City, Shandong Province for the first time. This was also the first hospital in the county to apply this technology after it became available nationwide. During the operation, the patient's target lung segment in the upper lobe of the left lung was subjected to thermal vapour ablation under general anesthesia, and the operation went smooth, with the treatment of the entire target lung segment completed in about 20 minutes. The patient had no obvious discomfort after operation and felt well.

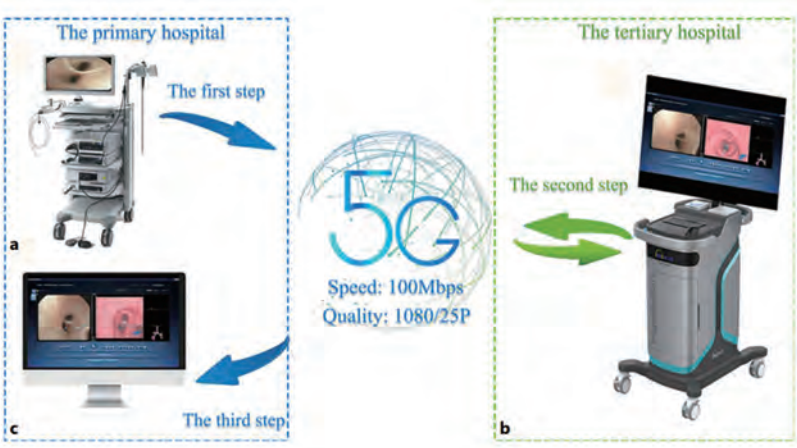
There are up to 100 million patients with COPD, and county hospitals have a large patient base. For severe and extremely severe patients, drug treatment effect is relatively limited, while lung function is significantly affected and the quality of life is poor. The successful implementation of bronchoscopic thermal vapour ablation provided a new respiratory interventional treatment option for these patients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Use of remote bronchoscope navigation based on 5G technology for the first time

A case of EBUS-TBLB for peripheral lung lesions was carried out with the assistance of our products in a collaborative hospital without navigation devices based on 5G technology combined with augmented reality optical navigation systems. In practical applications, 5G technology could enable remote real-time matching of real/simulated bronchoscopic images and navigation paths, with high-speed transmission (> 20km) without any visual delay (< 500ms). It would provide the possibility of accurate diagnosis of lung lesions in underdeveloped and rural areas, and this experience may provide insights to facilitate the development and clinical application of remote bronchoscopy in the future.

Relying on 5G technology combined with augmented reality optical navigation system, the technology can be applied to patients thousands of miles away, to achieve precise, real-time and barrier-free guidance and communication, improve the standardisation and homogeneity of respiratory interventional diagnosis and treatment, and bring more precise and convenient services to hospitals and patients.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: More than 10 cases of transbronchial endoscopic thermal vapour ablation treatments (BTVA) was successfully completed at National Taiwan University Hospital in Hsin-Chu, Taiwan

After the introduction of the InterVapor® thermal vapour treatment system (BTVA), the National Taiwan University Hospital in Hsin-Chu, Taiwan (hereinafter referred to as "NTUH Hsin-Chu Branch") recently held a press conference for the 10 cases of BTVA, in which patients who had successfully undergone the procedure were invited to share their experience. VIP members such as the Chief of the Medical Administration Section of the Health Bureau of the Hsin-Chu County Government were invited to witness the outstanding achievements of the medical team.

So far, more than 10 cases of transbronchial endoscopic thermal vapour ablation treatments were successfully completed at NTUH Hsin-Chu Branch, providing local patients with COPD with new options for safer and more effective treatments to improve their quality of life.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 Comprehensive Quality Management

Broncus upholds a high degree of importance and commitment to product quality, and strictly abides by laws and regulations, including the *Law of the People's Republic of China on Product Quality*, the *Measures for the Supervision and Administration of Medical Device Production*, the *Measures for the Supervision and Administration of Medical Device Production*, the *Regulations on the Supervision and Administration of Medical Devices*, as well as the international quality standards of the U.S. FDA and the EU Medical Device Regulation (MDR). The Company has formulated and periodically updated standard procedure documents including Quality System Procedure, Quality Manual, Quality Objectives, Internal Quality Audit, etc., and has prepared a quality management system in line with China, U.S. and EU standards to ensure compliance with applicable regulations and the requirements of ISO13485: 2016 Medical Device — Quality Management System Certification, and to ensure the provision of high-quality products, patient safety and customer satisfaction.


bsi.

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 13485:2016

This is to certify that: Hangzhou Broncus Medical Co., Ltd
1st Floor Block 2
No.88 Jiangjing Road Xixing Street
Binjiang District
Hangzhou
Zhejiang
310051
China

Holds Certificate No: MD 666917

and operates a Quality Management System which complies with the requirements of ISO 13485:2016 for the following scope:

The design, manufacture, ODM and distribution of medical device system (including Ester Vapor Generator and RF Generator) and single use sterile medical device for interventional pulmonology diagnosis and treatment.

For and on behalf of BSI:

Graeme Tunbridge, Senior Vice President Medical Devices

Original Registration Date: 2017-05-11
Latest Revision Date: 2023-04-11

Effective Date: 2023-05-11
Expiry Date: 2026-05-10

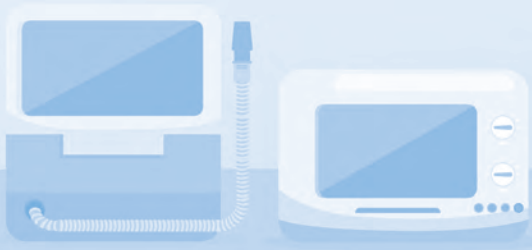
Page: 1 of 2

...making excellence a habit.

ISO13485: 2016 Quality Management System Certification granted to Broncus

Quality Management System (QMS)

The Company has established, implemented and maintained a documented quality management system (QMS) in compliance with applicable standards and regulatory requirements. We have clearly defined the processes required for the QMS and applied them to the organization. We adopt an appropriate risk-based process control approach, which aims to ensure the effectiveness of the QMS and continuously improve its effectiveness. We have also clarified the sequence and interaction of these processes to ensure the continuous improvement of the QMS.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Policy

Our quality policies include:

- Understanding and fulfilling our customers: We are committed to deeply understanding the needs of our customers and striving to meet their expectations to provide high-quality medical device and solutions.
- Improving our medical treatment, device and support level with the development of customer needs: We actively cooperate with customers to continuously improve and enhance our products and services in line with their needs to adapt to the evolving medical industry and customer needs.
- Abiding by laws, regulations and business requirements and maintain the effectiveness of the quality system: We strictly abide by relevant laws, regulations and business requirements to ensure that our business operations meet compliance standards.

Product realization and quality review

The planning and development of our product realization process is consistent with other process requirements of the QMS. Throughout the product realization process, we follow the ISO 14971 standard and have developed risk management requirements, including establishing and maintaining control processes to identify hazards associated with medical devices, establishing and evaluating relevant risks, taking measures to control these risks, and monitoring their effectiveness.

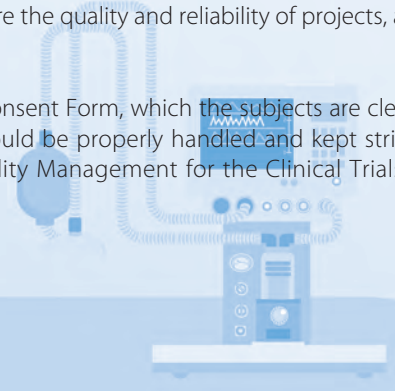
The Company adopts appropriate methods to monitor and measure the process of the QMS. If the planned results are not as expected, we will take appropriate corrective and preventive measures to ensure product compliance. For unqualified products, we control them in accordance with the prescribed procedures, and provide identification, filing, evaluation, isolation and disposal, and notify relevant functional departments. We are committed to ensuring the quality and compliance of our products and continuously improving our QMS to meet customers' needs and regulatory requirements.

Clinical project management

The Company has formulated and regularly updated the Project Management Plan and the Monitoring Plan for clinical research projects, and manages the team composition, overall operation, quality control, data management, adverse event response, results delivery and data archiving in a prudent and comprehensive manner. Before launching a project, we set up a project team consisting of experts from the Company, pilot clinical centre and third-party companies, while determining the responsibilities of team members and project timeline. Through monthly reports, regular meetings and ad-hoc meetings, we timely report our project progress to and communicate problems encountered with relevant departments, timely understand the progress of the project, and work with relevant departments to solve the problems to ensure a smooth progress and maintain good cooperation among all parties.

In addition, the project manager is responsible for formulating project quality control plans. Our internal quality control officers, project team quality control officers, clinical research associates (CRA) and third-party auditors will implement quality control, and then regularly conduct on-site visits and monitoring throughout the project cycle, as well as provide training sessions for project team members to ensure that clinical projects are compliant and scientifically effective, to ensure the quality and reliability of projects, and to ensure that the desired goals are met.

The subjects of all our clinical trials have signed the Informed Consent Form, which the subjects are clearly informed that their medical records and other privacy data would be properly handled and kept strictly confidential in accordance with the requirements of the Quality Management for the Clinical Trials of Medical Devices and relevant regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Production control

The Company's production workshops implement "5S" management year-round. Through 5S management methods, employees are required to keep the working area clean and orderly. We provide protective clothing in the workshop and require employees to wear them in accordance with the regulations to prevent the contamination of products by external factors such as body bacteria and dust. Protective clothing are inspected and replaced on a regular basis to ensure their cleanliness and qualified use.

5S management practice of Broncus

Dress code for entering clean production area

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Post-marketing Supervision

In accordance with the *Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation*, the *Measures for the Administration of Medical Device Recalls*, and the U.S. Federal Regulations *Medical Device Reporting* and other advisory notices under China, U.S. and European systems related to medical devices, the Company has developed and implemented several systems including the Post-marketing Supervision and the Adverse Event Reporting. After launching products, the Company conducts customer communication and research on a regular basis, monitors and collects adverse events, promptly assesses the nature of the events and submits reports to the National Medical Device Adverse Event Monitoring Information System within the specified time, and takes appropriate measures to minimize risks and prevent similar incidents from happening again.

5.4 Complaint and Recall

Product Complaint

In strict compliance with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *Law of the People's Republic of China on Product Quality* and other relevant laws and regulations, Broncus is open-minded to hear from customers for their opinions and suggestions, thus improving the quality of our products and services. To facilitate effective communication with customers, we adopt various methods, including visits, discussions, training activities, phone calls or trade shows, to understand the needs and requirements of our customers and to better meet their expectations. We have formulated the standardized procedure of Solution to Complaints for handling customer complaints. In accordance with regulatory requirements, all product complaints are subject to recording, evaluation, investigation, supervision, reporting and trend analysis to ensure that the complaints would be properly resolved. We value customers' opinions and feedback as an important source for improvement. Through close cooperation and proactive communication with customers, we continuously improve the quality of products and services to meet customers' expectations and improve customer satisfaction. The Company will continue to abide by laws and regulations, actively listen to customer opinions, and continuously improve the quality of products and services to provide better user experience and meet customer needs.

During the Reporting Period, the Company received a total of 4 customer complaints, all of which had been settled.

Product Recall

The Company has taken a series of measures to safeguard the health and safety of patients, users and other related parties. In 2023, the Company updated the "Advisory Notices and Recalls" procedure to improve the recall process and other corrective measures for all products manufactured and/or sold by us, to regulate the implementation procedures of product recalls or other corrective measures. The Company analyzed feedback from post-marketing supervision to initiate recall procedures and take necessary off-site safety correction measures for medical devices that have malfunctioned or deteriorated in performance and may pose a health hazard. When recalling a product, the person in charge shall evaluate the historical records, complaint documents, distribution records of the relevant product, and conduct a comprehensive analysis of the product defects to clarify the cause, date and discoveries.

The destruction of products recalled will be under the supervision of the medical products regulator. During the recall process, the Company will submit the "Report on Implementation of Recall Plan" to the local regulatory authorities on a regular basis to explain the implementation of the recall plan in detail. In addition, the Company will submit the "Summary Report of Medical Device Recall" to the medical products regulator within 10 days upon completion of the recall process. If necessary, the destruction of products recalled will be under the supervision of the local medical products regulator.

During the Reporting Period, no delivered products were recalled due to quality issues or safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.5 Intellectual Property Management

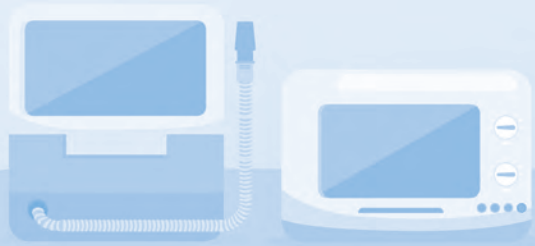
Intellectual property (IP) is our important asset. The Company has set long-term goals to strengthen the awareness of IP and promote the transformation of scientific and technological achievements. With IP management as the core, the Company has established an innovative enterprise with leading key technologies and competitive advantages in the market. Broncus strictly abides by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other IP related local laws and regulations. The Company has prepared the Work Manual for Intellectual Property Management with reference to the Enterprise Intellectual Property Management (GB/T 29490-2013), established and implemented the guiding principles and action guidelines of the IP management system by adhering to the IP management principle of "promote upgrading and development with scientific and technological innovation, protect industrial strength with IP management". We have defined the institutional setting, responsibilities and authorities at all levels of IP management, as well as the procedure documents of the management system, and stipulated that the R&D department is responsible for the centralized management of external documents and record documents of the IP management system. We have also formulated the IP management objectives, which are consistent with our IP policy, and reassigned the objectives to various functional departments for dynamic management. We also ensure that personnel engaged in IP work meet the corresponding conditions, and carry out IP education and training on a regular basis.

As of December 31, 2023, Broncus held the following IPs:

Type of IPs	Quantity
Patent for invention	173
Patent for utility model	280
Design patent	60
Trademark	122
Total	635

In addition, the Company has formulated the Risk Control Procedures of Intellectual Property, the Response Measures to Minimize the Risk of Infringement of Intellectual Property and the Plan for Handling Disputes Arising from Infringement of Intellectual Property to protect our own IPs and to avoid infringement of others' IPs. We regularly monitor our products for possible infringement of others' IPs and carry out prevention measures. We will also detect and monitor the infringement of IPs in a timely manner, and protect IPs through administrative and judicial means. When dealing with IP disputes, the Company will assess the impact on the Company through different methods such as litigation, arbitration and settlement for appropriate resolutions.

During the Reporting Period, no lawsuit related to IP occurred.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

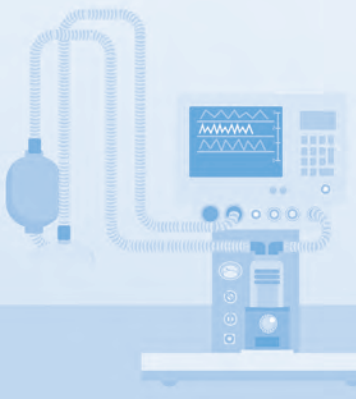
5.6 Advertising and Labelling

Broncus abides by the laws and regulations and industry practices of the regions where we operate, including the *Advertising Law of the People's Republic of China*, the *Interim Measures for the Examination and Administration of Advertisements for Drugs and Medical Devices*, *Health Food and Formula Food for Special Medical Purposes*, the *Federal Trade Commission Act* of USA, and the *Honest Ads Act* of USA. During the Year, we introduced the Management System for Marketing Activities, aiming to strengthen the management of our marketing activities. We attach great importance to the rights and interests of consumers, abide by integrity in marketing, and require all marketing contents and forms to be compliant and appropriate. We strictly prohibit exaggerated, false or misleading contents to ensure accurate information presentation.

5.7 Privacy and Data Protection

Attaching great importance to information security and data privacy, Broncus strictly abides by the laws and regulations of the places where we operate, including the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*. We have adopted a strict information security control process to ensure the safe use of the network and information system through various measures to prevent data leakage risks. We have implemented technical measures such as firewalls, VPN and Bastion Host to protect the security of the network. Access rights are set to restrict users' access to sensitive data and functions in the system. Encryption technology is also used to protect data confidentiality. To further enhance safety control, operational records are maintained and audits are conducted on a regular basis to ensure that operational data is recorded, reviewed and analyzed to identify and respond to potential safety issues in a timely manner.

We are committed to protect patient privacy data and collect relevant patient data only for legitimate and reasonable purposes. All confidential business-related data and patients' personal privacy are protected from any unauthorized storage or processing. The Company will sign the Informed Consent Form with all clinical subjects participating in clinical trials sponsored by the Company, as required by law, before a clinical trial is conducted. The template for the Informed Consent Form must be reviewed and approved by the Ethics Committee of clinical trial centres. It shall explicitly disclose that clinical subjects' private data such as medical records will be properly handled and kept strictly confidential in accordance with the requirements of the Quality Management for the Clinical Trials of Medical Devices and related regulations. Subjects shall be assigned a serial number during the trial, while their personal medical records and a list that associates subjects' personal medical records and their serial numbers shall be maintained by the related researchers and inaccessible to unauthorized persons. The subjects' initials and code identifiers will be used in other documents of the trial. Only the related researchers, sponsors' representatives, inspectors, auditors, representatives of the Ethics Committee and the NMPA shall have access to the subjects' original medical information related to the trail to protect against any leakage of subjects' identity information.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. EMPLOYEE RESPONSIBILITY

Broncus is committed to building a diverse, equal and inclusive working environment. We attach great importance to employee welfare, good working conditions and employee care. We have a sound training system and resource support to cultivate employees' capabilities and skills. We attach great importance to career development and provide employees with various development opportunities and career paths. We continuously improve and optimize the working environment and provide employees with good development platforms and conditions to support them to succeed in their career path and grow with the Company.

6.1 Employment and Labour Practices

The Company strictly abides by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other employment-related laws and regulations in the places where we operate. We have formulated the Employee Manual, which details the internal management systems for employment, dismissal, working hours, rest periods, compensation and benefits, assessment and promotion, and professional ethics to protect employees' rights and interests in equal opportunities, diversity, anti-discrimination and other benefits and welfare.

Recruitment and dismissal

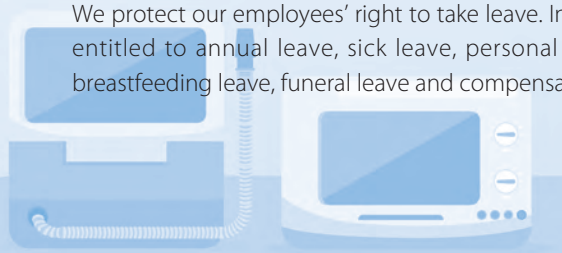
The Company's recruitment is based on the principle of "meritocracy" and the actual needs of the Company. We select competent employees based on their working ability, experience, professional level and professional ethics. Based on equal, voluntary, honesty and trustworthy basis and on mutual agreement, the Company enters into labour contracts with all employees upon enrolment in accordance with the Labour Contract Law and other relevant labour laws and regulations. We respect employees for joining or leaving the Company. For employees voluntarily terminates their labour contracts with the Company due to personal reasons, they shall submit their resignation application to their department heads in advance. Upon approval, the human resources department will conduct an exit interview to understand the reasons for their resignation, and assist them in completing the handover and all other resignation procedures.

The Company firmly opposes child labour and forced labour in any form. To ensure no child labour or forced labour are employed, we conduct background checks on employees upon enrolment, including inspection of identification documents and academic certificates. In the event that a suspected case is discovered, it would be reported to senior management immediately for appropriate actions. During the Reporting Period, no child labour or forced labour were discovered.

Working hours and rest periods

The Company encourages employees to schedule work reasonably to ensure enough rest periods. An overtime working system by employment category is in place and adjustments can be made according to employees' job nature and position. Knowledge staff shall apply to their supervisors for work overtime on weekends and national holiday and take compensation leave. Operational staff in the production department shall be compensated with allowances for working overtime.

We protect our employees' right to take leave. In addition to the national statutory holidays, employees are entitled to annual leave, sick leave, personal leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, funeral leave and compensation leave to achieve work-life balance.



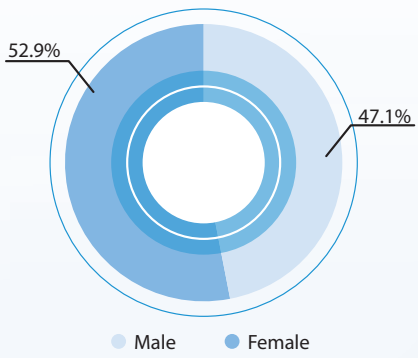
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational equality, diversity and anti-discrimination

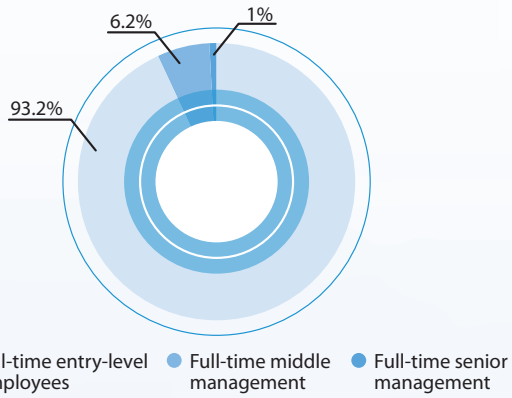
The Company provides good, harmonious and simple interpersonal working environment, and promotes open communication, cooperation and mutual respect between individuals and the Company. The Company fully respects all employees and job applicants for their legitimate rights and cultural differences. Any discriminatory comments, behaviour or jokes are prohibited against any employee on the basis of gender, age, nationality, marital status or physical disability.

As of December 31, 2023, the Company had a total of 308[1] employees, all of whom were full-time employees. Set out below is the detailed employee structure.

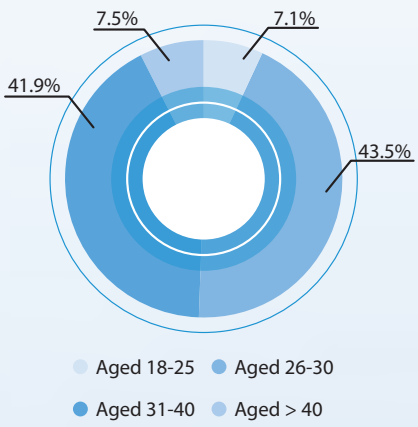
Number of employees by gender (No.)



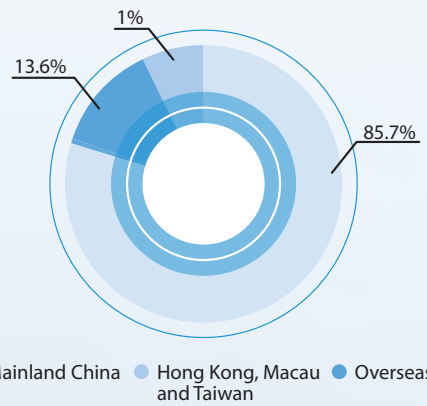
Number of employees by employee type



Number of employees by age group

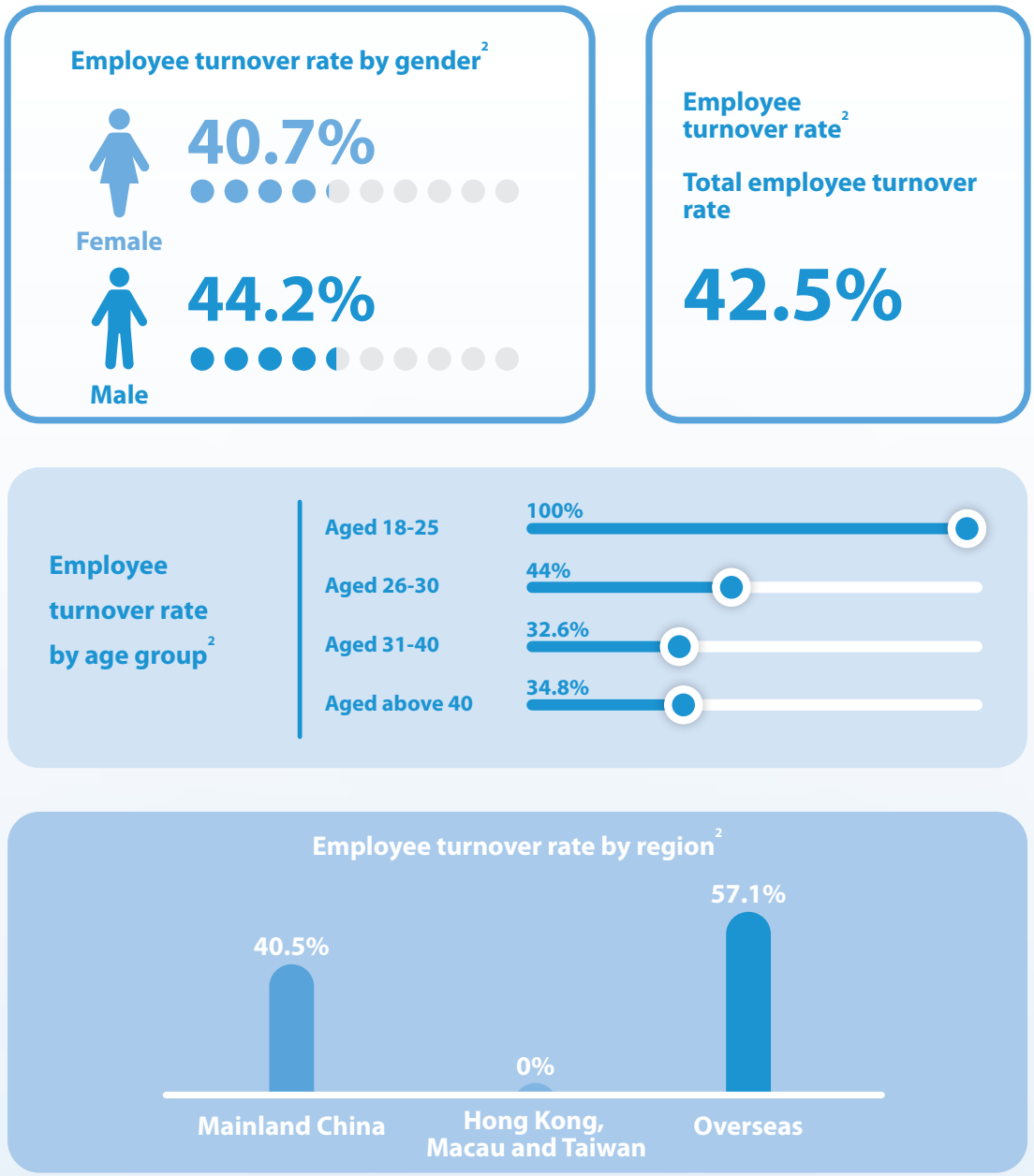


Number of employees by region



1 Number of employees includes employees at the Company's China and U.S. operations

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



2 Calculation method of employee turnover rate: turnover rate of each category = number of dismissal of the category/total number of employees in the category×100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.2 Employee Health and Safety

The Company strictly abides by the laws and regulations related to occupational health and safety, including but not limited to the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. We are committed to provide employees a safe and comfortable working environment. We have established the "Safety, Health and Environmental System Procedures" and the "Safety Specification" to clarify the issues related to safety and occupational health in the production process and to ensure safety of employees in workplace.

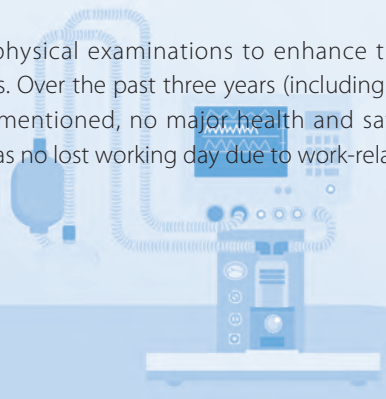
For production safety, we have established corresponding control procedures by category to ensure the safety of production employees.

Daily safety inspections	The Company has established the Safety (SHE) Inspection Procedures to conduct regular inspections at least once every quarter and special inspections for specific areas or project sites on a regular basis.
Occupational safety standards	The Company has established the Safety Specification, which clarifies the code of conduct in the office and production areas, as well as the requirements for the use and arrangement of items to prevent any injury.
Use of protective equipment	The Company has formulated the Procedures for Personal Protective Equipment (PPE) to ensure that employees and related parties are protected through proper use of PPE during production activities with high risk level.
Hazardous chemicals management	The Company has established the Hazardous Goods Handling Procedures, in which provisions on procurement, storage, use and emission treatment of hazardous goods are introduced to mitigate the risks of spilling, leaking, dumping and diffusion of flammable goods, oxidants, toxic and corrosive substances, and to avoid adverse effects of hazardous goods on human, environment and community.

The Company has also formulated the "Emergency Response Procedures", "Emergency Evacuation Procedures" and "Corrective and Preventive Actions" to ensure proper response to accidents when dealing with emergencies and potential emergencies, so as to minimize the possible negative impact, reduce financial risks and avoid the occurrence of personal injuries.

During the Year, we conducted work safety training for employees to raise their awareness of occupational health and safety and to enhance their capability to deal with emergencies.

During the Year, we provided employees with free annual physical examinations to enhance their awareness and understanding of their personal health conditions. Over the past three years (including the Year), there were no potential occupational disease risks as mentioned, no major health and safety accidents, and no work-related fatalities. During the Year, there was no lost working day due to work-related injuries.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.3 Employee Training and Development

When conducting performance appraisal, the principles of "consistency, objectivity, fairness, openness and confidentiality" and key performance indicator (KPI) method are adopted as the basis for employee appraisal and salary adjustment. KPIs are set mainly based on the required capabilities and performance goals, job responsibilities and current tasks for the position, and are agreed between employee and his or her direct supervisor. We also have a long-term incentive plan, while each project company will set up an option incentive plan according to the project progress. The core personnel of the project company would be granted options of the project company based on their duties and contributions.

The Company pays attention to employee development and talent training, and supports employees to further study to make more contributions to the Company. We provide targeted training programmes for employees of different positions and ranks to facilitate their career development. During the Year, we provided four major training programmes, including external training, offline training for new employees, online "Knowledge bank" and online sales training. During the Reporting Period, 37.34%[3] of employees attended related trainings, with an average training hour of 2.21 hours[4]. Set out below is the training percentage and average training hours by gender and by job grade:

FY2023 employee training data

	Trainee percentage (%)[5]	Average training hours of employees (hour)[6]
By gender		
Male	52.2	2.5
Female	47.8	2.5
By job grade		
Senior management	0.9	2.0
Middle management	8.7	2.0
Entry-level employees	90.4	2.5

3 Trainee percentage = number of trainees/total number of employees×100%
4 Average training hours for each trainee = total training hours/total number of employees
5 Trainee percentage of a category = number of trainees of the category/total number of trainees×100%
6 Average training hours for trainees of a category = total training hours for trainees of the category/number of employees of the category

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.4 Care for Employee Benefits

Remuneration and benefits

We provide employees with competitive remuneration and benefits. Employee remuneration is agreed upon enrolment, and mainly includes basic salary, post salary and performance salary. The contents of remuneration structure are varied with different posts, and different bonuses are set for different posts, including performance bonus, sales bonus, patent bonus and project bonus.

The Company also provides social insurance for employees as required by the relevant PRC laws, including basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund schemes. In addition, we maintain general accidental injury insurance, traffic accident insurance and supplementary medical insurance for each employee. The Company also cares about the employees' lives after work. The Company prepares exquisite gifts for employees on birthdays, the Dragon Boat Festival and the Mid-Autumn Festival, and red packets for Chinese New Year. We organize team building activities every quarter to give our employees a chance to get to know each other and relax from their busy work schedules.

Lantern Festival Activity 2023

Team building in summer 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee communication

The Company has established channels for smooth communication. Direct supervisors and the human resources department will provide assistance to employees in improving job satisfaction, labour security, occupational psychological counselling and complaint handling. Employees are encouraged to communicate with their direct supervisors or the human resources department for any problems and challenges they encounter in their work and lives. Employees can exchange information through the Company's internal website, and bring up suggestions and complaints through employee suggestion box. Employee communication conferences are held from time to time to enable employees to have a more comprehensive understanding of the Company's development.

In order to enrich the spare time of employees and enhance the cohesion of the Company, the Company has established various staff clubs to encourage employees to participate in the club activities. Employees are encouraged to participate in the planning and management as well as member enrolment of the staff clubs, and are provided with funding for club activities on a case by case basis.

Online communication between general managers and employees

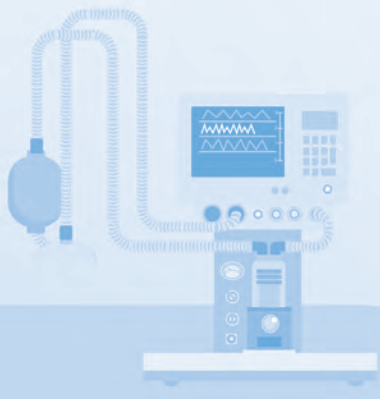
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. SUSTAINABLE SUPPLY CHAIN

A sound and orderly supply chain is the cornerstone of the Company's sustainable business development. We actively seek cooperation with suppliers who actively assume environmental and social responsibilities, and provide clients with sustainable and high-quality products. We have formulated the Bidding Management Policy, the Procurement Management Policy, the Procurement Control Policy and other policies to regulate the Company's bidding and procurement activities, strengthen procurement management, prevent procurement risks, rationalize fund allocation, and achieve cost and supply chain optimization. Our procurement management is classified according to the procurement objects, such as R&D and production, general goods and services, and procurement of goods by related parties, which clearly stipulates the responsibilities of major positions in the procurement process, and refines various procurement procedures to facilitate management and constraints. The Company will sign the Purchase Contract and the Supply Quality Agreement with the suppliers before the commencement of cooperation to stipulate the responsibilities of both parties.

We have established an Approved Supplier List (ASL) to record suppliers who are qualified to provide products or services. When selecting a supplier to be included in the ASL, we will consider the supplier's ability to meet the requirements, the supplier's performance, the impact of the purchased product or service on the quality of the device, the proportion related to product risks, the impact on the Company's financial situation when the supplier is unqualified, the strategic importance of the supplier to the Company, and the internal quality control workload required for its products or services (e.g. whether full inspection is required). We classify suppliers into A, B and C according to the importance of their products, and set different evaluation and monitoring standards. Suppliers rated A and B are required to sign the "No-Change in Quality Agreement" to ensure the stability of product quality that is closely related to key businesses. The Company conducts annual performance evaluation of suppliers this year, and conducts comprehensive evaluation in terms of quality, delivery, service and price. Suppliers who do not make any responses to meet rectification requirements or fail to offer any acceptable rectification measures may be disqualified.

We also actively communicate our requirements and expectations regarding environmental protection and social responsibility with suppliers and other partners to jointly build a responsible supply chain for sustainable development. We give priority to and cooperate with suppliers valuing environmental protection and promoting energy efficiency. Original equipment manufacturers with processes causing pollution are required to obtain qualifications issued by the environmental protection authorities, such as the certification of China Environmental Labelling Programme, the certification of China Energy Conservation Programme and ISO quality system identification, to ensure that they are capable to perform relevant work. Our Supplier Audit and Inspection Checklist sets out the criteria for assessing suppliers' environment. We will conduct regular audits and assessments on our suppliers to ensure that they meet our environmental standards and requirements.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2023 Production Plants Adopting Environmental Protection and Energy Conservation Product Certification

During the Reporting Period, the Company conducted access assessments for 15 new suppliers and did not have any instances of suppliers being removed due to product quality and safety issues. As of December 31, 2023, the Company had a total of 138 suppliers for its operations in China, of which 116 were certified with ISO13485 or ISO9001. All suppliers have signed our Integrity Commitment and implemented all the supplier-related practices.

Number of suppliers by geographical region	Unit	FY2023
China	No.	133
Other countries	No.	5

8. COMMUNITY RESPONSIBILITY

The Group attaches great importance to corporate social responsibility and leverage on its own industry advantages to participate in various charitable projects and public welfare activities, and is committed to making contributions to the society. Employees are encouraged to actively participate in volunteer activities and make charitable donations. We firmly believe that such participation can comprehensively enhance employees' sense of social responsibility and make greater contributions to social welfare.

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Case: Patient Health Education Activity of "New Hopes and Farewell to Life with COPD"

In 2023, Broncus carried out patient health education activities called "New Hopes and Farewell to Life with COPD" in many provinces and cities across the country, aiming to deliver comprehensive knowledge and provide relevant presentations to patients with COPD. In order to make the activities more interesting and vivid, we also invited a number of "Angels of Love" who discussed the topic with patients by sharing their experience and tips in coping with COPD. By focusing on COPD-specific topics in a livelier way, we hoped to facilitate the dialogue between doctors and patients and help answer patients' questions. Medical staff provided in-depth professional knowledge to explain the conditions, causes, treatment methods and management skills. Meanwhile, the "Angels of Love" shared their experience and experience in coping with COPD, providing patients with practical advice and methods.

Broncus will continue to focus on patient education and provide support and assistance to patient groups suffering from various diseases through similar health education activities. Through these activities, we hope to bring positive impacts to patients and their families, urge more people to pay attention to their own health, and provide them with support and guidance.

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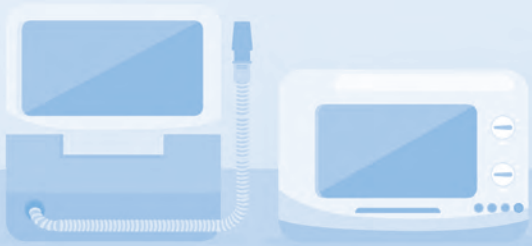
Case: LungPro Navigation System benefitted patients from various countries via international industry exchanges

On March 14, 2023, in order to promote the clinical application of LungPro Navigation System in the field of respiratory intervention and benefit more patients with respiratory diseases, the chief of the respiratory department of Khonkaen Hospital in Thailand and his team visited Affiliated Beijing Chaoyang Hospital of Capital Medical University and China-Japan Friendship Hospital for surgical observation and academic exchanges.

The academic exchanges aimed to promote this emerging surgical technology of respiratory intervention and improve the diagnosis and treatment level of respiratory diseases worldwide. The team of respiratory specialists from Khonkaen Hospital in Thailand had a preliminary understanding of the clinical application direction of Broncus Navigation and learned the standard surgical operation procedure of BTPNA.

By practising corporate social responsibility, we strive to become a trustworthy enterprise in the society and make positive contributions to sustainable development. We will make continuous efforts to actively participate in social welfare activities, charitable donations and volunteer services, give back to the society and pay attention to the needs of disadvantaged groups, so as to build a better society.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECT

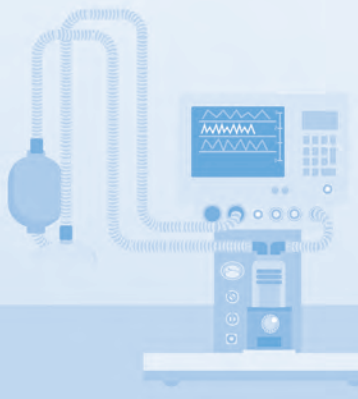
9. ENVIRONMENTAL RESPONSIBILITY

Broncus is committed to reducing the impact of its business operations on the environment and cherishing resources to practise green and sustainable operations. While achieving the common development of economy, environment and society, we strive to continuously improve the awareness of environmental protection and resource conservation in our daily operations. The Company strictly complies with laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the *Energy Conservation Law of the People's Republic of China*. During the Reporting Period, there was no significant violation of China's laws and regulations regarding environmental protection. As the Company is still in the continuous development stage of its business, the environmental data at this stage does not fully reflect the full operating conditions of the Group. Our target setting is consistent with the business situation and drives our business towards sustainable development.

9.1 Emissions and Waste Management

In order to reduce emissions and waste, the Company has established the Waste Management Procedures to regulate the treatment process of various domestic wastes, industrial waste, and wastewater and domestic sewage discharged from production. We make sure that all wastes are treated in compliance with the requirements of relevant laws and regulations, and we take corresponding treatment measures for different types of waste. Domestic waste is sorted and recycled to minimize the consumption of natural resources. Industrial waste and wastewater undergo strict treatment procedures to ensure compliance with emission standards and environmental protection requirements. For non-recyclable or dangerous waste, we cooperate with institutions with professional treatment capabilities and experience to ensure safe and environmentally-friendly treatment procedures. Meanwhile, we actively strive to reduce the amount of waste generated during production and operation in order to minimize the impact of waste on the environment.

For domestic waste generated in the office, we cooperate with the park and take appropriate treatment measures to ensure proper waste disposal and recycling. We encourage waste sorting and recycling, use waste sorting bins or other applicable devices to recycle waste paper, metal and plastic, and reduce the use of disposable and non-recyclable products to reduce the negative impact on the environment. The Company generates a small amount of domestic sewage in its daily operations, which is all remitted to the sewage treatment station in the park for unified treatment and discharge. In the course of our daily operations, we conduct regular maintenance on faucets, water pipes and other devices for immediate repair of any damage or leakage.



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During the Reporting Period, a small amount of volatile organic compounds (VOCs) are generated in the screen printing process at the Company's production base, which are discharged through exhaust pipes of specified heights after collection and treatment to meet the emission standards. In the future, we will take emission and waste management measures in a strict and constant manner, and actively explore applicable emission reduction measures.

Emissions[7]	Unit	FY2023
VOCs	m^3	100.00
Domestic waste[8]	tonne	2.00
Domestic waste intensity	tonne per capita	0.069

9.2 Use of Resources

The Company deeply understands that energy conservation can improve the efficiency of energy use and optimize the use of resources, and we strive to achieve energy conservation and consumption reduction. Therefore, we have formulated the Energy and Resource Conservation Management Procedures to improve the awareness and efforts in environmental protection and resource utilization.

The Company's greenhouse gas emissions mainly come from the use of electricity in production base and operating offices. We focus on the management of the use of electricity in production base and offices. Our operating offices are divided into several different lighting areas with independently controllable lighting switches. Lighting devices and lights are kept clean to maximize their energy efficiency and lights are turned off when not in use.

Greenhouse gas emissions	Unit	FY2023
Total greenhouse gas emissions	tCO_2e	443.39
Greenhouse gas emissions (Scope 1)	tCO_2e	27.65
Greenhouse gas emissions (Scope 2)	tCO_2e	415.75
Greenhouse gas emissions intensity	tCO_2e per capita	1.47

For the air conditioning system, the filters are cleaned regularly to ensure that the air conditioning is always working efficiently. We conduct regular inspections and replacement of pressure gauges, pressure hoses and air compressor connectors to minimize refrigerant leakage.

7 In 2023, the hazardous waste generated by the Company only involved a small amount of empty reagent bottles, which had been recycled by qualified professional agencies and had little impact on the environment. Therefore, KPI A1.3 (total amount and intensity of hazardous waste produced) is not disclosed in the ESG Report for the current year.

8 In 2023, the Company's non-hazardous wastes were mainly domestic waste generated from the operation of production base in Hangzhou.

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Regarding paper use, employees are encouraged to minimize the use of paper through the use of electronic communication technology, reuse paper or print on both sides when printing is necessary. Notices are posted next to photocopiers/printers to remind employees to use double-sided photocopying or reused paper. Paper consumption statistics are conducted on a regular basis to monitor paper consumption and to take appropriate improvement measures. Meanwhile, recycling stations are set up to collect paper documents, including waste paper, posters, letters, envelopes and other paper consumables.

During the Reporting Period, there was no issue in sourcing water for its operations as its business operation regions have no water-stress issue.

Types of resources	Unit	FY2023
Total energy consumption	MWh	824.43
Vehicle fuel consumption	MWh	95.44
Purchased electricity consumption	MWh	728.99
Total energy consumption intensity	MWh per capita	2.68
Total water consumption	tonne	1,716.00
Water consumption intensity	tonne per capita	5.57
Paper packaging material used[9]	kg	1.73

9.3 Climate Change

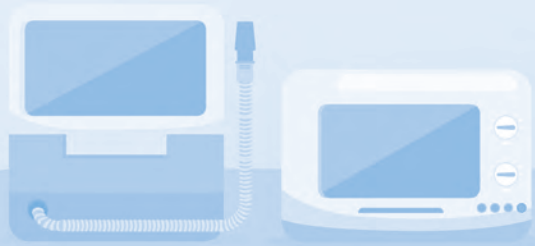
Climate change has a far-reaching impact on various industries and businesses, and has added different risks to them. In order to actively respond to climate change, the Company adheres to the concept of sustainable low-carbon and green development, and actively implements the national goals of carbon peaking by 2030 and carbon neutrality by 2060, so as to reduce carbon emissions and strive to respond to the challenges of climate change. We take the initiative to identify risks and opportunities that climate change poses to the Company, including physical risks and transition risks, and formulate corresponding measures to address these risks, so as to improve the Company's ability to adapt to the impact of climate change.

During the Reporting Period, according to the classification of climate change risks in the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, we identify potential risks that climate change may have on medical business operations by considering thoroughly the policy, reputation, market and other risks in transition risks and acute and chronic risks in physical risks.

9 As we have a wide variety of products and it is difficult to measure the weight of products, the percentage of packaging materials per production unit is not disclosed for the time being during the Reporting Period and will be disclosed in due course in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification of Climate change risks		Potential impact	Countermeasures
Physical risks	Acute	Extreme weather events such as rainstorms and typhoons pose the risk of inconvenient commuting for employees, affecting normal water and electricity supply and undermining the continuity of supply chain.	We will track climate change-related issues and issue notices immediately before typhoons and other extreme weather events to ensure the safety of employees. We have formulated the Emergency Response Procedures and Emergency Evacuation Procedures to improve the ability to respond to various disasters.
	Chronic	Increased air-conditioning frequency and electricity consumption or potential safety hazards due to extreme high-temperature weather, increasing the burden of operating costs; Climate change may lead to an increase in the incidence of infectious and non-infectious diseases. Extreme high temperature exposes people to heart diseases, respiratory diseases and heat stroke, which will bring huge pressure to the medical industry.	In the event of extreme high temperature in summer, we will strengthen the inspection of electrical equipment to eliminate potential safety hazards in a timely manner. The Company will strengthen its research on the impact of climate change on human diseases and transmission to provide scientific evidence and guidance. We will actively carry out science popularization and training activities on the impact of climate change on human health to improve employees' awareness and understanding of climate change. We will gain insight into the specific mechanisms by which climate change affects human health and contribute to the improvements in the prevention, diagnosis and treatment of related diseases.
Transition risk	Policy risk	China has introduced its national carbon peaking and carbon neutrality policy 2060 and there are increasing climate-related policies introduced in the world; Enterprises are required to be more transparent in disclosing their greenhouse gas emissions, while supervision on the impact of the Company's operation to the environment will be tightened.	We will pay close attention to the latest development and trends of relevant policies, including policy changes at the international, domestic and local levels, and take countermeasures in advance.



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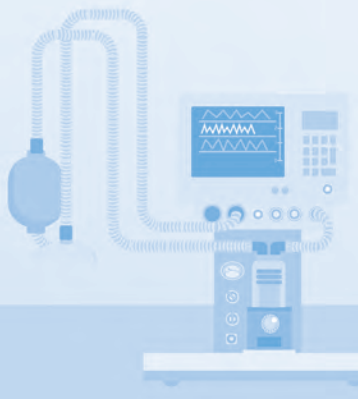
Identification of Climate change risks	Potential impact	Countermeasures
Reputation risk	Stakeholders' expectations and demands for proactive management actions by the Group in response to climate actions have been increasing; Failure to adapt to the stricter emission disclosure requirements in a timely manner may lead to investors' concerns about its environmental and sustainability performance, which may affect its image and reputation in the capital market.	We will keep abreast of the latest laws, regulations and standards of the regions where we operate, and continuously improve the Company's environmental management mechanism and system; We will increase the proportion of renewable energy used by the Company, such as purchasing green electricity; We will explore suppliers' potential in green operation to help them improve their awareness and capacity to carry out green production; We will promote refined management on energy use, and monitor and optimize energy consumption.
Market risk	Many clients are increasingly concerned about carbon footprint of products made by enterprises. Failure to meet clients' demand for reduction in carbon footprint may lead to a loss of clients and a reduction in revenue.	In order to meet client needs for environmental protection, we will pay close attention to the latest development in the environmental field and continue to research and explore new environmental-friendly materials and technologies to explore more sustainable and low-carbon solutions. By using environmental-friendly materials and technologies, we will reduce the negative impact of our products on the environment and provide products that better meet client needs.

In the future, to align with the national "30•60" carbon peaking and carbon neutrality goals, we will identify the major sources of greenhouse gas emissions generated in our daily operations and manage the climate change risks and the opportunities arising from business operations. We will gradually incorporate climate change into our risk management system and establish a climate change risk management process. At the company level, we will continue to actively identify, assess and manage physical risks, transition risks and opportunities related to climate change to understand their impact on our operations and business. We will assess the potential impact of the identified major climate-related risks and opportunities and formulate corresponding risk management strategies to actively respond to the challenges of climate change.



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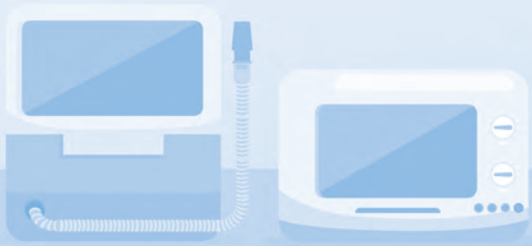
10. APPENDIX I: SUSTAINABILITY DATA STATEMENTS

The following is the sustainability data statements on environmental aspects for the Year:

Environmental Aspects	Unit	FY2023
Air emissions		
Volatile organic compounds (VOCs)	m^3	100.00
Nitrogen oxides (NO_x)	kg	98.26
Sulfur oxides (SO_x)	kg	0.15
Particulate matter (PM)	kg	9.42
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO_2e	27.65
Indirect greenhouse gas emissions (Scope 2)	tCO_2e	415.74
Total greenhouse gas emissions (Scope 1 and 2)	tCO_2e	443.39
Greenhouse gas emissions per capita (Scope 1 and 2)	tCO_2e/person	1.47
Waste generation		
Non-hazardous waste generation		
Total domestic waste generated	tonne	2.00
Total domestic waste generated per capita	tonne/person	0.069
Paper consumption		
Paper Consumption	kg	1,441.88
Paper consumption per capita	kg/person	4.68
Energy consumption		
Total energy consumption	MWh	824.43
Vehicle fuel consumption	MWh	95.44
Purchased electricity consumption	MWh	728.99
Total energy consumption intensity	MWh/person	2.68
Water consumption		
Total water consumption	m^3	1,716.00
Water consumption intensity per capita	m^3/person	5.57



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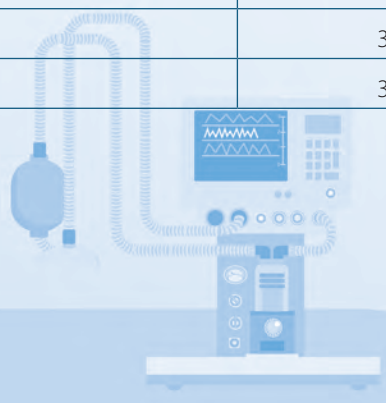
The following is the Group's sustainability data statements on social aspects for the Year:

Social Aspects	Unit	FY2023
Number of employees		
Total number of employees	No.	308
Number of employees by gender		
Female	No.	145
Male	No.	163
Number of employees by employee type		
Full-time entry-level employees	No.	287
Full-time middle management	No.	19
Full-time senior management	No.	2
Number of employees by age group		
18-25	No.	22
26-30	No.	134
31-40	No.	129
Above 40	No.	23
Number of employees by region		
Mainland China	No.	264
Hong Kong, Macau and Taiwan	No.	2
Overseas	No.	42
Employee turnover rate[2]		
Total employee turnover rate	%	42.5
Employee turnover rate by gender[2]		
Female	%	40.7
Male	%	44.2
Employee turnover rate by age group[2]		
18-25	%	100.0
26-30	%	44.0
31-40	%	32.6
Above 40	%	34.8



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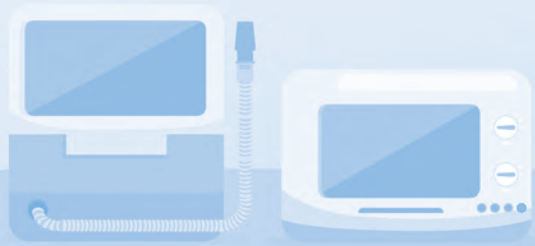
Social Aspects	Unit	FY2023
Employee turnover rate by region[2]		
Mainland China	%	40.5
Hong Kong, Macau and Taiwan	%	0.0
Overseas	%	57.1
Occupational Health and Safety		
Number of work-related fatalities (for years 2021, 2022 and 2023)	No.	0
Rate of work-related fatalities (for years 2021, 2022 and 2023)	%	0
Lost days due to work injury	Day	0
Development and Training		
Percentage of employees trained by gender[5]		
Female	%	47.8
Male	%	52.2
Percentage of employees trained by employee type[5]		
Entry-level employees	%	90.4
Middle management	%	8.7
Senior management	%	0.9
Average training hours of employees trained by gender[6]		
Male	Hour	2.5
Female	Hour	2.5
Average training hours of employees trained by employment type[6]		
Average training hours per entry-level employee	Hour	2.5
Average training hours per middle Management	Hour	2.0
Average training hours per senior Management	Hour	2.0



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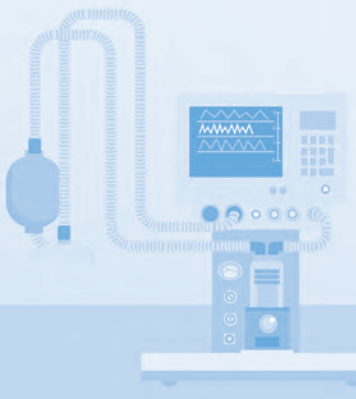
11. APPENDIX II: INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

Indicator Content			Relevant sections
A. Environmental Aspects			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	9. Environmental Responsibility
	A1.1	The types of emissions and respective emissions data.	9.1 Emissions and Waste Management Appendix I: Sustainability Data Statements
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9.2 Use of Resources Appendix I: Sustainability Data Statements
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9.1 Emissions and Waste Management Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9.1 Emissions and Waste Management Appendix I: Sustainability Data Statements
	A1.5	Description of emission target(s) set and steps taken to achieve them.	9. Environmental Responsibility
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	9.1 Emissions and Waste Management



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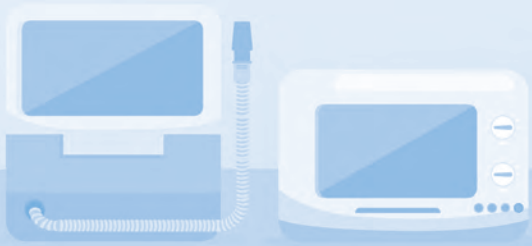
Indicator Content			Relevant sections
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	9.2 Use of Resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	9.2 Use of Resources Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9.2 Use of Resources Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	9.2 Use of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	9.2 Use of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	9.2 Use of Resources
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	9.2 Use of Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	9.2 Use of Resources
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	9.3 Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	9.3 Climate Change



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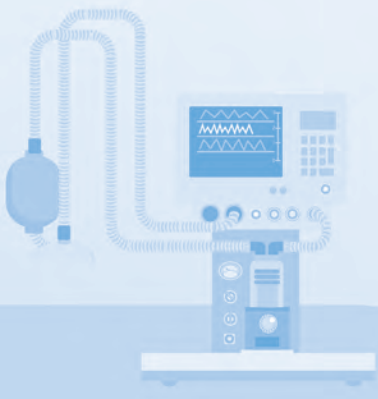
Indicator Content			Relevant sections
B. Social Aspects			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. Employee Responsibility
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	6.1 Employment and Labour Practices Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Employee Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.2 Employee Health and Safety Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	6.2 Employee Health and Safety Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2 Employee Health and Safety



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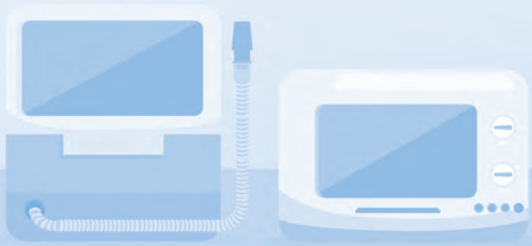
Indicator Content			Relevant sections
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Employee Training and Development Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	6.3 Employee Training and Development Appendix I: Sustainability Data Statements
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Employment and Labour Practices
	B4.1	Description of measures to review employment practises to avoid child and forced labour.	6.1 Employment and Labour Practices
	B4.2	Description of steps taken to eliminate such practises when discovered.	6.1 Employment and Labour Practices
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	7. Sustainable Supply Chain
	B5.1	Number of suppliers by geographical region.	7. Sustainable Supply Chain
	B5.2	Description of practises relating to engaging suppliers, number of suppliers where the practises are being implemented, how they are implemented and monitored.	7. Sustainable Supply Chain
	B5.3	Description of practises used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7. Sustainable Supply Chain
	B5.4	Description of practises used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7. Sustainable Supply Chain



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator Content			Relevant sections
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's business does not involve product delivery
	B6.2	Number of products and service related complaints received and how they are dealt with.	5.4 Complaint and Recall
	B6.3	Description of practises relating to observing and protecting intellectual property rights.	5.5 Intellectual Property Management
	B6.4	Description of quality assurance process and recall procedures.	5.3 Comprehensive Quality Management
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.7 Privacy and Data Protection
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4. Operating with Integrity
	B7.1	Number of concluded legal cases regarding corrupt practises brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4. Operating with Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4. Operating with Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	4. Operating with Integrity
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Community Responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Community Responsibility
	B8.2	Resources contributed to the focus area.	8. Community Responsibility

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Quarry Bay, Hong Kong

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Independent auditor's report
To the shareholders of Broncus Holding Corporation
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Broncus Holding Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 123 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

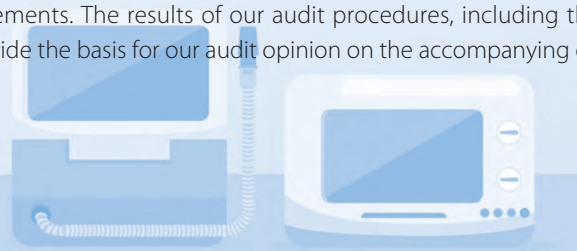
BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of purchased intellectual properties and intangible asset not ready for use

The Group had intellectual properties of USD4,472,000 and intangible asset not ready for use ("IPR&D") of USD4,288,000, as disclosed in note 15 to the consolidated financial statements as at 31 December 2023.

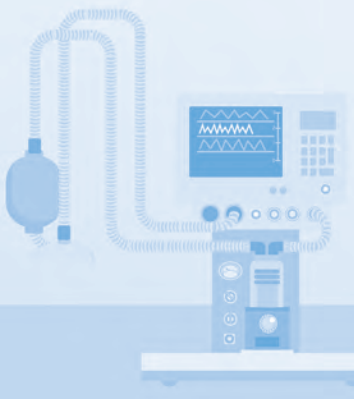
The Group is required to perform impairment assessment of the intellectual properties whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. IPR&D are subject to impairment assessment annually, or when there are indicators that it might be impaired. The recoverable amount of the underlying cash generating units (the "CGUs") to which the intellectual properties and IPR&D belong are supported by value-in-use calculation which is based on future discounted cash flows. Management performed impairment assessment and concluded that the intellectual properties and IPR&D were not impaired as at 31 December 2023.

The impairment assessment made by management involved significant estimates and judgements, including sales growth rates, gross profit margin, net profit margin and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs. This impairment assessment was significant to our audit because the process was complex and involved significant judgements and estimates.

The Group's disclosure about the impairment assessment of intellectual properties and IPR&D are included in notes 2.4, 3 and 15 to the consolidated financial statements.

We evaluated management's assessment of impairment indications and management's determination of the CGUs to which the intellectual properties and IPR&D belong. We obtained management's forecasted cash flows and tested the mathematical accuracy of the underlying value-in-use calculations. We also compared historical actual results to those historical cash flow forecasts to assess the quality of management's forecasts.

We assessed the reasonableness of key assumptions used in the value-in-use calculations, comprising sales growth rates, gross profit margin, net profit margin, terminal growth rate and discount rates. When assessing these key assumptions, we discussed with management to understand and evaluate management's basis for determining the assumptions and compared them to the Group's development plans and market data of similar products commercialised in the market. We also involved our valuation specialist to assist us in evaluating the reasonableness of the valuation model and the discount rate applied by management by comparing the discount rates used to entities with similar risk profiles and market information.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of the Directors and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Report of the Directors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

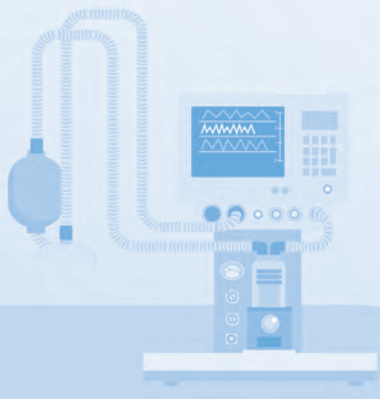
The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

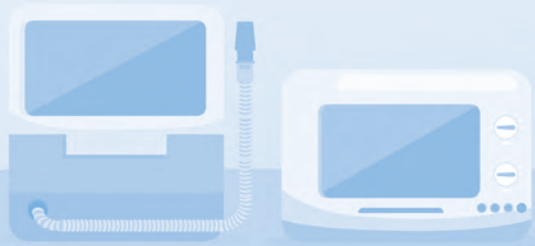
	Notes	2023 USD'000	2022 USD'000
REVENUE	5	**10,255**	9,413
Cost of sales		**(3,028)**	(2,098)
Gross profit		**7,227**	7,315
Other income and gains	5	**6,019**	4,785
Selling and distribution expenses		**(11,486)**	(11,189)
Administrative expenses		**(8,929)**	(9,229)
Impairment losses on financial assets, net		**121**	(438)
Research and development costs		**(20,154)**	(19,167)
Other expenses		**(804)**	(12)
Finance costs	7	**(83)**	(98)
LOSS BEFORE TAX	6	**(28,089)**	(28,033)
Income tax expense	10	**(3)**	(3)
LOSS FOR THE YEAR		**(28,092)**	(28,036)
Attributable to:			
Owners of the parent		**(28,091)**	(28,036)
Non-controlling interests		**(1)**	–
		(28,092)	(28,036)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	12	**(0.06)**	(0.06)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

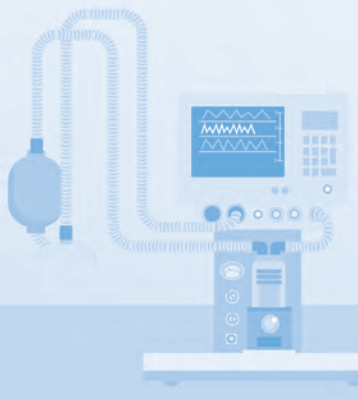
	2023 USD'000	2022 USD'000
LOSS FOR THE YEAR	**(28,092)**	(28,036)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(603)**	(2,160)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(603)**	(2,160)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(28,695)**	(30,196)
Attributable to:		
Owners of the parent	**(28,694)**	(30,196)
Non-controlling interests	**(1)**	–
	(28,695)	(30,196)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 USD'000	2022 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,398**	2,402
Right-of-use assets	14	**2,157**	1,354
Other intangible assets	15	**8,970**	5,910
Financial assets at fair value through profit or loss	19	**8,878**	7,603
Finance lease receivables	21	**42**	67
Trade receivables	17	**–**	1,493
Prepayments, other receivables and other assets	18	**708**	247
Total non-current assets		**23,153**	19,076
CURRENT ASSETS			
Inventories	16	**4,709**	4,298
Finance lease receivables	21	**26**	25
Trade receivables	17	**9,959**	8,598
Prepayments, other receivables and other assets	18	**1,311**	1,510
Pledged deposits	20	**238**	526
Time deposits with original maturity over three months	20	**72,845**	81,153
Cash and cash equivalents	20	**83,564**	106,756
Total current assets		**172,652**	202,866
CURRENT LIABILITIES			
Trade payables	22	**399**	321
Lease liabilities	14	**1,115**	652
Other payables and accruals	23	**6,944**	6,116
Bank overdrafts	24	**16**	29
Contract liabilities	25	**684**	299
Total current liabilities		**9,158**	7,417
NET CURRENT ASSETS		**163,494**	195,449
TOTAL ASSETS LESS CURRENT LIABILITIES		**186,647**	214,525

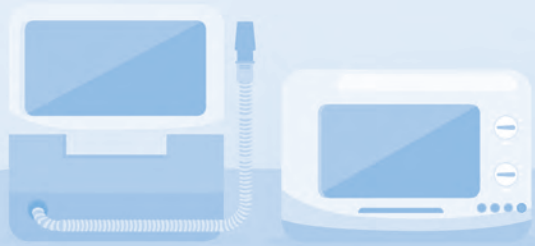


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 USD'000	2022 USD'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**186,647**	214,525
NON-CURRENT LIABILITIES			
Lease liabilities	14	**1,224**	790
Other payables and accruals	23	**–**	175
Contract liabilities	25	**53**	102
Total non-current liabilities		**1,277**	1,067
Net assets		**185,370**	213,458
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**12**	12
Reserves	27	**185,359**	213,446
		185,371	213,458
Non-controlling interests		**(1)**	–
Total equity		**185,370**	213,458

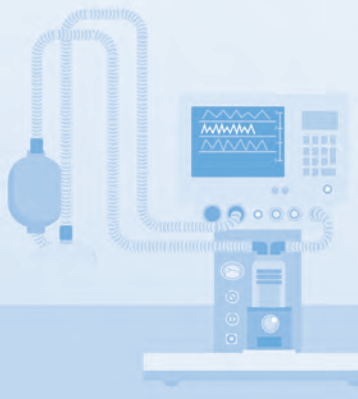
Mr. Hong Xu
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital *USD'000* (note 26)	Share premium* *USD'000* (note 27)	Other reserve* *USD'000* (note 27)	Share option reserve* *USD'000* (note 27)	Exchange fluctuation reserve* *USD'000* (note 27)	Accumulated losses* *USD'000*	Total equity *USD'000*
At 1 January 2022	12	592,019	43,808	15,290	13	(408,724)	242,418
Loss for the year	–	–	–	–	–	(28,036)	(28,036)
Exchange differences on translation of foreign operations	–	–	–	–	(2,160)	–	(2,160)
Total comprehensive income for the year	–	–	–	–	(2,160)	(28,036)	(30,196)
Exercise of restricted share units	–	632	–	(583)	–	–	49
Issue of shares upon the exercise of share award arrangements	–	783	–	(713)	–	–	70
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(1,104)	–	1,104	–
Equity-settled share award arrangements	–	–	–	1,117	–	–	1,117
At 31 December 2022	12	593,434	43,808	14,007	(2,147)	(435,656)	213,458

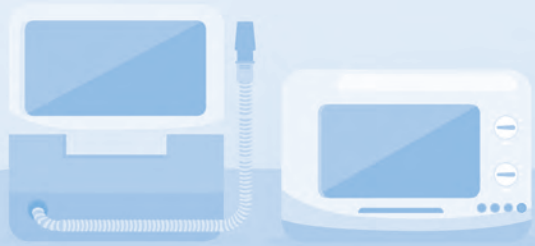


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital *USD'000* (note 26)	Share premium* *USD'000* (note 27)	Other reserve* *USD'000* (note 27)	Share option reserve* *USD'000* (note 27)	Exchange fluctuation reserve* *USD'000* (note 27)	Accumulated losses* *USD'000*	Total *USD'000*	Non-controlling interests *USD'000*	Total equity *USD'000*
At 1 January 2023	12	593,434	43,808	14,007	(2,147)	(435,656)	213,458	–	213,458
Loss for the year	–	–	–	–	–	(28,091)	(28,091)	(1)	(28,092)
Exchange differences on translation of foreign operations	–	–	–	–	(603)	–	(603)	–	(603)
Total comprehensive income for the year	–	–	–	–	(603)	(28,091)	(28,694)	(1)	(28,695)
Issue of shares upon the exercise of share award arrangements	–	140	–	(85)	–	–	55	–	55
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(1,849)	–	1,849	–	–	–
Equity-settled share award arrangements	–	–	–	552	–	–	552	–	552
At 31 December 2023	12	593,574	43,808	12,625	(2,750)	(461,898)	185,371	(1)	185,370

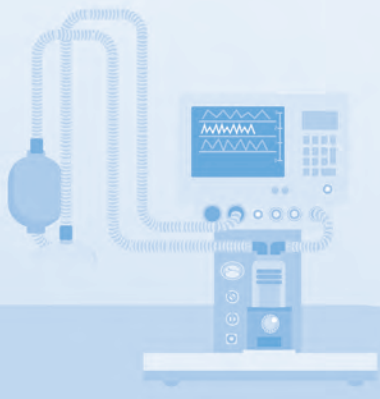
* These reserve accounts comprise the consolidated reserves of USD185,359,000 (2022: USD213,446,000) in the consolidated statement of financial position.



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(28,089)**	(28,033)
Adjustments for:			
Finance costs	7	**83**	98
Bank interest income	5	**(6,041)**	(2,558)
Reversal of/(income on) interest from non-current receivables	5	**80**	(70)
(Gain)/loss on disposal of items of property, plant and equipment	6	**(7)**	5
Fair value gains net:			
Financial assets at fair value through profit or loss	6	**340**	(863)
Depreciation of property, plant and equipment	13	**886**	895
Depreciation of right-of-use assets	14(a)	**716**	697
Amortisation of intangible assets	15	**1,264**	1,256
Gain on termination of leases	14(c)	**(7)**	–
Impairment of trade receivables, net	17	**(121)**	438
Write-down of inventories to net realisable value	6	**81**	–
Equity-settled share award expenses		**556**	1,123
Foreign exchange differences, net	6	**455**	(691)
		(29,804)	(27,703)
Increase in inventories		**(492)**	(106)
Decrease/(increase) in trade receivables		**183**	(3,076)
Decrease in finance lease receivables		**27**	27
Decrease in prepayments, other receivables and other assets		**457**	196
Decrease/(increase) in pledged deposits		**288**	(288)
Increase/(decrease) in trade payables		**63**	(79)
Decrease in other payables and accruals		**(1,349)**	(1,347)
Increase/(decrease) in contract liabilities		**202**	(1)
Cash used in operations		**(30,425)**	(32,377)
Cash used in operations		**(30,425)**	(32,377)
Interest received		**4,296**	1,426
Income tax paid		**(3)**	(3)
Net cash flows used in operating activities		**(26,132)**	(30,954)



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(664)**	(720)
Proceeds from disposal of items of property, plant and equipment		**211**	48
Addition to other intangible assets		**(39)**	(136)
Acquisition of subsidiaries	29	**(2,460)**	–
Decrease/(increase) in time deposits with original maturity over three months		**10,053**	(80,021)
Purchases of financial assets at fair value through profit or loss		**(5,296)**	(6,740)
Proceeds from disposal of financial assets at fair value through profit or loss		**3,681**	–
Net cash flows from/(used in) investing activities		**5,486**	(87,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**246**	253
Repayment of bank and other borrowings		**(966)**	(237)
Principal portion of lease payments		**(711)**	(609)
Issue of shares upon the exercise of share award arrangements		**55**	70
Capital injection from the exercise of restricted stock units		**–**	49
Interest paid		**(83)**	(98)
Net cash flows used in financing activities		**(1,459)**	(572)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,105)**	(119,095)
Cash and cash equivalents at beginning of year		**106,756**	227,207
Effect of foreign exchange rate changes, net		**(1,087)**	(1,356)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**83,564**	106,756
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**60,445**	49,588
Non-pledged time deposits with original maturity of less than three months when acquired		**23,119**	57,168
Cash and cash equivalents as stated in the consolidated statement of financial position	20	**83,564**	106,756
Cash and cash equivalents as stated in the consolidated statement of cash flows		**83,564**	106,756

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP 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 year, the Group was principally engaged in research and development, and the manufacture and commercialisation of medical devices and consumables.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Broncus Medical Inc.	United States of America ("USA") 7 May 2012	United States dollar ("USD") 100,000	100%	–	Research development and commercialisation of medical devices and consumables
Broncus Medical (Australia) Pty Ltd	Australia 15 October 2018	Australian dollar ("AUD") 100	100%	–	Commercialisation of medical devices
Uptake Medical Technology Inc.	USA 19 July 2016	USD100,000	100%	–	Research development and commercialisation of medical devices and consumables
Uptake Medical B.V.	Netherlands 17 August 2017	Euro ("EUR") 10,000	–	100%	Commercialisation of medical devices
Broncus Medical GmbH	Germany 2 January 2021	EUR25,000	–	100%	No principal activity
Broncus China Holding Corporation ("BCH")	Cayman Islands 18 April 2013	USD100,000	100%	–	Commercialisation of medical devices
Broncus Medical (Hong Kong) Co., Limited	Hong Kong 19 June 2013	Hong Kong dollar ("HKD") 10,000	–	100%	Commercialisation of medical devices
Hangzhou Broncus Medical Co., Ltd.* ("Hangzhou Broncus") (i) (iii)	PRC/Chinese Mainland 24 February 2016	Renminbi ("RMB") 1,000,000,000	–	100%	Research development and commercialisation of medical devices and consumables

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Broncus Medical (China) Co., Ltd.* (i)	PRC/ Chinese Mainland 18 December 2012	RMB55,600,000	–	100%	Research development and commercialisation of medical devices and consumables
Hangzhou Kunpeng Medical Co., Ltd.* (i)	PRC/ Chinese Mainland 4 July 2018	RMB1,000,000	–	100%	No principal activity
Fibernova Holding Corporation ("FHC") (iv)	Cayman Islands 2 August 2021	USD50,000	100%	–	No principal activity
Fibernova Ltd ("Fibernova") (iv)	Israel 31 August 2021	New Israel Shekel ("NIS")1000	–	100%	Research development and commercialisation of medical devices and consumables
Fibernova (Hong Kong) Limited (iv)	Hong Kong 8 September 2021	HKD1	–	100%	No principal activity
Hangzhou Dinova Boguang Medical Device Co., Ltd.* (i)	PRC/ Chinese Mainland 29 October 2021	RMB100,000	–	100%	No principal activity
Hangzhou Kunhua Medical Co., Ltd.* (ii)	PRC/ Chinese Mainland 28 February 2023	RMB50,000,000	–	52%	No principal activity
Hangzhou Jingliang Science and Technology Co., Ltd* ("Hangzhou Jingliang") (i) (iv)	PRC/ Chinese Mainland 27 June 2023	RMB20,000,000	–	100%	Research development and commercialisation of medical devices and consumables

Notes:

(i) These entities are wholly-foreign-owned companies established under PRC law.

(ii) This entity is limited liability company established under PRC law.

(iii) During the year, the registered capital of this entity increased from RMB600,000,000 to RMB1,000,000,000.

(iv) In September 2023, the Company acquired 100% of shares of FHC and its subsidiaries. In December 2023, Hangzhou Broncus acquired 100% of shares of Hangzhou Jingliang. The directors of the Company concluded that the acquired set of activities and assets is not a business based on assessment under IFRS 3. Further details are disclosed in note 29 to the consolidated financial statements.

* The English names of these entities registered in Chinese Mainland represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and contingent consideration payable which have been measured at fair value. These consolidated financial statements are presented in USD and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in the consolidated statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's consolidated financial statements.

IFRS 17	*Insurance Contracts*
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*

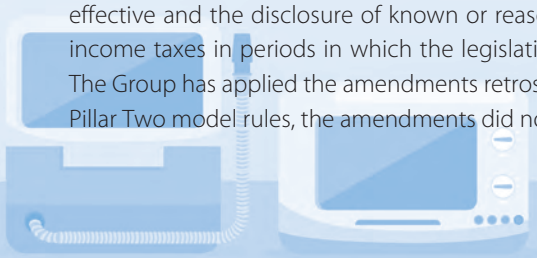
The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's consolidated financial statements.

(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. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(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. 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

The 2020 Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

The intangible assets related to the in-process development of the fiber optic navigation and imaging system and robot control and driving system platform that are not ready for use and the Group is continuing the research and development work, which subject to an annual impairment test based on the recoverable amount of the cash generating unit to which the intangible assets are related to.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

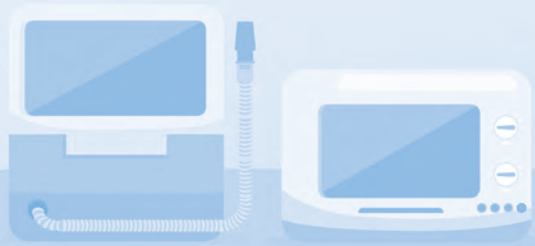
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

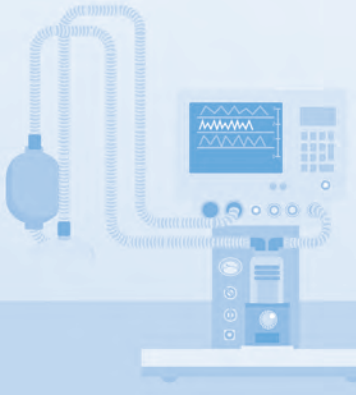
Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Machinery	5 to 10 years
Office equipment	3 to 7 years
Leasehold improvements	3 to 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intellectual properties

Purchased intellectual properties are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 12 to 14 years, which is determined by considering the typical product effective life of the intellectual properties.

IPR&D

The Group obtained IPR&D through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for use.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Research and development costs

All research costs are charged to the consolidated statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Warehouses and office premises	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

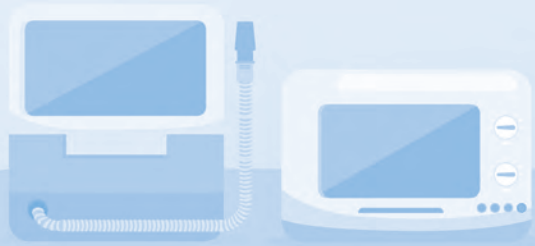
Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the consolidated statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

The subsequent measurement of financial assets depends on their classification as follows: (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

The Group accounts for certain investments with significant influence at fair value under IFRS 9, with changes in fair value recognised in profit or loss in the period of change.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and finance lease receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and finance lease receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, bank overdrafts and contingent consideration payable.

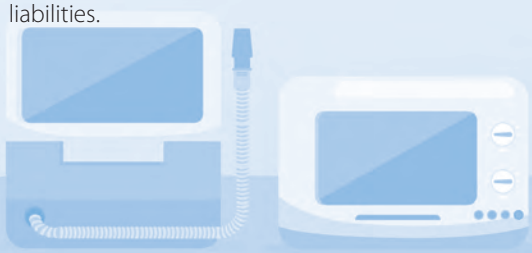
Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

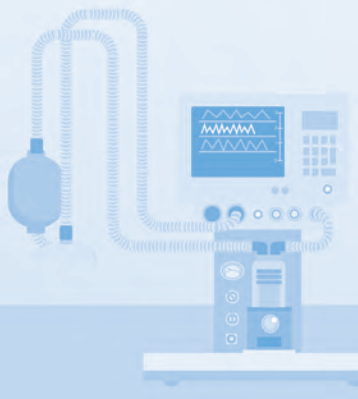
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of medical devices and consumables

Revenue from the sale of medical devices and consumables is recognised at the point in time when control of the asset is transferred to the customer.

(b) Provision of services

Revenue from the product support services is recognised over the service period on a straight-line basis and revenue from research development support services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Licensing of intellectual property rights

Revenue from the licensing of intellectual property rights is recognised at the point in time when the licensee is granted with a right to use the intellectual property rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model and Monto Carlo model further details of which are given in note 28 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland and the United States are required to participate in a central pension scheme operated by the local government. The subsidiaries operating in Chinese Mainland and the United States are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

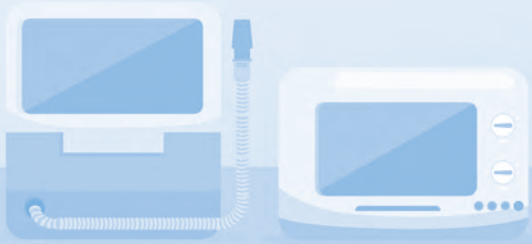
Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These consolidated financial statements are presented in USD, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

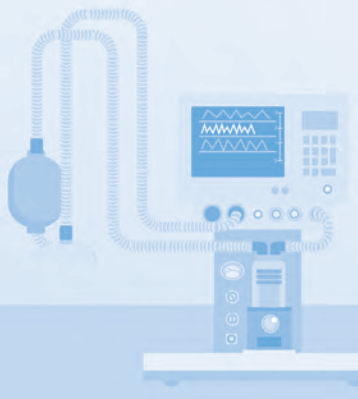
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into USD at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of those subsidiaries are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into USD at the weighted average exchange rates for the year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Research and development costs

Research and development costs are expensed in accordance with the accounting policy for research and development costs in note 2.4 to the consolidated financial statements. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

Estimation uncertainty

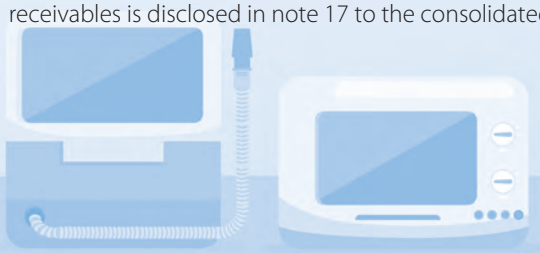
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and finance lease receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and finance lease receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the medical industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives of intangible assets

The Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the patent life. Additional amortisation is recognised if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of the reporting period based on changes in circumstances.

Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained IPR&D through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for use.

An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. The carrying amount of IPR&D and further details about the impairment assessment are included in note 15 to the consolidated financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurement of share-based payments

The Group has set up certain share plan and granted options or restricted stock units to the Company's directors and the Group's employees. The fair value of the options or restricted stock units is determined by binomial model and Monto Carlo model at the grant dates. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options or restricted stock units, are made by the Board of Directors. Further details are included in note 28 to the consolidated financial statements.

Fair value of unlisted equity investments

The unlisted debt investments have been valued based on investment cost method (valued based on a recent transaction valuation) and guideline company method (valued based on comparable companies) as detailed in note 34 to the consolidated financial statements. These valuations require the Group to make estimates and hence, they are subject to uncertainty. The Group classifies the fair value of these investments as Level 2. Further details are included in note 19 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

	2023	2022
	USD'000	*USD'000*
Chinese Mainland	**6,465**	5,813
European Union	**1,848**	2,016
USA	**264**	172
Other countries/regions	**1,678**	1,412
Total Revenue	**10,255**	9,413

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

(b) Non-current assets

	2023	2022
	USD'000	*USD'000*
Chinese Mainland	**6,461**	3,626
USA	**4,620**	6,104
Israel	**2,994**	–
European Union	**16**	27
Other countries/regions	**4**	4
Total non-current assets	**14,095**	9,761

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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:

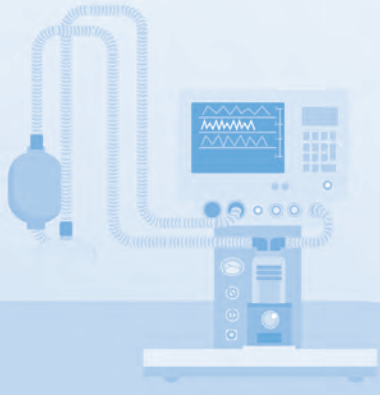
	2023	2022
	USD'000	*USD'000*
Customer A	**6,317**	4,870

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	USD'000	*USD'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	**11,984**	8,929
Licensing of intellectual property rights*	**(2,152)**	–
Provision of services	**423**	436
Revenue from other sources		
Gross rental income	**–**	48
Total	**10,255**	9,413

* In November 2023, the Group terminated the licence agreement with NoahTron Intelligence Medtech (Hangzhou) Co., Ltd. ("NoahTron Intelligence") and a total revenue of USD2,152,000 was reversed in 2023 based on the termination agreement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

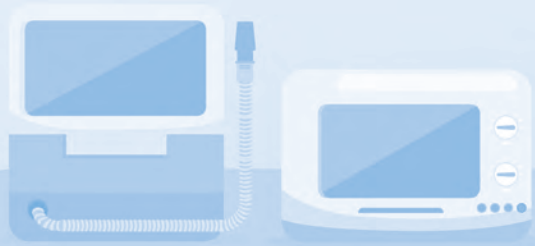
Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	USD'000	*USD'000*
Geographical markets		
Chinese Mainland	**6,465**	5,813
European Union	**1,848**	1,968
USA	**264**	172
Other countries/regions	**1,678**	1,412
	10,255	9,365
Timing of revenue recognition		
Goods transferred at a point in time	**9,832**	8,929
Services transferred over time	**423**	436
	10,255	9,365

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	USD'000	*USD'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of medical devices and consumables	**26**	45
Provision of services	**269**	328
	295	373



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of medical devices and consumables

Revenue from the sale of medical devices and consumables is recognised at the point in time when control of the asset is transferred to the customer.

Provision of services

Revenue from the product support services is recognised over the service period on a straight-line basis and revenue from research development support services is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Licensing of intellectual property rights

Revenue from the licensing of intellectual property rights is recognised at the point in time when the licensee is granted with a right to use the intellectual property rights.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	USD'000	*USD'000*
Amounts expected to be recognised as revenue:		
Within one year	**749**	471
After one year	**53**	102
	802	573

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to provision of services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

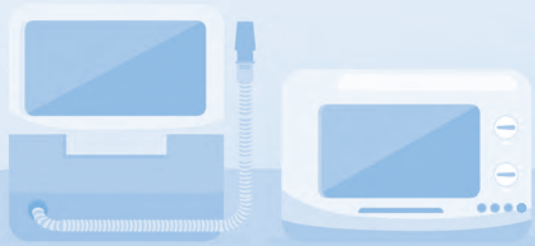
5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	2023	2022
	USD'000	*USD'000*
Other income		
Government grants (note a)	**21**	497
Bank interest income	**6,041**	2,558
(Reversal of)/income on interest from non-current receivables	**(80)**	70
Others	**23**	106
Total other income	**6,005**	3,231
Gains		
Gain on disposal of items of property, plant and equipment	**7**	–
Gain on termination of leases	**7**	–
Foreign exchange gains, net	**–**	691
Fair value gains, net:		
Financial assets at fair value through profit or loss	**–**	863
Total gains	**14**	1,554
Total other income and gains	**6,019**	4,785

Note:

(a) The government grants mainly represent incentives received from the local governments for the purpose of compensation for expenditure arising from research activities and clinical trial activities and awards for new product development and compensation for expenditure incurred on certain projects.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

6. LOSS BEFORE TAX

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

	Notes	2023 USD'000	2022 USD'000
Cost of inventories sold		**3,086**	2,098
Cost of services provided		**111**	–
Cost of licensing of intellectual property rights		**(250)**	–
Research and development costs*		**20,154**	19,167
Depreciation of property, plant and equipment	13	**886**	895
Depreciation of right-of-use assets	14(a)	**716**	697
Amortisation of intangible assets**	15	**1,264**	1,256
Impairment of trade receivables, net	17	**(121)**	438
Write-down of inventories to net realisable value***		**81**	–
Government grants	5	**(21)**	(497)
Reversal of/(income on) interest from non-current receivables	5	**80**	(70)
Bank interest income	5	**(6,041)**	(2,558)
(Gain)/loss on disposal of items of property, plant and equipment		**(7)**	5
Lease payments not included in the measurement of lease liabilities	14(c)	**471**	402
Auditor's remuneration		**320**	362
Fair value loss/(gain) net:			
Financial assets at fair value through profit or loss		**340**	(863)
Foreign exchange differences, net		**455**	(691)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**17,303**	16,913
Pension scheme contributions****		**1,729**	1,521
Staff welfare expenses		**2,987**	3,301
Equity-settled share award expenses		**556**	1,123
		22,575	22,858

* The research and development costs include USD11,169,000 (2022: USD11,305,000) relating to employee benefit expense.

** The amortisation of intangible assets for the year is included in "Research and development costs" in the consolidated statement of profit or loss.

*** The write-down of inventories to net realisable value for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 USD'000	2022 USD'000
Interest on lease liabilities (note 14(b))	**83**	98

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 USD'000	2022 USD'000
Fees	**153**	157
Other emoluments:		
Salaries, allowances and benefits in kind	**415**	544
Pension scheme contributions	**10**	12
Subtotal	**425**	556
Total	**578**	713

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 USD'000	2022 USD'000
Dr. Pok Man Kam	**51**	51
Professor Joseph Wan Yee Lau	**51**	51
Ms. Yee Sin Wong*	**51**	17
Dr. Jian Ji*	**–**	38
Total	**153**	157

* Dr. Jian Ji resigned as an independent non-executive director on 30 August 2022 and Ms. Yee Sin Wong was appointed as an independent non-executive director on 30 August 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors (continued)

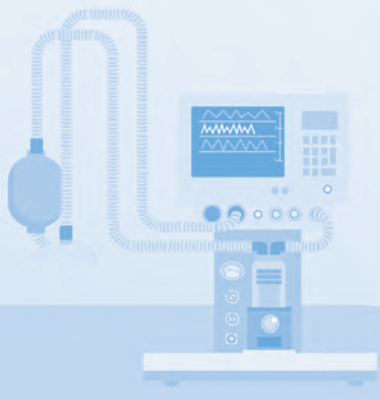
There were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

(b) Executive director, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind *USD'000*	Pension scheme contributions *USD'000*	Total remuneration *USD'000*
2023			
Executive directors:			
Mr. Guowei Zhan (chief executive)*	**109**	**4**	**113**
Mr. Hong Xu (chief executive)**	**163**	**6**	**169**
Subtotal	**272**	**10**	**282**
Non-executive directors:			
Mr. Michael Yi Wei Zhao	**96**	**–**	**96**
Mr. Zhenjun Zi	**–**	**–**	**–**
Mr. Guowei Zhan	**47**	**–**	**47**
Mr. Ao Zhang	**–**	**–**	**–**
Subtotal	**143**	**–**	**143**
Total	**415**	**10**	**425**

* Mr. Guowei Zhan was re-designated as a non-executive director of the Company in September 2023.

** Mr. Hong Xu was appointed as the chief executive director of the Company in September 2023.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

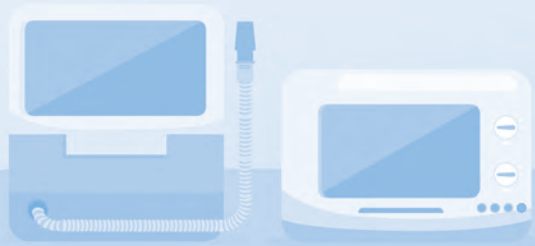
31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive director, non-executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind *USD'000*	Pension scheme contributions *USD'000*	Total remuneration *USD'000*
2022			
Executive directors:			
Mr. Guowei Zhan (chief executive)	236	6	242
Mr. Hong Xu	208	6	214
Subtotal	444	12	456
Non-executive directors:			
Mr. Michael Yi Wei Zhao	100	–	100
Mr. Zhenjun Zi	–	–	–
Mr. Ao Zhang	–	–	–
Subtotal	100	–	100
Total	544	12	556

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES

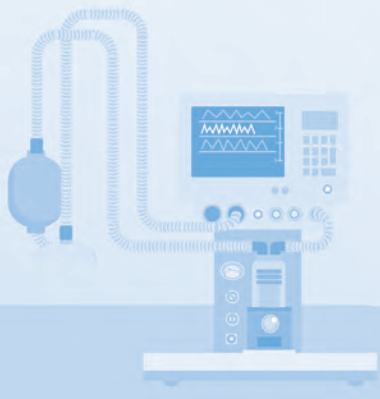
The five highest paid employees during the year included no director (2022: nil), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2022: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	USD'000	*USD'000*
Salaries, allowances and benefits in kind	**1,276**	1,431
Pension scheme contributions	**69**	66
Equity-settled share award expenses	**53**	159
Total	**1,398**	1,656

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HKD1,500,001 to HKD2,000,000	**1**	–
HKD2,000,001 to HKD2,500,000	**4**	2
HKD2,500,001 to HKD3,000,000	**–**	2
HKD3,500,001 to HKD4,000,000	**–**	1
Total	**5**	5

During the year and in prior years, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the consolidated financial statements. The fair value of such options and restricted stock units, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

10. 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.

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Chinese Mainland were entitled to a preferential income tax rate of 5% (2022: 2.5%) for small and micro enterprises except that Hangzhou Broncus was subject to CIT at a rate of 15% (2022: 15%) for a High and New Technology Enterprise on the taxable income.

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of up to 21% (2022: 21%) on the taxable income arising in the USA during the year.

Netherlands

The subsidiary incorporated in Netherlands was subject to income tax at the rate of 19% (2022: 15%) on the estimated assessable profits arising in Netherlands during the year.

Australia

The subsidiary incorporated in Australia was subject to income tax at the rate of 27.5% (2022: 27.5%) on the estimated assessable profits arising in Australia during the year.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong was subject to income tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Israel

The subsidiary incorporated in Israel was subject to income tax at the rate of 23% on the estimated assessable profits arising in Israel during the year.

The income tax expense of the Group during the year is analysed as follows:

	2023	2022
	USD'000	*USD'000*
Current — USA		
Charge for the year	**3**	3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023	2022
	USD'000	*USD'000*
Loss before tax	**(28,089)**	(28,033)
Tax at the statutory tax rate	**(7,683)**	(7,198)
Preferential tax rates enacted by local authority	**1,959**	1,845
Expenses not deductible for tax	**189**	211
Additional deductible allowance for research and development costs	**(1,868)**	(1,522)
Temporary differences and tax losses not recognised	**7,406**	6,667
Tax charge at the Group's effective tax rate	**3**	3

Deferred tax assets have not been recognised in respect of the following items:

	2023	2022
	USD'000	*USD'000*
Tax losses	**206,664**	165,262
Deductible temporary differences	**6,503**	7,723
Total	**213,167**	172,985

The Group had tax losses arising in Chinese Mainland of RMB742,463,000 (equivalent to USD104,836,000) (2022: RMB535,828,000 (equivalent to USD76,945,000)) that will expire in one to ten years (2022: one to ten years) for offsetting against taxable profits.

The Group had tax losses arising in USA of USD37,454,000 (2022: USD37,454,000) that will expire in nine to fourteen years (2022: ten to fifteen years) for offsetting against taxable profits. The Group had tax losses arising in USA of USD60,073,000 (2022: USD48,109,000) for offsetting against taxable profits indefinitely.

The Group had tax losses arising in Netherlands of USD2,616,000 (2022: USD2,611,000) that will expire in one to six years (2022: one to six years) for offsetting against taxable profits.

The Group had tax losses arising in Australia of USD151,000 (2022: USD143,000) for offsetting against taxable profits indefinitely.

The Group had tax losses arising in Israel of USD1,534,000 (2022: nil) for offsetting against taxable profits indefinitely.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

11. DIVIDEND

No dividend has been paid or declared by the Company during the year (2022: nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 488,570,732 (2022: 487,749,376) in issue during the year. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the restricted stock unit scheme.

The calculation of basic loss per share is based on:

	2023	2022
	USD'000	*USD'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(28,091)**	(28,036)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**488,570,732**	487,749,376

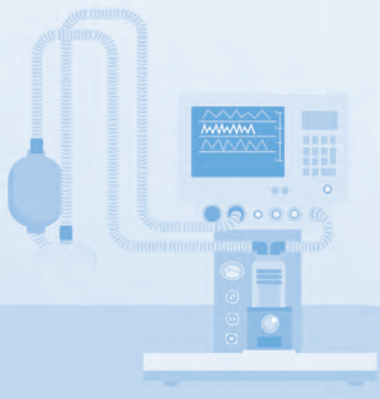
As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the equity-settled share award arrangements had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *USD'000*	Machinery *USD'000*	Office equipment *USD'000*	Total *USD'000*
31 December 2023				
At 1 January 2023:				
Cost	**2,194**	**1,325**	**1,316**	**4,835**
Accumulated depreciation	**(1,213)**	**(633)**	**(587)**	**(2,433)**
Net carrying amount	**981**	**692**	**729**	**2,402**
At 1 January 2023, net of accumulated depreciation	**981**	**692**	**729**	**2,402**
Additions	**702**	**296**	**112**	**1,110**
Disposals	**–**	**–**	**(204)**	**(204)**
Depreciation provided during the year (note 6)	**(428)**	**(211)**	**(247)**	**(886)**
Exchange realignment	**(14)**	**(6)**	**(4)**	**(24)**
At 31 December 2023, net of accumulated depreciation	**1,241**	**771**	**386**	**2,398**
At 31 December 2023:				
Cost	**2,958**	**1,681**	**1,225**	**5,864**
Accumulated depreciation	**(1,717)**	**(910)**	**(839)**	**(3,466)**
Net carrying amount	**1,241**	**771**	**386**	**2,398**



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements *USD'000*	Machinery *USD'000*	Office equipment *USD'000*	Total *USD'000*
31 December 2022				
At 1 January 2022:				
Cost	2,321	1,157	922	4,400
Accumulated depreciation	(829)	(470)	(372)	(1,671)
Net carrying amount	1,492	687	550	2,729
At 1 January 2022, net of accumulated depreciation	1,492	687	550	2,729
Additions	41	293	474	808
Disposals	–	(41)	(12)	(53)
Depreciation provided during the year (note 6)	(442)	(201)	(252)	(895)
Exchange realignment	(110)	(46)	(31)	(187)
At 31 December 2022, net of accumulated depreciation	981	692	729	2,402
At 31 December 2022:				
Cost	2,194	1,325	1,316	4,835
Accumulated depreciation	(1,213)	(633)	(587)	(2,433)
Net carrying amount	981	692	729	2,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

14. LEASES

The Group as a lessee

The Group has lease contracts for warehouses and office premises used in its operations. Leases of warehouses and office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2023	2022
	USD'000	*USD'000*
As at 1 January	**1,354**	1,907
Additions	**1,690**	324
Reduction as a result of termination of leases	**(153)**	(43)
Depreciation charge (note 6)	**(716)**	(697)
Exchange realignment	**(18)**	(137)
As at 31 December	**2,157**	1,354

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023	2022
	USD'000	*USD'000*
Carrying amount at 1 January	**1,442**	1,935
New leases	**1,793**	324
Accretion of interest recognised during the year (note 7)	**83**	98
Reduction as a result of termination of leases	**(160)**	(43)
Exchange realignment	**(25)**	(165)
Payments	**(794)**	(707)
Carrying amount at 31 December	**2,339**	1,442
Analysed into:		
Current portion	**1,115**	652
Non-current portion	**1,224**	790

The maturity analysis of lease liabilities is disclosed in note 35 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in the consolidated statement of profit or loss in relation to leases are as follows:

	2023	2022
	USD'000	*USD'000*
Interest on lease liabilities	**83**	98
Depreciation charge of right-of-use assets	**716**	697
Gain on termination of leases	**(7)**	–
Expense relating to short-term leases (included in selling expenses, administrative expenses and research and development costs) (note 6)	**471**	402
Total amount recognised in profit or loss	**1,263**	1,197

(d) The total cash outflow for leases is disclosed in note 31(c) to the consolidated financial statements.

The Group as a lessor

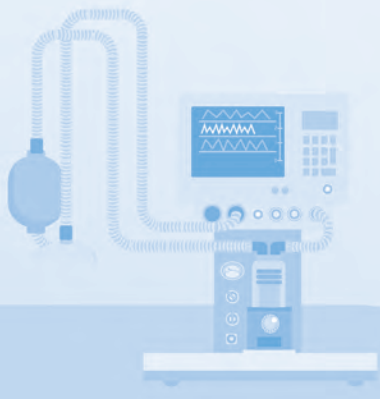
The Group leases its medical devices in European Union under operating lease arrangements and financing lease arrangements with leases negotiated for terms within one year and within eight years, respectively. Rental income recognised by the Group during the year was nil (2022: USD48,000), details of which are included in note 5 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS

	Software *USD'000*	Intellectual properties *USD'000*	IPR&D *USD'000*	Total *USD'000*
31 December 2023				
At 1 January 2023:				
Cost	**268**	**16,340**	**–**	**16,608**
Accumulated amortisation	**(66)**	**(10,632)**	**–**	**(10,698)**
Net carrying amount	**202**	**5,708**	**–**	**5,910**
Cost at 1 January 2023, net of accumulated amortisation	**202**	**5,708**	**–**	**5,910**
Additions	**39**	**–**	**4,288**	**4,327**
Amortisation provided during the year (note 6)	**(28)**	**(1,236)**	**–**	**(1,264)**
Exchange realignment	**(3)**	**–**	**–**	**(3)**
At 31 December 2023, net of accumulated amortisation	**210**	**4,472**	**4,288**	**8,970**
At 31 December 2023:				
Cost	**303**	**16,340**	**4,288**	**20,931**
Accumulated amortisation	**(93)**	**(11,868)**	**–**	**(11,961)**
Net carrying amount	**210**	**4,472**	**4,288**	**8,970**



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software *USD'000*	Intellectual properties *USD'000*	Total *USD'000*
31 December 2022			
At 1 January 2022:			
Cost	139	16,340	16,479
Accumulated amortisation	(47)	(9,396)	(9,443)
Net carrying amount	92	6,944	7,036
Cost at 1 January 2022, net of accumulated amortisation	92	6,944	7,036
Additions	136	–	136
Amortisation provided during the year (note 6)	(20)	(1,236)	(1,256)
Exchange realignment	(6)	–	(6)
At 31 December 2022, net of accumulated amortisation	202	5,708	5,910
At 31 December 2022:			
Cost	268	16,340	16,608
Accumulated amortisation	(66)	(10,632)	(10,698)
Net carrying amount	202	5,708	5,910

Impairment testing of IPR&D

The intangible assets of the Group include IPR&D which are acquired during the year, identified as the fiber optic navigation and imaging system and the robot control and driving system. Further details are disclosed in note 29 to the consolidated financial statements. The IPR&D which are not ready for use have not been amortised yet, because the Group is still continuing the research and development work. As at 31 December 2023, IPR&D were tested for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of IPR&D (continued)

The recoverable amounts of IPR&D have been determined based on a value in use calculation using cash flow projections which are based on financial forecast approved by senior management. Assumptions were used in the value in use calculation of IPR&D as at 31 December 2023.

Key assumptions used in the calculation are as follows:

	2023
Revenue (% compound growth rate)	**(1.84)/8.92**
Gross margin rate (%)	**38.18–54.30**
Pre-tax discount rate (%)	**20.92/22.84**

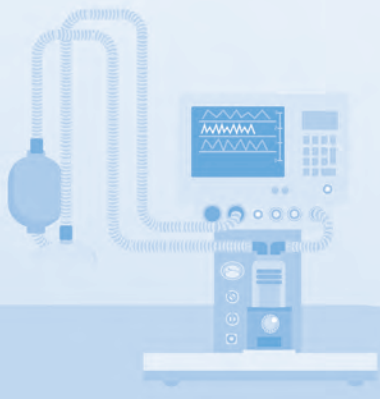
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of IPR&D:

Revenue — The basis used to determine the budgeted revenue is based on management's expectation of when to launch products and also expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch products, increased for expected efficiency improvements and expected market development.

Pre-tax discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions are consistent with historical experience of the Group and external information sources.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

16. INVENTORIES

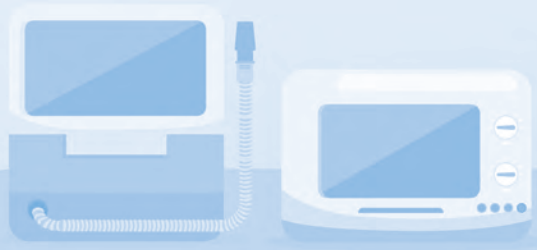
	2023 USD'000	2022 USD'000
Raw materials	**2,103**	1,937
Work in progress	**594**	254
Finished goods	**2,012**	2,107
Total	**4,709**	4,298

17. TRADE RECEIVABLES

	2023 USD'000	2022 USD'000
Current		
Trade receivables	**11,065**	9,837
	11,065	9,837
Non-current		
Trade receivables	**–**	1,494
	11,065	11,331
Impairment	**(1,106)**	(1,240)
Total	**9,959**	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 were an amount of nil (2022: USD1,987,000) due from a Group's related party.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

17. TRADE RECEIVABLES (CONTINUED)

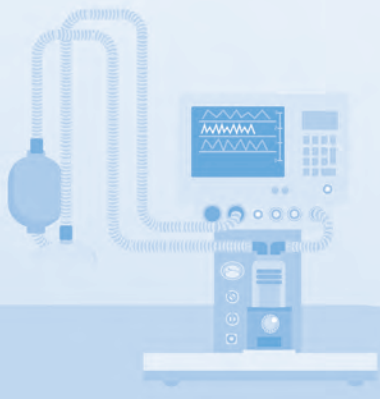
An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	USD'000	*USD'000*
Within 3 months	**5,889**	5,511
3 to 6 months	**45**	67
6 to 12 months	**3,862**	1,914
1 to 2 years	**163**	2,599
Total	**9,959**	10,091

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	USD'000	*USD'000*
At beginning of year	**1,240**	848
Impairment losses, net (note 6)	**(121)**	438
Amount written off as uncollectible	**(1)**	–
Exchange realignment	**(12)**	(46)
At end of year	**1,106**	1,240

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

17. TRADE RECEIVABLES (CONTINUED)

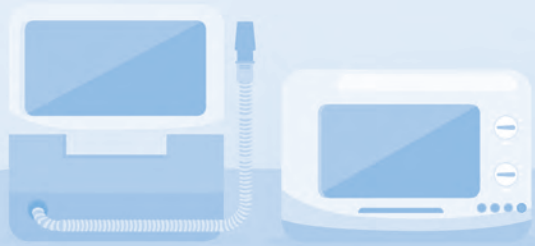
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Gross carrying amount *USD'000*	**Expected credit loss rate**	**Expected credit loss *USD'000***
Collectively assessed:			
Less than 1 year	**10,061**	**2.63%**	**265**
1 to 2 years	**231**	**29.44%**	**68**
Over 2 years	**773**	**100.00%**	**773**
Total	**11,065**		**1,106**

As at 31 December 2022

	Gross carrying amount *USD'000*	Expected credit loss rate	Expected credit loss *USD'000*
Individually assessed:			
Trade receivables from licensing	1,988	0.05%	1
Collectively assessed:			
Less than 1 year	7,681	2.46%	189
1 to 2 years	946	35.31%	334
Over 2 years	716	100.00%	716
Total	11,331		1,240



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 USD'000	2022 USD'000
Current		
Prepayments	**705**	1,164
Deposits and other receivables	**475**	333
Value-added tax recoverable	**131**	13
Subtotal	**1,311**	1,510
Non-current		
Advance payments for long-term assets	**513**	27
Deposits	**138**	152
Prepayments	**57**	68
Subtotal	**708**	247
Total	**2,019**	1,757

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD'000	2022 USD'000
Unlisted debt investments, at fair value	**8,878**	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.

The movement of the financial assets at fair value through profit or loss is as follows:

	2023 USD'000	2022 USD'000
At beginning of year	**7,603**	–
Addition	**5,296**	6,740
Disposal	**(3,681)**	–
Fair value change	**(340)**	863
At end of year	**8,878**	7,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

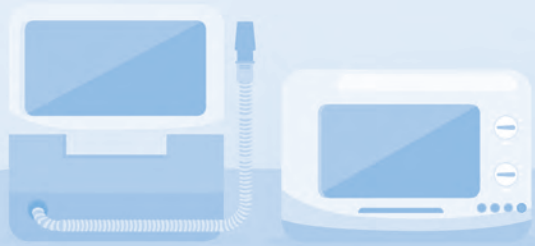
31 December 2023

20. CASH AND CASH EQUIVALENTS AND DEPOSITS

	2023 USD'000	2022 USD'000
Cash and bank balances	**60,470**	49,613
Time deposits	**96,177**	138,822
Total	**156,647**	188,435
Less:		
Pledged for bank overdraft facilities (note 24)	**(25)**	(25)
Pledged for service and rent deposits	**(213)**	(501)
Time deposits with original maturity over three months	**(72,845)**	(81,153)
Cash and cash equivalents	**83,564**	106,756
Denominated in:		
USD	**53,485**	37,600
RMB	**29,363**	13,955
HKD	**679**	55,140
AUD	**2**	10
EUR	**35**	10
Swiss Franc ("CHF")	**–**	41
Total cash and cash equivalents	**83,564**	106,756

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

21. FINANCE LEASE RECEIVABLES

	2023 USD'000	2022 USD'000
Finance lease receivables	**71**	98
Unrealised finance income	**(3)**	(6)
Finance lease receivables, net	**68**	92
Analysed into:		
Current portion	**26**	25
Non-current portion	**42**	67

An ageing analysis of the finance lease receivables of the Group as at the end of the reporting period, based on the lease commencement date, is as follows:

	2023 USD'000	2022 USD'000
Over 3 years	**68**	92
Total	**68**	92

At the end of the reporting period, the total undiscounted lease payments receivable by the Group in future periods under finance leases with its tenant are as follows:

	2023 USD'000	2022 USD'000
Within one year	**24**	25
After one year but within two years	**24**	25
After two years but within three years	**23**	25
After three years but within four years	**–**	23
	71	98
Unrealised finance income	**(3)**	(6)
Total	**68**	92

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

22. 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:

	2023	2022
	USD'000	*USD'000*
Within 3 months	**232**	308
3 to 6 months	**166**	11
6 to 12 months	**1**	1
Over 1 year	**–**	1
	399	321

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

23. OTHER PAYABLES AND ACCRUALS

	2023	2022
	USD'000	*USD'000*
Current		
Other payables	**1,560**	1,253
Contingent Consideration payable	**900**	–
Accrued expenses	**751**	1,142
Accrued payroll	**3,467**	3,400
Taxes payable other than corporate income tax	**266**	321
	6,944	6,116
Non-current		
Accrued expenses	**–**	175
	6,944	6,291

Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables and accruals were amounts due to a Group's related party, Hangzhou Dinova Medical Technology Co., Ltd. of USD104,000 (2022: USD116,000).

Contingent consideration is related to asset acquisition which was determined to be contingent. Further details are disclosed in note 29 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

24. BANK OVERDRAFTS

	Effective interest rate (%)	Maturity	Note	**As at 31 December 2023 *USD'000***	As at 31 December 2022 *USD'000*
Current					
Bank overdrafts					
— secured	–	On demand	(a)	**16**	29
Analysed into:					
Within one year or on demand				**16**	29

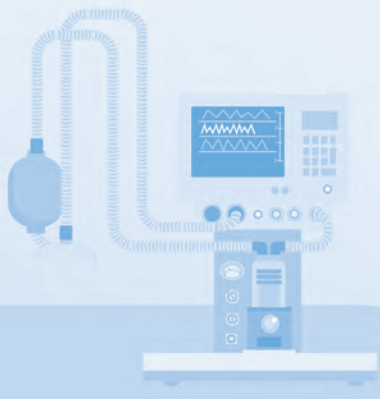
Note:

(a) The Group's overdraft facilities amounting to USD84,000 (2022: USD80,000), of which USD16,000 (2022: USD29,000) had been utilised, were secured by the pledge of certain of the Group's time deposits amounting to USD25,000 (2022: USD25,000) (note 20).

25. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2023 *USD'000*	2022 *USD'000*
Current		
Sale of medical devices and consumables	**415**	30
Service fee	**269**	269
	684	299
Non-current		
Service fee	**53**	102
Total contract liabilities	**737**	401



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

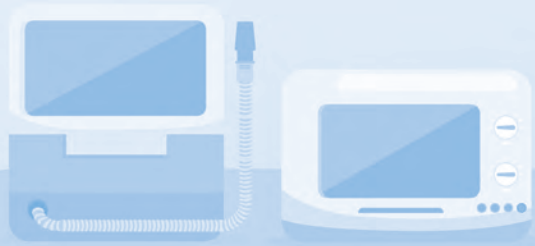
26. SHARE CAPITAL

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 (the "Share Subdivision").

	2023 ***USD'000***	2022 *USD'000*
Authorised:		
2,000,000,000 (2022: 2,000,000,000) ordinary shares of USD0.000025 (2022: USD0.000025) each	**50**	50
Issued and fully paid:		
488,674,136 (2022: 488,296,236) ordinary shares of USD0.000025 (2022: USD0.000025) each	**12**	12
Issued but not paid:		
38,523,940 (2022: 38,576,840) ordinary shares of USD0.000025 (2022: USD0.000025) each	**1**	1
Total	**13**	13

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 and 1 January 2023	526,873,076	12
Share options exercised during the year (note b)	150,000	–
Share options exercised during the year (note c)	175,000	–
At 31 December 2023	527,198,076	12



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

26. SHARE CAPITAL (CONTINUED)

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 on 9 February 2023, 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 on 27 April 2023, 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).

27. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Other reserve

The Group's other reserve includes:

(1) The capital reserve of the Group represents the paid-up capital and share premium of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statement of changes in equity, and

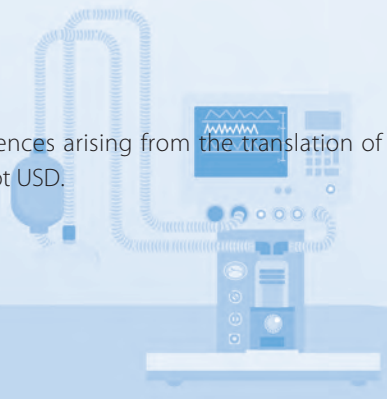
(2) The excess of consideration for purchasing the shares of its subsidiary held by a non-controlling shareholder over the proportion of the carrying amounts of the subsidiary's net assets acquired.

Share option reserve

Share option reserve of the Group represents the share-based compensation reserve from equity-settled share award.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currencies are not USD.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

28. 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 ("RSUs") 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 RSUs granted by the Group during the year are as follows:

Date of grant	Grantor	Type	Number	Vesting period *(months)*	Exercise price *(USD)*
May 2023	Company	RSUs	2,015,999	0–48	–
May 2023	Company	RSUs	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 CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

28. SHARE-BASED PAYMENTS (CONTINUED)

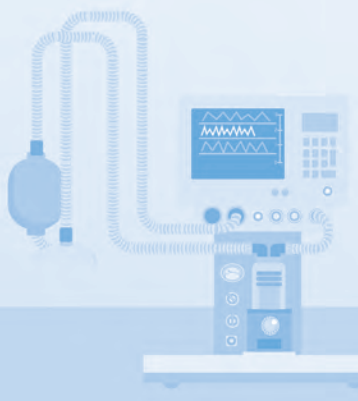
Movements in the number of share options granted under the Subsidiaries' Schemes and Company's Schemes in total and their related weighted average exercise price are as below:

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

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

	2023		2022	
	Weighted average exercise price *USD/share*	**Number of RSUs**	Weighted average exercise price *USD/share*	Number of RSUs
Outstanding at beginning of the year	**0.08**	**20,253,683**	0.06	13,349,196
Granted during the year	**0.01**	**2,255,999**	0.12	7,675,491
Forfeited during the year	**0.09**	**(758,701)**	–	–
Exercised during the year	**–**	**(52,900)**	0.06	(771,004)
Outstanding at end of the year	**0.08**	**21,698,081**	0.08	20,253,683

During the year, share-based expenses of USD556,000 (2022: USD1,123,000) were charged to the consolidated statement of profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

28. SHARE-BASED PAYMENTS (CONTINUED)

The fair values of RSUs granted were estimated based on the share price as of the granted day and as of at the date of grant using binomial model and Monto Carlo model, taking into account the terms and conditions upon which the options and RSUs were granted. The following table lists the key assumptions that the model used:

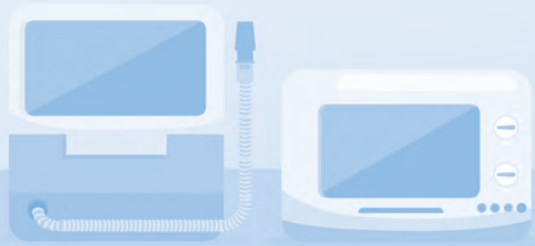
	2023	2022
	RSUs	*RSUs*
Expected volatility (%)	**39.40**	39.50–40.30
Risk-free interest rate (%)	**3.58**	3.22–3.81
Expected life (year)	**10**	10
Weighted average share price (USD)	**0.11**	0.13–0.16

29. ACQUISITION OF SUBSIDIARIES

In September 2023, the Company acquired 100% of shares of FHC and its subsidiaries, which are engaged in the business of developing fiber optic navigation and imaging system. The aggregate cash consideration is USD2,700,000, while USD1,000,000 is determined to be contingent. The directors of the Company concluded that the acquired set of activities and assets is not a business based on assessment under IFRS 3.

In December 2023, Hangzhou Broncus acquired 100% of shares of Hangzhou Jingliang, which is engaged in the production and processing of medical devices and the development of software/hardware, such as robot control and driving system platform. The aggregate cash consideration is RMB5,400,000. The directors of the Company concluded that the acquired set of activities and assets is not a business based on assessment under IFRS 3.

The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of the subsidiaries on the acquisition date was not disclosed.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

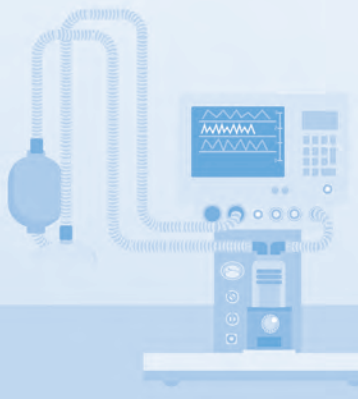
31 December 2023

29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The allocated consideration to major classes of assets and liabilities of acquired subsidiaries as at the date of acquisition, based on the fair value, were as follows:

	Notes	*USD'000*
Property, plant and equipment		932
Other intangible assets*	15	4,288
Prepayments, other receivables and other assets		233
Right-of-use assets		894
Cash and cash equivalents		2
Total liabilities		(2,987)
Purchase consideration		3,362
Purchase consideration		
Satisfied by cash		2,462
Contingent consideration liability	23	900
Total consideration		3,362

* Included in the other intangible asset is IPR&D.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

29. ACQUISITION OF SUBSIDIARIES (CONTINUED)

As part of the purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, mainly including the completion of the construction of a fiber grating writing production line in China and the completion of trial production. The initial amount recognised was USD900,000. There was no fair value change to the amount as at 31 December 2023. The contingent consideration is expected to be paid within one year as at 31 December 2023. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

The movement of the fair value of contingent consideration payable is as follows:

	2023 *USD'000*
At beginning of year	–
Arising from acquisition of intangible assets	**900**
Payments	–
At end of year	**900**
Current	**900**
Total	**900**

The fair value of the contingent consideration payable was measured using the discounted cash flow method, and is within Level 3 fair value measurement.

	2023 *USD'000*
Par value of contingent consideration payable	**1,000**
Discount for own non-performance risk	**(100)**
Fair value of contingent consideration payable	**900**

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(2,462)
Cash and bank balances acquired	2
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,460)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

30. COMMITMENTS

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

	2023 *USD'000*	2022 *USD'000*
Capital contribution payable to purchase limited partnership interests	**12,355**	–
Plant and machinery	**243**	–
Total	**12,598**	–

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of USD796,000 (2022: USD324,000) and USD796,000 (2022: USD324,000), respectively, in respect of lease arrangements for warehouses and office premises.

During the year, the Group had non-cash reductions to right-of-use assets and lease liabilities of USD153,000 (2022: USD43,000) and USD160,000 (2022: USD43,000), respectively, in respect of termination of leases for warehouses and office premises.

(b) Changes in liabilities arising from financing activities

	Lease liabilities *USD'000*	Bank overdrafts *USD'000*
At 1 January 2023	**1,442**	**29**
Changes from financing cash flows	**(794)**	**(13)**
Interest expense	**83**	**–**
New leases	**1,793**	**–**
Reduction as a result of termination of leases	**(160)**	**–**
Foreign exchange difference	**(25)**	**–**
At 31 December 2023	**2,339**	**16**

	Lease liabilities *USD'000*	Bank overdrafts *USD'000*
At 1 January 2022	1,935	13
Changes from financing cash flows	(707)	16
Interest expense	98	–
New leases	324	–
Reduction as a result of termination of leases	(43)	–
Foreign exchange difference	(165)	–
At 31 December 2022	1,442	29

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023	2022
	USD'000	*USD'000*
Within operating activities	**471**	402
Within financing activities	**794**	707
	1,265	1,109

32. RELATED PARTY TRANSACTIONS

Name	**Relationship**
Hangzhou Dinova Medical Technology Co., Ltd. ("Hangzhou Dinova")	An entity controlled by Mr. Michael Yi Wei Zhao
NoahTron Intelligence	An entity controlled by Mr. Michael Yi Wei Zhao
Dinova Healthcare Holding Corporation ("Dinova Healthcare")	An entity controlled by Mr. Michael Yi Wei Zhao
Fibernova	An entity controlled by Mr. Michael Yi Wei Zhao before acquisition
FHC	An entity controlled by Mr. Michael Yi Wei Zhao before acquisition
Hangzhou Jingliang	An entity controlled by Mr. Michael Yi Wei Zhao and Mr. Zhenjun Zi before acquisition

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the year:

	2023 *USD'000*	2022 *USD'000*
Management service from:		
Hangzhou Dinova (note (i))	**157**	172
Purchase of research service from:		
Fibernova (note (ii))	**350**	–

Notes:

(i) The fees paid for management service were charged based on the actual costs.

(ii) The fees paid for research service were charged based on the actual costs.

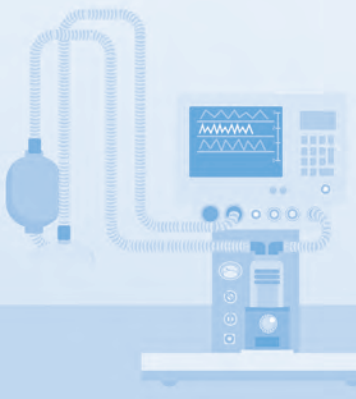
Other transactions with related parties:

(i) In September 2023, the Company acquired 100% of shares of FHC and its subsidiaries, which is a related party transaction since FHC is controlled by Mr. Michael Yi Wei Zhao before the acquisition. As at 31 December 2023, the cash consideration of USD1,700,000 has been paid and the rest amount is outstanding and assessed to be contingent.

In December 2023, Hangzhou Broncus acquired 100% of shares of Hangzhou Jingliang, which is a related party transaction since Hangzhou Jingliang is controlled by Mr. Michael Yi Wei Zhao and Mr. Zhenjun Zi before the acquisition. As at 31 December 2023, the cash consideration of RMB5,400,000 has been paid.

Further details are disclosed in note 29 to the consolidated financial statements.

(ii) 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. In November 2023, the Group terminated the licence agreement with NoahTron Intelligence, and paid NoahTron Intelligence USD500,000 as consideration of the termination agreement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	2023	2022
	USD'000	*USD'000*
Other payables and accruals:		
Hangzhou Dinova*	**104**	116
Trade receivables:		
NoahTron Intelligence*	**–**	1,987
Contingent consideration payables:		
Dinova Healthcare	**831**	–

The other payables and accruals to Hangzhou Dinova were unsecured, interest-free and repayable on demand.

The contingent consideration payable to Dinova Healthcare was the contingent payment for the acquisition of FHC by the Group. Further details are disclosed in note 29 to the consolidated financial statements.

* The balances are trade in nature.

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

	2023	2022
	USD'000	*USD'000*
Salaries, allowances and benefit in kind	**661**	1,033
Pension scheme contributions	**19**	25
Equity-settled share award expenses	**1**	96
Total compensation paid to key management personnel	**681**	1,154

Further details of directors' remuneration are included in note 8 to the consolidated financial statements.

The related party transactions in respect of licensing of intellectual property rights to NoahTron Intelligence above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

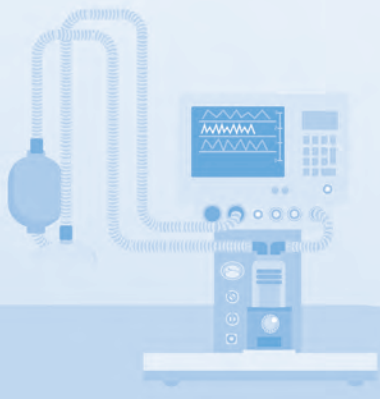
2023

Financial assets

	Financial assets at fair value through profit or loss *USD'000*	Financial assets at amortised cost *USD'000*
Trade receivables	–	9,959
Finance lease receivables	–	68
Financial assets included in prepayments other receivables and other assets	–	613
Financial assets at fair value through profit or loss	8,878	–
Pledged deposits	–	238
Cash and cash equivalents	–	83,564
Time deposits with original maturity over three months	–	72,845
Total	8,878	167,287

Financial liabilities

	Financial liabilities at fair value through profit or loss *USD'000*	Financial liabilities at amortised cost *USD'000*
Trade payables	–	399
Financial liabilities included in other payables and accruals	900	1,560
Bank overdrafts	–	16
Total	900	1,975



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

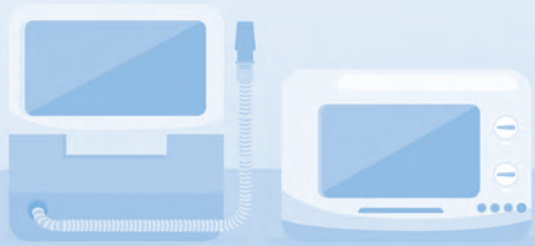
2022

Financial assets

	Financial assets at fair value through profit or loss *USD'000*	Financial assets at amortised cost *USD'000*
Trade and 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
Total	7,603	199,103

Financial liabilities

	Financial liabilities at amortised cost *USD'000*
Trade payables	321
Financial liabilities included in other payables and accruals	1,253
Bank overdrafts	29
Total	1,603



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

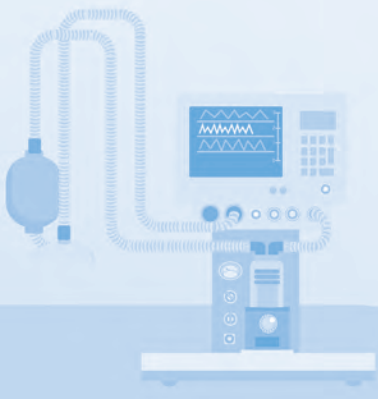
Management has assessed that the fair values of cash and cash equivalents, time deposits with original maturity over three months, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade receivables, finance lease receivables, trade payables, bank overdrafts 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 financial controller 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 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 using the investment cost method and guideline company method. The fair values of financial liabilities at fair value through profit or loss have been estimated based on management prediction report for the realisation percentage of the completeness of the contingent requirements for the purchase agreement.

The fair value of the contingent consideration payable has been estimated using the discounted cash flow method that is not supported by observable market prices or rates. The valuation requires management to calculate the realisation percentage based on some appropriate inputs, such as research and development progress. Management believes that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in profit or loss, are reasonable, and that it was the most appropriate value at the end of the reporting period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Below is a summary of significant unobservable inputs to the valuation of financial liabilities together with a quantitative sensitivity analysis as at 31 December 2023.

As at 31 December 2023

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Contingent consideration payable	Discounted cash flow method	Discount for own non-performance risk	10%	5% increase/ decrease in would result in decrease/ increase in fair value by 5%

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 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *USD'000*	Significant observable inputs (Level 2) *USD'000*	Significant unobservable inputs (Level 3) *USD'000*	Total *USD'000*
Financial assets at fair value through profit or loss	**–**	**8,878**	**–**	**8,878**

As at 31 December 2022

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

Fair value hierarchy (continued)

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

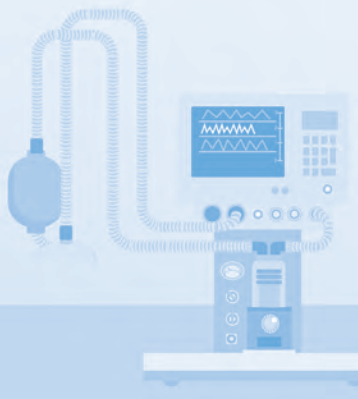
Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *USD'000*	Significant observable inputs (Level 2) *USD'000*	Significant unobservable inputs (Level 3) *USD'000*	Total *USD'000*
Contingent consideration payable	–	–	900	900

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

During the year, 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 (2022: nil).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits with original maturity over three months. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between USD and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from foreign currencies denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in loss before tax *USD'000*	(Increase)/ decrease in equity *USD'000*
31 December 2023			
If USD weakens against RMB	**5**	**614**	**753**
If USD strengthens against RMB	**(5)**	**(614)**	**(753)**
If USD weakens against HKD	**5**	**(1,345)**	**(1,345)**
If USD strengthens against HKD	**(5)**	**1,345**	**1,345**
If USD weakens against EUR	**5**	**(37)**	**(37)**
If USD strengthens against EUR	**(5)**	**37**	**37**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

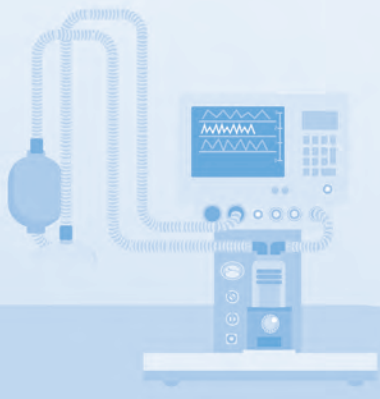
	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in loss before tax *USD'000*	(Increase)/ decrease in equity *USD'000*
31 December 2022			
If USD weakens against RMB	5	2,526	2,633
If USD strengthens against RMB	(5)	(2,526)	(2,633)
If USD weakens against HKD	5	(5,289)	(5,289)
If USD strengthens against HKD	(5)	5,289	5,289
If USD weakens against EUR	5	(59)	(59)
If USD strengthens against EUR	(5)	59	59

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, time deposits with maturity over three months, pledged deposits, finance lease receivables, trade receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *USD'000*	Stage 2 *USD'000*	Stage 3 *USD'000*	Simplified approach *USD'000*	Total *USD'000*
Trade receivables*	–	–	–	11,065	11,065
Finance lease receivables	–	–	–	68	68
Financial assets included in prepayments, other receivables and other assets					
— Normal**	613	–	–	–	613
Pledged deposits					
— Not yet past due	238	–	–	–	238
Cash and cash equivalents					
— Not yet past due	83,564	–	–	–	83,564
Time deposits with maturity over three months					
— Not yet past due	72,845	–	–	–	72,845
Total	157,260	–	–	11,133	168,393

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

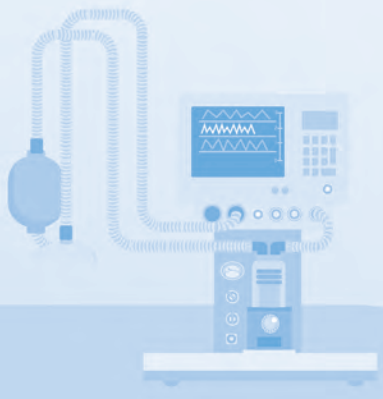
31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *USD'000*	Stage 2 *USD'000*	Stage 3 *USD'000*	Simplified approach *USD'000*	Total *USD'000*
Trade receivables*	–	–	–	11,331	11,331
Finance lease receivables	–	–	–	92	92
Financial assets included in prepayments, other receivables and other assets					
— Normal**	485	–	–	–	485
Pledged deposits					
— Not yet past due	526	–	–	–	526
Cash and cash equivalents					
— Not yet past due	106,756	–	–	–	106,756
Time deposits with maturity over three months					
— Not yet past due	81,153	–	–	–	81,153
Total	188,920	–	–	11,423	200,343



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and an amount due from a related party is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the consolidated financial statements.

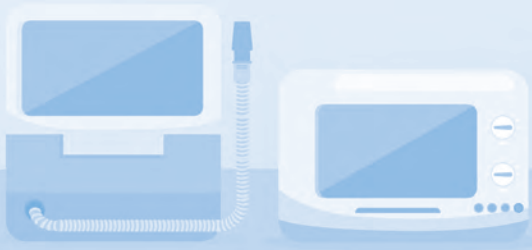
Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. At the end of the reporting period, the Group had certain concentrations of credit risk as 67.4% (2022: 51.7%) and 81.4% (2022: 79.6%) of the Group's trade receivables were due from the Group's largest debtor and five largest debtors, respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023				
	On demand *USD'000*	Less than 3 months *USD'000*	3 to 12 months *USD'000*	1 to 5 years *USD'000*	Total *USD'000*
Trade payables	**396**	**3**	**–**	**–**	**399**
Financial liabilities included in other payables and accruals	**1,560**	**–**	**–**	**–**	**1,560**
Contingent consideration payable	**–**	**–**	**900**	**–**	**900**
Lease liabilities	**67**	**293**	**786**	**1,352**	**2,498**
Bank overdrafts	**16**	**–**	**–**	**–**	**16**
Total	**2,039**	**296**	**1,686**	**1,352**	**5,373**



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

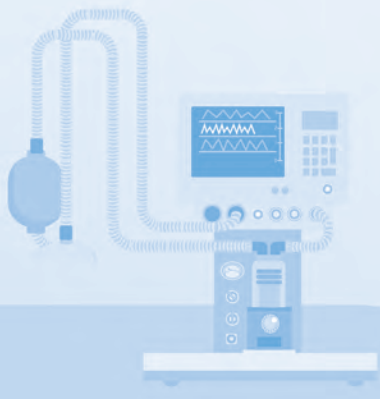
The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows: (continued)

	As at 31 December 2022				
	On demand *USD'000*	Less than 3 months *USD'000*	3 to 12 months *USD'000*	1 to 5 years *USD'000*	Total *USD'000*
Trade payables	16	305	–	–	321
Financial liabilities included in other payables and accruals	18	1,040	93	102	1,253
Lease liabilities	–	198	500	866	1,564
Bank overdrafts	29	–	–	–	29
Total	63	1,543	593	968	3,167

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital (including share capital and preferred shares on an as-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.



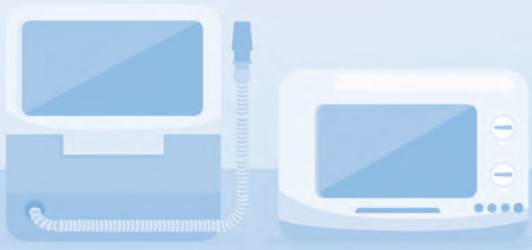
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 USD'000	2022 USD'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**267,694**	206,135
Prepayments, other receivables and other assets	**30**	35
Total non-current assets	**267,724**	206,170
CURRENT ASSETS		
Due from subsidiaries	**10,929**	10,872
Financial assets at fair value through profit or loss	**3,721**	4,013
Prepayments, other receivables and other assets	**46**	131
Cash and cash equivalents	**41,004**	92,200
Time deposits with original maturity over three months	**72,845**	81,153
Total current assets	**128,545**	188,369
CURRENT LIABILITIES		
Other payables and accruals	**1,129**	297
Total current liabilities	**1,129**	297
NET CURRENT ASSETS	**127,416**	188,072
TOTAL ASSETS LESS CURRENT LIABILITIES	**395,140**	394,242
Net assets	**395,140**	394,242
EQUITY		
Share capital	**12**	12
Reserves (note)	**395,128**	394,230
Total equity	**395,140**	394,242



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

Note:

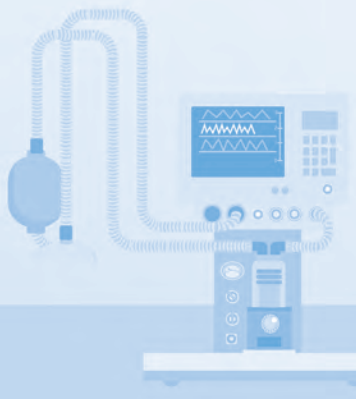
A summary of the Company's reserves is as follows:

	Share premium *USD'000*	**Other reserve** *USD'000*	**Share option reserve** *USD'000*	**Accumulated losses** *USD'000*	**Total** *USD'000*
At January 2023	**593,434**	**59,042**	**14,290**	**(272,536)**	**394,230**
Total comprehensive income for the year	**–**	**–**	**–**	**2,140**	**2,140**
Equity-settled share award arrangements	**–**	**–**	**552**	**–**	**552**
Issue of shares upon the exercise of share award arrangements	**140**	**–**	**(85)**	**–**	**55**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**(1,849)**	**–**	**(1,849)**
At 31 December 2023	**593,574**	**59,042**	**12,908**	**(270,396)**	**395,128**

	Share premium *USD'000*	Other reserve *USD'000*	Share option reserve *USD'000*	Accumulated losses *USD'000*	Total *USD'000*
At January 2022	592,019	59,042	15,573	(272,908)	393,726
Total comprehensive income for the year	–	–	–	372	372
Equity-settled share award arrangements	–	–	1,117	–	1,117
Issue of shares upon the exercise of share award arrangements	783	–	(713)	–	70
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(1,104)	–	(1,104)
Exercise of restricted share units	632	–	(583)	–	49
At 31 December 2022	593,434	59,042	14,290	(272,536)	394,230

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.



DEFINITIONS

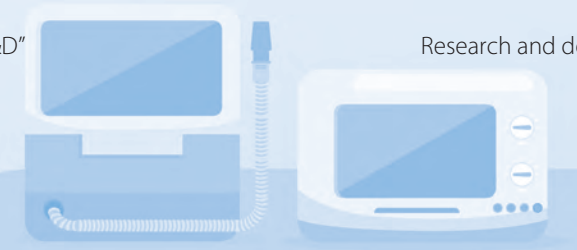
"AGM"	the annual general meeting of the Company to be held on Monday, May 20, 2024
"Amendment Date"	October 25, 2023, the date on which RSU Scheme was further amended and restated to comply with the provisions of Chapter 17 of the Listing Rules which took effect from January 1, 2023
"Archimedes System"	LungPoint ATV System, also known as LungPro in China or the Archimedes System outside of China
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Broncus Hangzhou"	Hangzhou Broncus Medical Co., Ltd. * (杭州堃博生物科技有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Broncus Medical"	Broncus Medical Inc., a corporation established in accordance with the laws of the State of California, the United States and one of our Company's subsidiaries
"BSI"	the BSI Group, The Netherlands B.V., a notified body designated by the competent authorities to conduct conformity assessment of medical devices under the EU regulations
"CEO"	the chief executive officer
"CG Code"	Corporate Governance Code as set out in Appendix C1 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
"Connected Transactions"	the transactions contemplated under the Equity Transfer Agreement with the Connected Vendors, which constitute connected transactions of the Company under Chapter 14A of the Listing Rules
"Connected Vendors"	Quantum Engineering and Hangzhou Dinova
"COPD"	chronic obstructive pulmonary disease
"CTO"	the chief technology officer
"Dinova Healthcare"	Dinova Healthcare Holding Corporation, a company incorporated in the Cayman Islands
"Director(s)"	member(s) of our board of directors, including all executive, non-executive and independent non-executive directors

DEFINITIONS

"Effective Date"	November 24, 2023, the date on which Broncus Medical and NoahTron entered into the Termination Agreement to terminate the License Agreement and agreeing that it will be of no further force from November 24, 2023
"Equity Transfer Agreement"	the equity transfer agreement entered into among Broncus Hangzhou, Quantum Engineering, and Hangzhou Jingliang Vendors on November 23, 2023 in respect of the Acquisition
"EU"	the European Union
"FDA"	The United States Food and Drug Administration, a federal agency of the Department of Health and Human Services
"Fibernova"	Fibernova Holding Corporation, a company incorporated in the Cayman Islands
"Fibernova Vendors"	Dinova Healthcare, Mr. Yaniv Kirma, Ms. Bo Xu and Mr. Tamir Nahmis
"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)
"Hangzhou Dinova"	Hangzhou Dinova Ruihan Medical Technology Co., Ltd.* (杭州德諾睿瀚醫療科技有限公司), a company established in the PRC
"Hangzhou Jingliang"	Hangzhou Jingliang Science and Technology Co., Ltd.* (杭州精量科學技術有限公司), a company established in the PRC
"Hangzhou Jingliang Vendor(s)"	each and collectively, Suzhou Industrial Park Patience Investment Co., Ltd. (蘇州工業園區耐心投資有限公司), a company established in the PRC, and Hangzhou Dinova
"HK$" or "HK dollars" or "Hong Kong dollars"	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 energy ablation system to treat lung diseases including COPD and lung cancer
"ISI"	Intuitive Surgical Operations, Inc. , a company incorporated in Delaware, United States
"Latest Practicable Date"	April 18, 2024, being the latest practicable date for ascertaining the contents set out in this annual report

DEFINITIONS

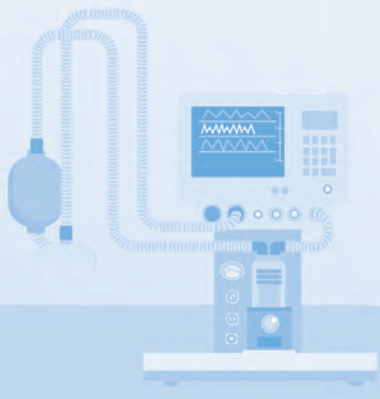
"License Agreement"	an agreement entered between Broncus Medical and NoahTron on September 7, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Memorandum and Articles of Association"	the ninth amended and restated memorandum and articles of association of the Company adopted by a special resolution passed on May 15, 2023, as may be amended and/or restated from time to time
"Milestone Conditions"	the conditions upon whose fulfillment or written waiver in whole or in part by the Company the milestone payment of US$1 million by the Company to the Fibernova Vendors is conditional
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Zhao"	Mr. Michael Yi Wei Zhao, a non-executive Director
"Mr. Zi"	Mr. Zhenjun Zi, a former non-executive director of the Company
"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)
"NoahTron"	NoahTron Intelligence Medtech (Hangzhou) Co., Ltd. (諾創智能醫療科技(杭州)有限公司), an entity controlled by Mr. Zhao
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Chinese Taiwan
"Proposed Amendments"	has the meaning ascribed to it in this annual report
"Prospectus"	the prospectus of the Company dated September 13, 2021
"QM12"	QM12 Limited, a company incorporated in Hong Kong
"Quantum Engineering"	Quantum Engineering (Hong Kong) Co., Limited, a company incorporated in Hong Kong
"R&D"	Research and development



DEFINITIONS

"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	12 months ended December 31, 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 Scheme"	the restricted share unit scheme of the Company adopted on May 9, 2021 and amended and restated on July 5, 2021 and further amended and restated on the Amendment Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Plan"	the share incentive plan of the Company adopted on May 9, 2021
"Shares"	ordinary share(s) in the share capital of the Company
"Shareholders"	holders of the Shares
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Termination Agreement"	a termination agreement entered into between Broncus Medical and NoahTron on November 24, 2023
"Trustee-held Shares"	the 9,877,197 Shares allotted by the Company to the trustee under the RSU Scheme on September 7, 2021 for the purpose of satisfying future grants thereunder
"U.S." or "United States"	the United States of America
"US$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"Zhejiang Dinova"	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)), a limited partnership in the PRC
"%"	per cent

* *for identification purposes only.*



FINANCIAL SUMMARY

	For the year ended December 31				
	2023	2022	2021	2020	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	**10,255**	9,413	10,891	3,259	8,072
Gross profit	**7,227**	7,315	8,742	2,506	5,978
Loss before tax	**(28,089)**	(28,033)	(236,175)	(48,784)	(32,549)
Loss for the year	**(28,092)**	(28,036)	(236,178)	(48,786)	(32,551)
Loss attributable to:					
Owners of the parent	**(28,091)**	(28,036)	(235,784)	(48,237)	(31,929)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (US$)	**(0.06)**	(0.06)	(0.79)	(0.22)	(0.14)

	As at December 31				
	2023	2022	2021	2020	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total non-current assets	**23,153**	19,076	14,089	13,195	12,947
Total current assets	**172,652**	202,866	238,717	26,682	9,056
Total current liabilities	**9,158**	7,417	8,964	14,227	14,144
Total non-current liabilities	**1,277**	1,067	1,424	148,091	81,739
Non-controlling interests	**(1)**	–	–	(1,928)	(1,516)
Total equity	**185,370**	213,458	242,418	(122,441)	(73,880)