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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2216)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the "**Board**") of directors (the "**Directors**") of Broncus Holding Corporation (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**us**") for the six months ended June 30, 2024 (the "**Reporting Period**"), together with the unaudited comparative figures for the six months ended June 30, 2023.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30, 2024 *USD'000*	For the six months ended June 30, 2023 *USD'000*	Year-on-year change
Revenue	**3,704**	5,234	-29%
Cost of sales	**(750)**	(1,208)	-38%
Gross profit	**2,954**	4,026	-27%
Other income and gains	**3,450**	2,512	37%
Selling and distribution expenses	**(3,755)**	(6,365)	-41%
Administrative expenses	**(3,604)**	(4,609)	-22%
Impairment losses on financial assets, net	**(444)**	201	-321%
Research and development costs	**(6,491)**	(10,232)	-37%
Other expenses	**–**	(219)	-100%
Finance costs	**(51)**	(43)	19%
Income tax expense	**(2)**	(2)	–
Loss for the period	**(7,943)**	(14,731)	-46%
Add:			
Share awards	**111**	440	-75%
Non-IFRS adjusted net loss for the period[(1)]	**(7,832)**	(14,291)	-45%

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

BUSINESS HIGHLIGHTS

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

Net loss narrowed by 46% year-on-year

In the first half of 2024, with the localization of the production process for the Intervapor® Thermal Vapor Treatment System and navigation products, we effectively reduced product production costs, increasing the gross profit margin to 80%. At the same time, we focused on the R&D and commercialization of our core products, effectively optimizing costs and expenditures through various measures, significantly narrowing the Company's net loss, which decreased by 46% year-on-year.

With comprehensive product solutions and targeted marketing strategies, our consumable products are gradually gaining ground in China market

As of June 30, 2024, and as of the date of this announcement, with the deepening market promotion of our consumable products, the market penetration of the Company's consumable products for lung disease surgeries, including the InterVapor® disposable thermal vapor treatment catheter for COPD treatment, the Mist Fountain® disposable nebulizing micro-catheter for endoscope, and the BroncTru® disposable transbronchoscopic puncture dilatation catheter, continued to increase.

- The InterVapor® Thermal Vapor Treatment System has been commercially applied in over 60 hospitals in China, with approximately 180 hospitals having tried the technology. The effectiveness of the treatment has been widely recognized by doctors and patients.

  The consumable product of InterVapor®, the disposable thermal vapor treatment catheter, has obtained the sunshine online procurement price in 28 provinces/cities, and the insurance coverage gradually being implemented.

- The Mist Fountain® disposable nebulizing micro-catheter for endoscope has been clinically applied in multiple medical centers nationwide. The application scenarios include airway anesthesia, antibacterial and anti-inflammatory treatments, phlegm reduction, tuberculosis drug delivery, thoracic surgery staining, and so forth. The product has obtained the sunshine online procurement price in 28 provinces/cities.

- Since its launch in September 2023, the BroncTru® disposable transbronchoscopic puncture dilatation catheter has been clinically applied in multiple medical centers nationwide, gaining widespread recognition from doctors. This product is our another pioneering achievement in the field of precise diagnosis and expanded treatment. The application of BroncTru® with its innovative one-step peripheral lung access technology allows doctors to more quickly overcome bronchial limitations during surgery, achieving whole lung access and diagnosis, thereby improving surgical efficiency. Its application scenarios include but not limited to: lung biopsy and laser ablation, transbronchial lung cavity puncture biopsy and lavage, transbronchial needle aspiration biopsy (TBNA), etc. The product has obtained the sunshine online procurement price in 23 provinces/cities.

Seizing opportunities for localization, optimizing production and supply chain as well as meeting the supply demands, we have the capability to improve production capacity constantly

Based on the successive localization of InterVapor® and LungPoint, as well as the localization of the entire line of our consumable products, during the Reporting Period, we further adopted measures such as cost optimization and expense control in a bid to:

- Improve production efficiency, optimize production processes, steadily increase production capacity, to meet growing business demand;
- Reduce production costs while improving supply chain management and safety; and
- Strengthen employee training and shorten the learning curve for employees on product manufacturing.

Steadily advance the clinical trials and R&D of products, as well as the registration process, to continuously solidify our leading position in the interventional pulmonology market

In the first half of 2024, we focused our main research and development efforts on treatment products for major lung diseases such as lung cancer and COPD, strengthening our independently developed product pipeline in China, and building comprehensive interventional treatment solutions for lung diseases.

- Our interventional lung cancer treatment product, the Zhiheng RF-II radiofrequency ablation system, is the world's first bronchoscopic interventional treatment product indicated for lung cancer. It leads the field of interventional lung cancer treatment and, the application of RF-II has currently been submitted to the NMPA for completion of the medical device marketing review process.
- The register clinical trial of our acute COPD treatment product, the Targeted Lung Denervation System (TLD) (a multicenter randomized controlled clinical study of "Bronchoscopic Targeted Lung Denervation for the Treatment of Chronic Obstructive Pulmonary Disease"), is progressing smoothly, with over 80 patients enrolled in multiple medical centers nationwide.

Further deepen the collaboration of medical and engineering, develop interventional treatment products for lung diseases that meet clinical needs, and innovatively open up new bronchoscopic interventional diagnosis and treatment techniques

We always value the collaboration of medical and engineering and possess innovative interventional treatment products for lung diseases, such as the Zhiheng RF-II Radiofrequency Ablation System and TLD, which are jointly developed by physicians and technicians, providing safe and effective solutions for clinic. At the same time, based on the clinical performance of the Company's products, we collaborated with doctors to explore procedures such as BTVA (Bronchoscopic Thermal Vapor Ablation), BTPNA (Bronchoscopic Trans-Parenchymal Nodule Access), and bronchoscopic nebulized anesthesia medication, to enhance surgical efficiency and improve patient benefits.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	**2024 (Unaudited) *USD'000***	2023 (Unaudited) *USD'000*
REVENUE	*5*	**3,704**	5,234
Cost of sales		**(750)**	(1,208)
Gross profit		**2,954**	4,026
Other income and gains	*5*	**3,450**	2,512
Selling and distribution expenses		**(3,755)**	(6,365)
Administrative expenses		**(3,604)**	(4,609)
Impairment losses on financial assets, net		**(444)**	201
Research and development costs		**(6,491)**	(10,232)
Other expenses		**–**	(219)
Finance costs		**(51)**	(43)
LOSS BEFORE TAX	*6*	**(7,941)**	(14,729)
Income tax expense	*7*	**(2)**	(2)
LOSS FOR THE PERIOD		**(7,943)**	(14,731)
Attributable to:			
Owners of the parent		**(7,943)**	(14,731)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(USD)*	*9*	**(0.02)**	(0.03)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 (Unaudited) *USD'000*	2023 (Unaudited) *USD'000*
LOSS FOR THE PERIOD	**(7,943)**	(14,731)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(347)**	(1,871)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(347)**	(1,871)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(8,290)**	(16,602)
Attributable to:		
Owners of the parent	**(8,290)**	(16,602)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 (Unaudited) *USD'000***	31 December 2023 (Audited) *USD'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,504**	2,398
Other intangible assets		**8,338**	8,970
Right-of-use assets		**1,661**	2,157
Financial assets at fair value through profit or loss		**8,845**	8,878
Finance lease receivables		**31**	42
Prepayments, other receivables and other assets		**190**	708
Total non-current assets		**21,569**	23,153
CURRENT ASSETS			
Inventories		**4,329**	4,709
Finance lease receivables		**25**	26
Trade receivables	*10*	**9,119**	9,959
Prepayments, other receivables and other assets		**1,834**	1,311
Financial assets at fair value through profit or loss		**1,405**	–
Pledged deposits		**238**	238
Time deposits with original maturity over three months		**89,652**	72,845
Cash and cash equivalents		**56,617**	83,564
Total current assets		**163,219**	172,652
CURRENT LIABILITIES			
Trade payables	*11*	**217**	399
Lease liabilities		**1,081**	1,115
Other payables and accruals		**4,969**	6,944
Bank overdrafts		**14**	16
Contract liabilities		**505**	684
Total current liabilities		**6,786**	9,158
NET CURRENT ASSETS		**156,433**	163,494
TOTAL ASSETS LESS CURRENT LIABILITIES		**178,002**	186,647

	30 June 2024 (Unaudited) *USD'000*	31 December 2023 (Audited) *USD'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**178,002**	186,647
NON-CURRENT LIABILITIES		
Lease liabilities	**782**	1,224
Contract liabilities	**29**	53
Total non-current liabilities	**811**	1,277
Net assets	**177,191**	185,370
EQUITY		
Equity attributable to owners of the parent		
Share capital	**12**	12
Reserves	**177,180**	185,359
	177,192	185,371
Non-controlling interests	**(1)**	(1)
Total equity	**177,191**	185,370

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 30 April 2012. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business in China is located at Room 801, 8/F, Building 8, No. 88 Jiangling Road, Xixing Street, Binjiang District, Hangzhou, Zhejiang Province, People's Republic of China (the "**PRC**") and Room 1101-4, Building 1, No. 502 Linping Avenue, Linping District Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC.

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies, standards, and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and impact of the revised IFRSs are described below:

(a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Chinese Mainland	**2,359**	4,251
European Union	**563**	720
USA	**20**	127
Other countries/regions	**762**	136
Total	**3,704**	5,234

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

(b) Non-current assets

	30 June 2024 (Unaudited) *USD'000*	31 December 2023 (Audited) *USD'000*
Chinese Mainland	**5,537**	6,461
USA	**3,968**	4,620
Israel	**3,048**	2,994
European Union	**13**	16
Other countries/regions	**–**	4
Total non-current assets	**12,566**	14,095

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

Information about major customers

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

	For the six months ended 30 June	
	2024 (Unaudited) *USD'000*	2023 (Unaudited) *USD'000*
Customer A	**–***	3,578
Customer B	**1,550**	–*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) *USD'000*	2023 (Unaudited) *USD'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	**3,480**	5,012
Provision of services	**224**	222
Total	**3,704**	5,234

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Geographical markets		
Chinese Mainland	**2,359**	4,251
European Union	**563**	720
USA	**20**	127
Other countries/regions	**762**	136
Total	**3,704**	5,234
Timing of revenue recognition		
Goods transferred at a point in time	**3,480**	5,012
Services transferred over time	**224**	222
Total	**3,704**	5,234

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Other income		
Government grants	**105**	45
Bank interest income	**3,220**	2,312
Interest income from non-current receivables	**–**	28
Others	**8**	2
Total other income	**3,333**	2,387
Gains		
Fair value gains net:		
Financial assets at fair value through profit or loss	**2**	92
Gain on disposal of items of property, plant and equipment	**–**	26
Foreign exchange gains, net	**115**	–
Gain on termination of leases	**–**	7
Total gains	**117**	125
Total other income and gains	**3,450**	2,512

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Cost of inventories sold	**741**	1,195
Cost of services provided	**9**	13
Research and development costs	**6,491**	10,232
Impairment losses on financial assets, net	**444**	(201)
Foreign exchange differences, net	**(115)**	218
Equity-settled share award expenses	**111**	440

7. INCOME TAX

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

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Current – USA		
Charge for the period	**2**	2

8. DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 488,674,136 in issue during the period (six months ended 30 June 2023: 488,474,965). As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period (six months ended 30 June 2023: Nil) in respect of a dilution as the impact of equity-settled share award arrangements had an anti-dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	30 June 2024 (Unaudited) *USD'000*	31 December 2023 (Audited) *USD'000*
Current:		
Trade receivables	**10,664**	11,065
	10,664	11,065
Impairment	**(1,545)**	(1,106)
Total	**9,119**	9,959

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.

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

	30 June 2024 (Unaudited) *USD'000*	31 December 2023 (Audited) *USD'000*
Within 3 months	**2,834**	5,889
3 to 6 months	**83**	45
6 to 12 months	**4,354**	3,862
1 to 2 years	**1,848**	163
Total	**9,119**	9,959

11. TRADE PAYABLES

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

	30 June 2024 (Unaudited) *USD'000*	31 December 2023 (Audited) *USD'000*
Within 3 months	**214**	232
3 to 6 months	**2**	166
6 to 12 months	**–**	1
Over 1 year	**1**	–
Total	**217**	399

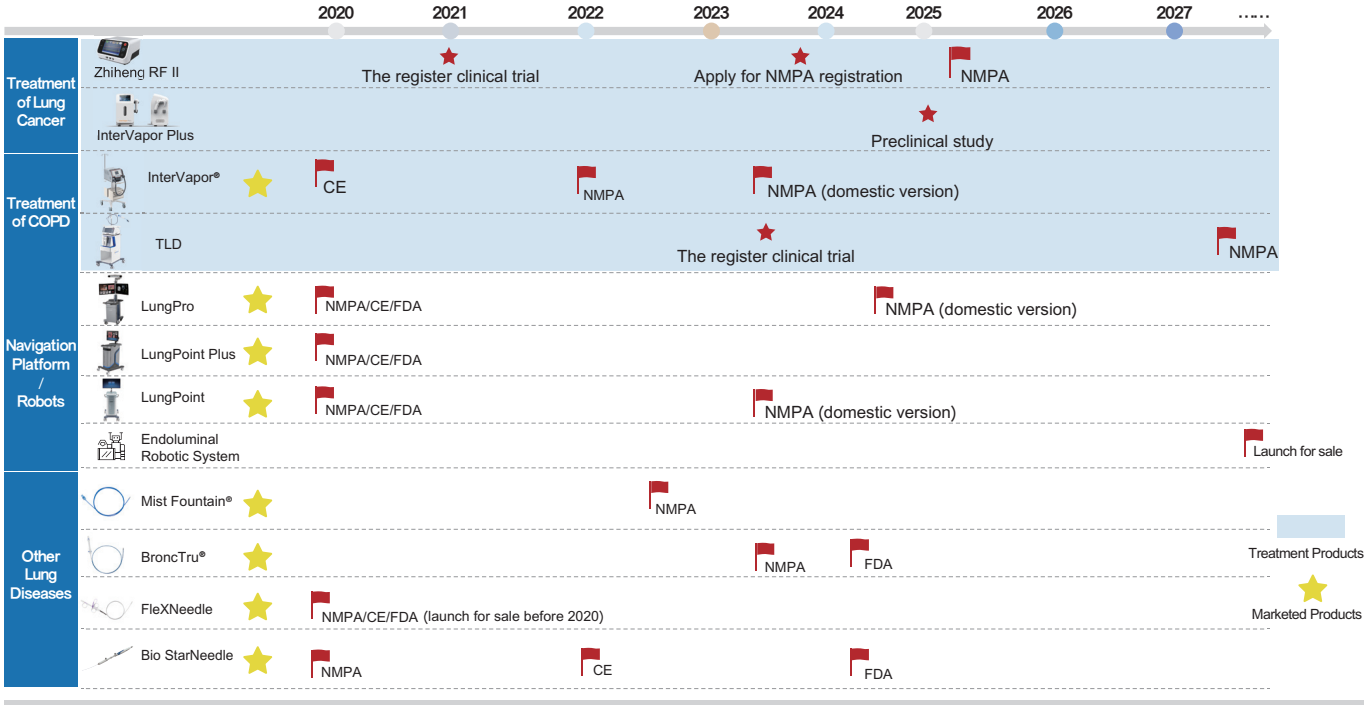
The trade payables are non-interest-bearing and are normally settled on 30-day terms.

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 of June 30, 2024, our main products are shown as below, 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. Zhiheng RF-II Radiofrequency Ablation System is the world's first transbronchial interventional treatment product for lung cancer. Our TLD is the first self-developed targeted radiofrequency ablation system in China to reduce the risk of acute exacerbation of COPD.

Our Products and Product Pipeline



CORE PRODUCTS

COPD treatment

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%. 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 intensive care unit ("**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.

Our COPD treatment pipeline includes the InterVapor® Thermal Vapor Treatment System and the Targeted Lung Denervation (TLD) Radiofrequency Ablation System, which are used respectively for the treatment of severe and very severe COPD as well as acute exacerbations of COPD. Among them, InterVapor® has obtained the registration certificates including CE and NMPA, and has been commercialized in some countries/regions worldwide, while the Targeted Lung Denervation (TLD) Radiofrequency Ablation System is currently in the clinical research stage.

InterVapor® Thermal Vapor Treatment System

InterVapor® Thermal Vapor Treatment System is the world's only non-implantable medical device for interventional treatment of chronic obstructive pulmonary disease and is used for the treatment of severe and very severe COPD and lung diseases such as lung cancer. It has a strong intellectual property portfolio and is the world's first and only interventional pulmonology device utilizing thermal vapor energy. InterVapor® delivers thermal vapor to the lungs via bronchoscopy to achieve targeted ablation of lung lesions, treating patients with chronic obstructive pulmonary disease.

InterVapor® has received CE, NMPA, and other registration certifications, and the product has been approved for commercialization in Europe, China, Hong Kong, Taiwan, Australia, Singapore, India, Thailand, and other countries/regions. In China, InterVapor® has been commercially applied in more than 60 hospitals, and approximately 180 hospitals have tried the technology. The treatment results have been widely recognized by doctors and patients. At the same time, in line with the national policy encouraging domestic production and considering cost optimization, we have accelerated the process of transferring its production from the United States to China, and have now achieved localization of the products. In addition, the procurement and hospital admission process of the product in the PRC is progressing in an orderly manner. Currently, its disposable thermal vapor treatment catheter has been listed on the Sunshine Procurement Platform in 28 provinces/cities nationwide, providing access assurance for hospital price negotiations and procurement.

Targeted Lung Denervation (TLD) Radiofrequency Ablation System

TLD, a Targeted Lung Denervation Product developed by us in collaboration with West China Hospital of Sichuan University, is the first self-developed product in China for the treatment of COPD by transbronchial radiofrequency ablation. The product provides deeper tissue ablation around the main bronchus in the lungs to reduce the tension and mucus production in the airway and relieve airway obstruction.

The register clinical trial of TLD products was launched in 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 for assessing the safety and efficacy of the product. As of June 30, 2024, more than 80 patients have been enrolled in over 20 research centers. The investigator meeting for the systematic phase data analysis of this clinical trial has been held, and the phase data showed a general improvement in the clinical performance of patients. 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.

Lung Cancer Treatment Pipeline

On April 4, 2024, the International Agency for Research on Cancer (IARC) released the cancer statistics for various regions worldwide in 2022: Lung cancer was the most prevalent form of cancer in 2022, with nearly 2.5 million new cases globally (accounting for 12.4% of all cancers worldwide), and it had the highest mortality rate, with an estimated 1.8 million deaths due to lung cancer (18.7%). China has the highest incidence of lung cancer in the world. In 2022, China had 1.06 million new lung cancer cases (accounting for approximately 22%), ranking first among cancers. At the same time, the number of lung cancer deaths also far exceeds other types of cancer, reaching 733,300, accounting for 28.4% of the total cancer deaths. It is expected that this number will further increase to more than 1.0 million by 2025. According to Frost & Sullivan, among these patients, over half of them are diagnosed with the cancer already at late stages at first diagnosis with a five-year survival rate as low as 12.6% for stage III patients and 2.9% for stage IV patients. Early diagnosis and treatment are effective ways to improve the overall survival rate of lung cancer patients. Doctors can help patients achieve early diagnosis effectively through our bronchoscopic biopsy surgery guided by our lung navigation system and adopt safe and effective treatment solutions, including using our Zhiheng RF-II for radiofrequency ablation of lung tumors, thus advancing the treatment threshold of lung cancer to achieve higher survival rates.

Zhiheng RF-II Radiofrequency Ablation System

Zhiheng RF-II is the world's first transbronchial interventional treatment product for lung cancer. The product is developed by us in co-operation with the First Hospital of Guangzhou Medical University. It is a radiofrequency ablation system used in conjunction with the disposable lung radiofrequency ablation catheter and the radio frequency energy generator. Under navigational guidance, it acts on lung tumors via a bronchoscope to perform ablation to the lung tumors and effectively promote the advanced treatment of lung cancer.

Currently, the treatment of lung cancer is mainly based on chemotherapy, radiotherapy and surgical operations with greater side effects and trauma. 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.

Zhiheng 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. The results of the study confirmed the safety and efficacy of RF-II in the clinical treatment of lung cancer. The product has been submitted to the NMPA for completion of the medical device marketing review process. After the product is launched, we will also collaborate with key opinion leaders to introduce our unique technology by holding training sessions.

Main Products for Other Lung Disease Diagnostic Pipeline

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 airway anaesthesia, precise antibacterial and anti-inflammatory, tuberculosis drug delivery, phlegm reduction and elimination, thoracic surgery staining location, etc.

The "Mist Fountain®" nebulizing micro-catheter is 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. In the first half of 2024, the product was used in more than 1,000 surgeries. The application scenarios include: airway anaesthesia, nebulized drug delivery and so forth.

BroncTru®, a disposable transbronchoscopic puncture dilatation catheter

Under the guidance of the navigation system, BroncTru® can create an 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, 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 and the difficulty, 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. It can also realize follow-up treatment with therapeutic devices.

The product was officially approved for marketing by Zhejiang Medical Products Administration (浙江省藥品監督管理局) in September 2023. Having certain patent technologies, the product has been applied in multi-scenarios in the field of diagnosis and treatment of lung diseases. Since its launch in China, it has been clinically applied in a number of top medical centers across the country. Its application scenarios include but not limited to lung biopsy and laser ablation, bronchoscopic lung cavity puncture biopsy and lavage, and bronchoscopic needle aspiration biopsy (TBNA), etc., which have gained wide recognition from doctors.

Professor Hou Gang (侯剛)'s team from the National Center for Respiratory Medicine (China-Japan Friendship Hospital) published the latest case sharing in the Endoscopic Ultrasound (EUS) journal, a first-tier journal of the Chinese Academy of Sciences, innovatively using BroncTru® for transbronchial mediastinal cryobiopsy (EBUS-TTCB) under endobronchial ultrasound guidance. In comparison to traditional high-frequency needle knife airway incision, this method simplifies the tunneling process, completing the transbronchial mediastinal cryobiopsy under endobronchial ultrasound guidance more quickly and safely.

Navigation

LungPoint, LungPoint Plus/Archimedes Lite and LungPro/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 System**" outside China), to serve the different needs of hospitals at all levels for the functionality of lung navigation products. These products will be updated and iterated based on the feedback from clinical use.

- LungPoint, or LungPoint Virtual Bronchoscopic Navigation (VBN) System, 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 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 in the PRC since late 2020 and was launched for sale in EU and the United States in March 2021.

- LungPro System, known as the Archimedes System outside of China (the "**LungPro/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 EU by the BSI in 2014, and the PRC by the NMPA in 2017.

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.

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 and 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.

Leveraging our strong R&D capabilities and integrated technology platform, we continue to make steady progress in product development, upgrading our existing products to meet the varying needs of physicians and, where appropriate, expanding the range of applications of our products to provide physicians and patients with more comprehensive treatment options.

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®, FlexNeedle and ATV Kits in the United States, and LungPoint, InterVapor® 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.

Early navigation products were developed by our U.S. team and we have mainly manufactured our navigation products in the U.S., including LungPoint, LungPoint Plus and Archimedes System, all of which are manufactured in our production center in San Jose, the United States. The plant is ISO13485 compliant.

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. Currently, the Hangzhou factory has the capacity to manufacture navigation products, InterVapor® (including the disposable catheters and devices) and various consumable products for the treatment of lung diseases. The LungPoint domestic version was registered and approved by the NMPA in September 2023, and the LungPro System domestic version (a whole-lung navigation system, known as the Archimedes system outside of China) is expected to be approved in the third quarter of 2024. To date, we have largely localized our imported products and new therapeutic products will be manufactured in-house in China.

We can rapidly expand our production capacity in response to market needs to satisfy the ever-increasing market demand.

Quality system

In accordance with regulations and standards such as ISO13485, China's NMPA GMP, the OSR by the FDA of the United States and the EU's MDR, we have established an international quality management system.

The Company establishes and maintains a high-standard and stringent quality management system, implementing strict quality control procedures in every aspect, including R&D, clinical trials, registration, procurement, production, sales, and after-sales service. At the same time, a large amount of resources is invested in quality control to manage and improve product quality. Multiple procedures are conducted to inspect raw materials, manufacturing processes, semi-finished products, and finished products, in order to ensure the effectiveness and consistency of product quality and that the products are in stable and reliable quality.

Intellectual property

As of June 30, 2024, we obtained 866 patents and patent applications, including 442 issued patents and 140 patent applications in China, and 114 issued patents and 170 patent applications from other countries/regions, including major markets such as the United States and the EU, Taiwan and Hong Kong. Based on the patent-first product development strategy, the Company has secured several domestic and international patents in the field of interventional pulmonary treatment, consolidating its strong moat in the field. Among the patents obtained, 163 and 89 of them are related to InterVapor® and RF-II, respectively. Other patents are related to the marketed and pipeline products, as well as the Company's patent portfolio in pulmonary interventional therapy technology.

Commercialization

In the first half of 2024, the product commercialization of the Company has progressed steadily, demonstrating our established commercialization and globalization capabilities. We always adhere to market demand orientation. Our professional marketing team has established a proactive commercialization strategy, gradually developing domestic and global markets around three key participants: hospitals, doctors, and patients. To this end, our strategies include:

- ***Professional marketing team***

  In the global market, we adopt a mixed sales model combining both direct sales and distributorship, with our products being sold to the United States, the United Kingdom, Germany, France, and other regions. In China, we have established a professional sales team covering nationwide. Due to the unique nature of promoting innovative medical devices, we have formed a clinical support team composed of colleagues with clinical medical backgrounds to conduct procedural training, surgical support, and patient education in cooperation with hospitals. This aims to provide professional and comprehensive medical solutions for hospitals, doctors, and patients, thereby increasing the awareness and sales revenue of our company's products.

- ***Multiple product portfolios meet the differentiated needs of hospitals***

  Based on the Company's multiple portfolio of pulmonary interventional diagnostic and therapeutic products, we provide differentiated diagnostic and therapeutic solutions for hospitals at various levels according to their different needs, seeking higher product utilization rates and bringing more revenue to hospitals.

  During the market promotion of our innovative medical devices such as InterVapor®, in order to enhance product awareness and recognition, we adopt a promotion model of establishing benchmark hospitals and then reduplicating to regional hospitals. We first steadily implement the early-stage product application in benchmark hospitals with strong academic status and clinical strength, accumulating clinical evidence and experience. Thereafter, we provide experience exchange activities between benchmark hospitals and reduplicated hospitals, sharing best practices in patient screening, surgical experience, and post-operative care, promoting the implementation of innovative surgical methods at all levels of hospitals.

  In Europe, we have a stable local sales team and have adopted a strategy of establishing benchmark country influence to promote product marketing. For example, we have successfully applied BTPNA and BTVA procedures in top centers such as the Chest Hospital of Heidelberg in Germany. The academic influence of these procedures has facilitated their implementation and product adoption in countries like Eastern Europe, and initial results have been seen.

  In the first half of 2024, our sales in South Asia remained stable and continued to grow steadily; in Southeast Asia, we completed the first sales in the top hospital of Thailand; in the Middle East, we completed the first tender in countries like Saudi Arabia. At the same time, the registration and market access of our new products are being actively and steadily advanced overseas.

- ***Ongoing training for doctors and publication of expert consensus***

  To promote the adoption of our interventional pulmonology products and related innovative techniques, we continuously update clinicians' understanding of our innovative techniques through clinical case sharing and product demonstrations at international and domestic academic conferences.

  In the first half of 2024, the Company actively expanded its industry influence, participating in over 40 third-party conferences worldwide, including many industry-leading events, such as the China Medical Equipment Conference and 2024 Medical Equipment Exhibition, the 12th Chinese Medical Association Respiratory Endoscopy and Interventional Pulmonology Academic Conference, and the 2024 International Innovation Forum on Interventional Pulmonology. In additional, the Company organized nearly 90 targeted meetings and activities, including regional academic salons, surgical observations, hands-on animal experiments, and departmental meetings. Covering a cumulative total of 20,000 industry experts, these activities, with a cumulative view count exceeding 200,000, demonstrated the Company's profound strength and professional influence in the industry.

  In addition, the Company has meticulously planned and carried out a unique series of "Breathe Better" patient education and promotional activities, effectively reaching approximately 100,000 target audiences through a combination of online and offline methods.

Meanwhile, we continue to promote specialized animal experiment surgery observation activities for pulmonological disease diagnosis and treatment in various regions. We provide relevant education and practical surgical training for pulmonological disease diagnosis and treatment to hospitals at all levels, while offering professional clinical guidance services to hospitals that have purchased our products, in order to enhance doctors' abilities in patient selection and device operation.

To improve the standardization of interventional diagnosis and treatment services for COPD and lung cancer in China, we are committed to promoting the implementation of various expert consensus on treatments. In the first half of 2024, the expert consensus on navigation titled "Expert Consensus on Diagnosis, Localization, and Treatment of Peripheral Lung Nodules under Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation Guidance" was jointly drafted and released by the Interventional Study Group of the Respiratory Disease Branch of the Chinese Medical Association and the Interventional Study Group of the Respiratory Disease Branch of the Zhejiang Medical Association.

Under the leadership of Professor Li Shiyue (李時悅), Deputy Director of the Respiratory Disease Branch of the Chinese Medical Association, Head of the Interventional Pulmonology Group, Deputy Director of the Guangzhou Institute of Respiratory Health, and Director of the Department of Respiratory Medicine at the First Affiliated Hospital of Guangzhou Medical University, led multiple several centers across the PRC initiated a thematic seminar, namely the Expert Consensus on Standardized Clinical Application of Thermal Vapor Lung Volume Reduction for COPD Emphysema.

- ***Promote pulmonary disease knowledge through online and offline channels to enhance patients' willingness to seek treatment***

  To increase the willingness of patients with lung diseases, especially COPD patients, to receive treatment, we have disseminated knowledge about lung disease treatment through expert interviews, online live forums, doctor-patient interactive Q&A sessions, patient exchange meetings, and new media communication. By using real clinical cases and surgical outcomes, we aim to enhance patients' willingness to undergo treatment. In addition, for patients who have already received treatment, we provide comprehensive disease course tracking services from consultation, surgery to postoperative follow-up, so as to enhance the patients' satisfaction.

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

During the Reporting Period, the Company received government grants totaling US$0.1 million (six months ended June 30, 2023: US$0.05 million).

FUTURE AND PROSPECTS

We are committed to continuously consolidating our position as a global leader in minimally invasive interventional diagnosis and treatment of lung diseases, based on our navigation platform and two energy control technologies, namely radiofrequency and thermal vapor, bringing blessings to patients and healthcare providers worldwide. We plan to implement the following strategies to achieve our goals:

- Continue to enhance the penetration rate and influence of the Company's treatment products for COPD and other diseases in the PRC market;
- Rapidly advance the clinical development and commercialization of pipeline products;
- Focus on minimally invasive interventional treatment, further expand the product portfolio based on the technology platform;
- Continuously develop various underlying technologies and supporting technologies; and
- Selectively expand our global business.

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 announcement.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue	**3,704**	5,234
Cost of sales	**(750)**	(1,208)
Other income and gains	**3,450**	2,512
Selling and distribution expenses	**(3,755)**	(6,365)
Administrative expenses	**(3,604)**	(4,609)
Impairment of trade receivables, net	**(444)**	201
Research and development costs	**(6,941)**	(10,232)
Other expenses	**–**	(219)
Finance costs	**(51)**	(43)
Income tax expense	**(2)**	(2)
Loss for the period	**(7,943)**	(14,731)
Other comprehensive income for the period, net of tax	**(347)**	(1,871)
Total comprehensive income for the period	**(8,290)**	(16,602)

Revenue

For the Reporting Period, the revenue of the Group was mainly derived from sale of medical consumables and devices. For the six months ended June 30, 2024, the revenue of the Group was US$3.7 million. Of which, the revenue generated from sale of consumables was US$2.3 million, representing an increase of 29% as compared with US$1.8 million in the corresponding period of last year. The increase is mainly due to the increasing market penetration of the Company's surgical consumable products for lung diseases, such as InterVapor® disposable thermal vapor therapy catheter and Mist Fountain® disposable nebulizing micro-catheter for endoscope and BroncTru® disposable transbronchoscopic puncture dilatation catheter, as the Company's consumable products being further promoted in the PRC market.

Costs of Sales

Costs of sales mainly consist of staff cost, raw material costs, depreciation and amortization, utility costs and others. For the six months ended June 30, 2024, the Group's costs of sales was US$0.8 million, representing a decrease of 38% from US$1.2 million in the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2024, gross profit was US$3.0 million, as compared with US$4.0 million in the corresponding period of last year. Gross profit margin is calculated based on gross profit divided by revenue. The Group's gross profit margin on products sold increased from 77% for the six months ended June 30, 2023 to 80% for the six months ended June 30, 2024, which was mainly due to the completion of the localization transfer of the production process of the InterVapor® Thermal Vapor Treatment System and navigation products, as well as the localization of the entire line of consumable products, which effectively reduced product production costs.

Other Income and Gains

For the Reporting Period, our other income and gains consist primarily government grants and bank interest income. For the six months ended June 30, 2024, total other income and gains were approximately US$3.5 million, representing an increase of approximately US$1.0 million from the six months ended June 30, 2023, mainly due to an increase in interest income.

Selling and Distribution Expenses

For the six months ended June 30, 2024, our selling and distribution expenses were US$3.8 million, representing a decrease of 41% as compared with the corresponding period of last year, mainly due to our focus on commercialization of the core products and effective optimization of selling expenses through various initiatives.

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. R&D trial expenses include expenses incurred for conducting R&D animal experiments and expenses incurred on clinical trials, including payment to CROs and hospitals in relation to our clinical trials.

For the six months ended June 30, 2024, we incurred R&D costs of approximately US$6.5 million, representing a decrease of 37% as compared with the corresponding period of last year. The decrease in our R&D costs was mainly due to our focus on the R&D of our core products and the further adoption of cost optimization, cost control and other measures to reduce expenses.

	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	US$'000	***Proportion***	*US$'000*	*Proportion*
Staff cost	**3,509**	**54%**	5,814	57%
Depreciation and amortization	**1,327**	**20%**	1,224	12%
Clinical trial expenses	**426**	**6%**	885	9%
Technical service fees	**379**	**6%**	923	9%
Raw material costs	**186**	**3%**	337	3%
Share awards	**35**	**1%**	306	3%
Others	**629**	**10%**	743	7%
Total	**6,491**	**100%**	10,232	100%

Administrative Expenses

For the six months ended June 30, 2024, our total administrative expenses were approximately US$3.6 million, representing a decrease of 22% as compared with the corresponding period of last year.

Liquidity and Capital Resources

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

As at June 30, 2024, our cash and bank balances and time deposits over three months totalled US$146.3 million. The Group has sufficient capital to support business operations and development.

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

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Net cash flows used in operating activities	**(8,834)**	(15,916)
Net cash flows (used in)/from investing activities	**(17,430)**	8,794
Net cash flows used in financing activities	**(514)**	(278)
Net decrease in cash and cash equivalents	**(26,778)**	(7,400)
Cash and cash equivalents at the beginning of the period	**83,564**	106,756
Effect of foreign exchange rate changes, net	**(169)**	(2,078)
Cash and cash equivalents at the end of the period	**56,617**	97,278
Analysis of balances of cash and cash equivalents	**56,617**	97,278
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**56,617**	97,278

As at June 30, 2024, cash and cash equivalents were mainly denominated in HK$, US$ and Renminbi.

Bank borrowings and gearing

The Group's overseas credit card overdraft facilities amounting to US$33,987 (December 31, 2023: US$84,000) were denominated in US$, of which US$13,810 (December 31, 2023: US$16,000) had been utilized, were secured by certain of the Group's time deposits totaling US$25,000 (December 31, 2023: US$25,000).

The Group monitored capital using gearing ratio. As at June 30, 2024, the Group's gearing ratio (calculated as total borrowings and lease liabilities divided by total equity) was 1.06% (December 31, 2023: 1.27%).

Foreign exchange risk

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

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

Contingent liabilities

As at June 30, 2024, the Group did not have any significant contingent liabilities.

Charge or restrictions on assets

As at June 30, 2024, the Group had pledged deposits of US$238,000 (December 31, 2023: US$238,000). The pledged deposits were placed to secure the Group's bank overdraft facilities and as guarantees to the Group's lessor. Save as disclosed in this announcement, the Group did not pledge any group assets.

NON-IFRS MEASURES

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

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

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

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	USD'000	*USD'000*
Loss for the period	**(7,943)**	(14,731)
Add:		
Share awards[(1)]	**111**	440
Non-IFRS adjusted net loss for the period[(2)]	**(7,832)**	(14,291)

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.

CORPORATE GOVERNANCE RELATED INFORMATION

Compliance with the Corporate Governance Code

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 part 2 of the CG Code as contained in Appendix C1 to the Listing Rules as its own code of corporate governance practices. During the six months ended June 30, 2024 and up to the date of this announcement, the Company has complied with all the applicable code provisions as set out in part 2 of the CG Code, except for the following deviation(s):

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Hong Xu ("**Mr. Xu**") is currently the chairman of the Board and the chief executive officer of the Company (the "**CEO**"). The Board believes that, in view of Mr. Xu's experience, personal profile and his roles within the Group, Mr. Xu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of the business of the Group as the CEO. The Board also believes that the combined role of the chairman of the Board and the CEO can promote an effective execution of strategic initiatives and facilitate the flow of information between management and the Board. The Board will continue to review and consider the splitting of the roles of the chairman of the Board and the CEO of the Company from time to time, and by taking into account the circumstances of the Group as a whole.

Compliance with the Model Code

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.

NON-COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.27A OF THE LISTING RULES

Professor Joseph Wan Yee Lau ("**Professor Lau**"), an independent non-executive Director since September 13, 2021, and a member of each of the Audit committee and the Nomination Committee, passed away on February 7, 2024.

Following the passing away of Professor Lau, the Company did not meet (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.

Subsequently, Mr. Zhenjun Zi ("**Mr. Zi**"), a non-executive Director, resigned with effect from March 1, 2024. Upon the resignation of Mr. Zi, the Company has complied with the requirement of Rule 3.10A of the Listing Rules.

On April 19, 2024, among other changes to the composition of the Board, Dr. David Scott Lim ("**Dr. Lim**") was appointed as an independent non-executive Director and a member of each of the Audit Committee and Nomination Committee, upon which the Company has duly complied with the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules.

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 (including sale of treasury shares (as defined under the Listing Rules)). As of the end of the Reporting Period, no treasury shares were held by the Company.

Issuance of Equity Securities of the Company

During the Reporting Period, the Company did not issue any equity securities or sell treasury shares (as defined under the Listing Rules) for cash other than grants which may have been made pursuant to share schemes adopted by the Company which comply with Chapter 17 of the Listing Rules.

Significant Investment Held and Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

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.

Employee and Remuneration Policies

As at June 30, 2024, the Group had 208 employees, of which 183 were based in China while 25 were based overseas (mainly in the U.S., Europe, Israel and India).

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

During the Reporting Period, the total staff costs (including Director's emoluments and excluding share award expenses) were approximately US$7.9 million (for the same period in 2023: US$12.6 million).

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 of the Company dated September 13, 2021 (the "**Prospectus**"), the Group does not have any specific plans for significant investments or acquisition of material capital assets or other businesses.

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$1,620.1 million, after deducting the underwriting commission and other expenses payable by the Company in connection with the Global Offering.

As at June 30, 2024, the Company has utilized approximately HK$642.3 million of the proceeds from the Global Offering. There was no change in the intended use of net proceeds and the expected timeline as disclosed in the Prospectus. The balance of the unutilized net proceeds amount to approximately HK$977.8 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	285.4	29.4	256.0	Expected to be fully utilized by 2030
Development and commercialisation of RF-II	20.9%	339.4	286.8	12.6	274.2	Expected to be fully utilized by 2030
R&D of other product candidates	18.5%	299.9	114.3	33.2	81.1	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	194.0	–	194.0	Expected to be fully utilized by 2026
Working capital and other general corporate purposes	9.2%	149.2	41.5	18.2	23.3	Expected to be fully utilized by 2026
Total	**100.0%**	**1,620.1**	**1,071.2**	**93.4**	**977.8**	

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Dr. Pok Man Kam, Ms. Yee Sin Wong, and Dr. David Scott Lim. Dr. Pok Man Kam, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The accounting information given in this announcement has not been audited or reviewed by the Company's external auditor. The Group's interim results for the six months ended June 30, 2024 have been reviewed by all members of the Audit Committee. Based on such a review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from June 30, 2024 to the date of this announcement.

INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.broncus.com). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be provided to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"BSI"	the British Standards Institution
"BTPNA"	Bronchoscopic Trans-Parenchymal Nodule Access
"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
"COPD"	chronic obstructive pulmonary disease
"CROs"	Contract Research Organization
"Director(s)"	member(s) of our board of directors, including all executive, non-executive and independent non – executive directors

"EU"	the European Union
"FDA"	The United States Food and Drug Administration
"Global Offering"	the global offering of the Shares, comprising the Hong Kong public offering of 8,935,500 Shares and the international offering of 80,419,500 Shares
"Group," "our Group," "we" or "us"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the context may require)
"HK$", "HKD", "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 Treatment System to treat lung diseases including COPD and lung cancer, including InterVapor Generator and InterVapor Catheter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"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)
"Nomination Committee"	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 announcement and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"R&D"	Research and development
"Reporting Period"	six months ended June 30, 2024
"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

"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
"U.S.", "US", "USA" or "United States"	the United States of America
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent

By order of the Board
Broncus Holding Corporation
XU Hong
Chairman

Hong Kong, August 29, 2024

As at the date of this announcement, the Board comprises Mr. Hong Xu as executive Director, Mr. Ao Zhang and Ms. Yanhong Kuang as non-executive Directors, and Dr. Pok Man Kam, Ms. Yee Sin Wong and Dr. David Scott Lim as independent non-executive Directors.