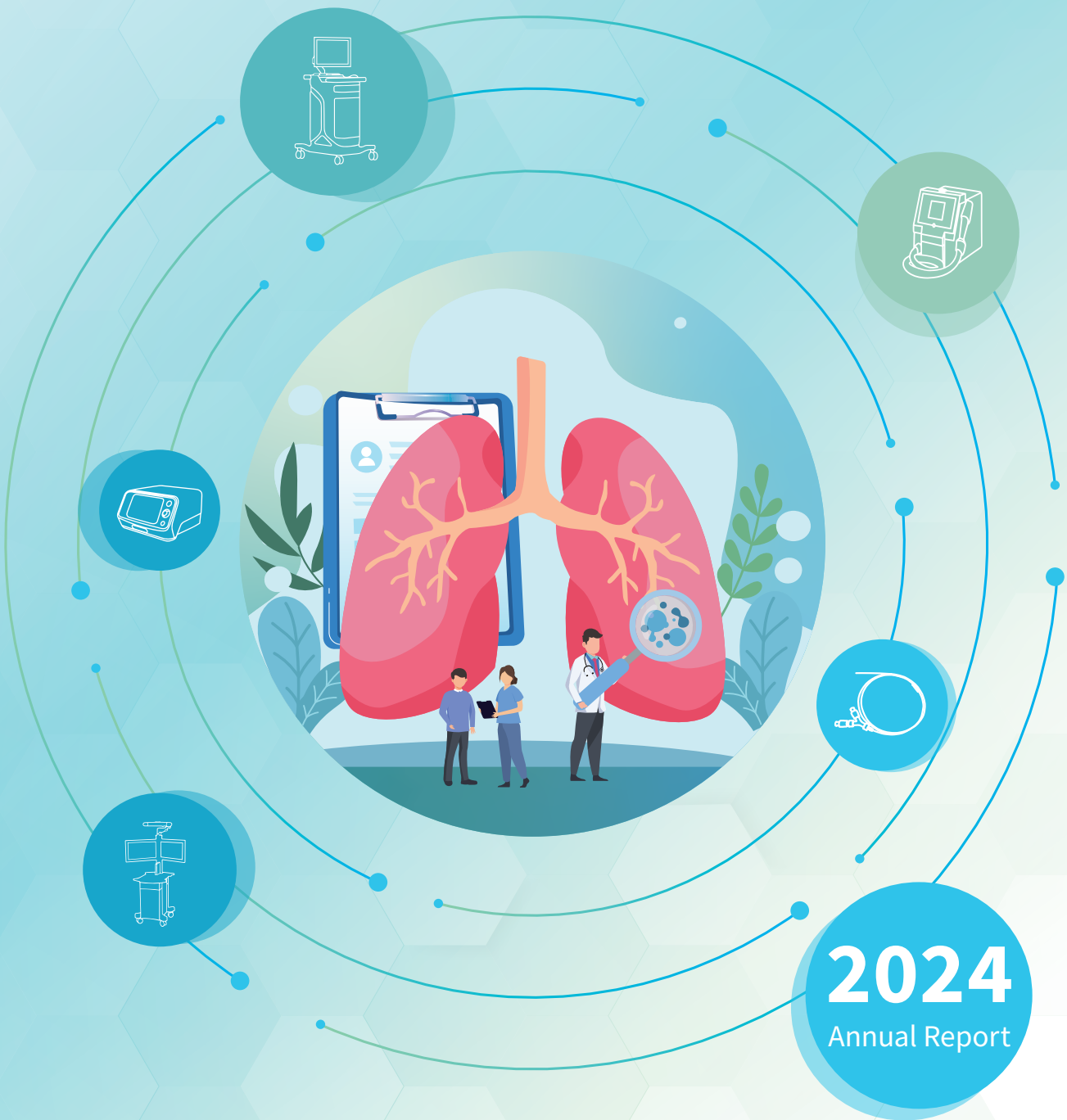
BRONCUS

堃博医疗控股有限公司

Broncus Holding Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2216



2024 Annual Report

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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 and Chairman)*

Non-executive Directors

Mr. Ao Zhang
Ms. Yanhong Kuang

Independent Non-executive Directors

Dr. Pok Man Kam
Ms. Yee Sin Wong
Dr. David Scott Lim

AUDIT COMMITTEE

Dr. Pok Man Kam *(Chairman)*
Ms. Yee Sin Wong
Dr. David Scott Lim

NOMINATION COMMITTEE

Mr. Hong Xu *(Chairman)*
Ms. Yee Sin Wong
Dr. David Scott Lim

REMUNERATION COMMITTEE

Ms. Yee Sin Wong *(Chairwoman)*
Dr. Pok Man Kam
Ms. Yanhong Kuang

COMPANY SECRETARY

Ms. Ka Yan Suen *(ACG, HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. Hong Xu
Ms. Ka Yan Suen

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:
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The Landmark, 15 Queen's Road Central,
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CORPORATE INFORMATION

REGISTERED OFFICE

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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STOCK CODE

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COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

	Year ended December 31, 2024 USD'000	Year ended December 31, 2023 USD'000	Year-to-year change
Revenue	**8,131**	10,255	-21%
Gross profit	**6,139**	7,227	-15%
Loss for the year	**(15,303)**	(28,092)	-46%
Add:			
Share awards	**236**	556	-58%
Non-IFRS adjusted net loss for the year [(1)]	**(15,067)**	(27,536)	-45%
Cash and bank balances and deposits	**139,346**	156,647	-11%

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

CHAIRMAN'S STATEMENT

In 2024, the rapid evolution of industry trends and shifts in the external environment have posed significant challenges to the biopharmaceutical sector. Broncus demonstrated proactive responsiveness by steadfastly advancing its development strategy without compromising momentum, thereby showcasing remarkable resilience and adaptability amidst adversity. Our flagship products have delivered outstanding clinical outcomes across multiple domains, including Chronic Obstructive Pulmonary Disease (referred to as "**COPD**") and lung cancer treatment, while achieving progress in commercialization. Furthermore, through strategic initiatives, we have also enhanced internal operational efficiency and quality, reducing losses by 46% compared to the same period last year, and continuously optimizing cash flow management.

With unwavering dedication and a steadfast commitment to our mission, we uphold the belief of "advancing the era of precision diagnosis and treatment in the field of lung diseases". In 2024, we concentrated our resources on developing products for lung disease treatment. Through our efforts, the concepts of interventional treatment for COPD and lung cancer have gained increasing recognition and adoption by both physicians and patients. Despite the challenges inherent commercializing innovative medical devices, we remain committed to advancing this uncharted journey. We not only focus on product innovation and development but also place significant emphasis on academic education and commercial promotion, enhancing our investment in physician training and public awareness campaigns.

Taking InterVapor as an example, the team has actively facilitated the implementation of the BTVA procedures in multiple hospitals, where its efficacy in treating severe COPD has been widely acknowledged by both physicians and patients. In numerous provinces and cities, our InterVapor catheter has been collected in the open and transparent procurement platform and has achieved breakthrough progress in medical insurance coverage and operation reimbursement. These developments have established a solid foundation for our product's entry into hospitals. Simultaneously, our COPD awareness ambassador, "Nuannuan," has visited ten provinces and cities, disseminating knowledge on COPD prevention and treatment, collaborating with more than ten hospitals, we have organized host free clinic events that provide timely support to patients while enhancing public awareness of COPD.

We have enhanced the understanding and recognition of the "Broncus Solutions" in respiratory interventions among clinical experts both domestically and internationally through a variety of approaches, including hands-on training sessions, keynote speeches, animal experiments, surgical observation programs and specialized treatment workshops. These efforts facilitate academic exchanges and experience sharing among clinical experts, advance the adoption of innovative procedures, and further expand Broncus's market presence on both domestic and international levels.

As a globally recognized leader in intervention pulmonology, our overseas business maintained steady growth throughout 2024. We currently hold a total of 66 registration certificates across various overseas markets, including newly obtained FDA approvals for Biostar® and BroncTru®, as well as registration certificates for LungPro® in Singapore and Malaysia. To date, our operations span 37 countries/regions worldwide. In 2024, our overseas sales revenue grew by 29% year-over-year, with advancements achieved in key regions such as Europe, the Middle East, and Southeast Asia.

CHAIRMAN'S STATEMENT

We fully recognize the pivotal role of clinical data in promoting innovative medical devices. Such data provide robust evidence to substantiate the safety and efficacy of the medical devices, which can effectively increase trust among physicians and patients, enhancing the product's market competitiveness. We have initiated pre-market and post-market clinical trials for our products to gather more comprehensive and high-quality evidence grounded in medical science. At the same time, we are actively facilitating the development of expert consensus, offering physicians clear clinical practice guidelines that assist them in making more precise decisions regarding the selection and application of our respiratory intervention solutions, ultimately improving medical outcomes and patient satisfaction.

We hold the belief that true success is not only solely determined by commercial accomplishments but also by the achievement of balanced development across economic, social and environmental dimensions. In 2024, with a focus on the foundation principle of "Compliance-driven Development," we actively fulfilled our corporate social responsibility by enhancing ESG-related policies. This was done to ensure adherence to relevant regulatory standards while aligning with global best practices, thereby safeguarding the overarching interests of shareholders.

Looking ahead, we firmly convinced that in the context of rapid technological advancement, innovation in medical devices will continue to herald a new era. The biopharmaceutical industry will remain a highly promising sector, we also strongly believe that innovation serves as the cornerstone of industrial development and the key driver for our company's long-term growth and sustainability. We will persistently pursue technological innovation and further strengthen our capabilities in pulmonary big data deep learning and software development, while expanding our intellectual property portfolio. In the midst of the AI revolution, we will deploy more intelligent solutions, refine real-time feedback during treatment processes and further elevate the core competitiveness of our integrated navigation diagnosis and treatment platform. We will continue to accelerate commercialization efforts, enhance the Company's operational resilience, and cultivate new productivity to deliver greater value for our customers, shareholders and society.

On behalf of the Board, I would like to extend my sincere gratitude to all staff and the management for their dedication and contributions in 2024, I also express my profound appreciation to our customers, business partners and share for their steadfast support. We look forward to continuing our growth and sharing our achievements with all of you in the future. Together, we can address the public health challenge posed by the lung diseases and assist people in pursuing a better quality of life.

Hong XU
Chairman and CEO

March 31, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OUR PROFILE

Focus on the interventional treatment of Chronic Obstructive Pulmonary Disease (referred to as "**COPD**") and lung cancer, we are pioneers in the field of Interventional Pulmonology, providing innovative solutions for lung diseases in China and globally. In the large-scale, underdeveloped and rapidly growing interventional respiratory medicine market, leveraging China's first and only real-time imaging-based full-lung navigation technology, we have established a comprehensive "navigation-diagnosis-treatment" platform for interventional respiratory disease treatment platform. This platform addresses the pain points of existing treatment models and the unmet clinical needs of lung diseases, leading the transformation of diagnosis and treatment paradigms and advancing the field of lung diseases into the era of precision medicine.

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.

In 2024, we observed increased volatility in biopharmaceutical sector compared to previous years, influenced by macroeconomic factors, structural elements, and cyclical reasons. Nevertheless, the public's growing awareness of healthy living continues to drive demand in biopharmaceutical industry, the advancement of life sciences and the launch of new products have not slowed down. Against this backdrop, as a pioneer in the field of interventional pulmonology, we remain dedicated to the research, development, and enhancement of interventional treatment product pipelines for lung diseases, particularly lung cancer and COPD. Our goal is to advance interventional pulmonology therapies, effectively alleviate patients' symptoms, improve their quality of life, and potentially extend their survival. We also acknowledge that the development of the biopharmaceutical industry is propelled by addressing unmet clinical needs, refining existing treatment methods, and achieving technological breakthroughs. In the field of interventional pulmonology, interventional therapeutic solutions of lung cancer and COPD are currently integrating these critical factors. We are indeed making sustained efforts to align with and amplify the development trend of the industry.

During the Reporting Period, we overcame multiple headwinds, focus on our core business and enhance internal operational efficiency and quality, and concentrated the resources on the clinical trials, registration and commercialization process of our core interventional pulmonology treatment products. Our overall business remained stable, with a significant decrease in losses compared to the corresponding period of last year and continuous optimization of cash flow. Our innovative products have entered more hospitals both domestically and internationally, providing safe and effective clinical solutions for patients and healthcare providers. Meanwhile, we have kept up the pace in clinical and research efforts, further creating momentum for our products.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Clinical Progress and Standard Development***

  Over the past year, our flagship products have demonstrated promising clinical results across a range of therapeutic areas. We also continue to prioritize advancement of post-marketing clinical trials and the facilitating expert consensus building.

  - In April, the expert consensus on diagnosis, localization, and treatment of peripheral lung nodules under augmented reality optical whole lung diagnostic and therapeutic navigation guidance were officially released. The Interventional Study Group of the Respiratory Disease Branch of the Chinese Medical Association drafted the "Expert Consensus on Diagnosis, Localization, and Treatment of Peripheral Lung Nodules under Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation Guidance" with the collaboration of experts from various disciplines, which provides recommendations and clinical guidance on the indications and contraindications, equipment and instruments, handling of perioperative period, operational process, and complication management for the diagnosis, localization, and treatment of peripheral lung nodules under augmented reality optical whole lung diagnostic and therapeutic navigation technology.

  - In July, the thematic Seminar on Standardized Clinical Application of Bronchoscopic Thermal Vapor Lung Volume Reduction for COPD was held during the 12th Chinese Medical Association Respiratory Endoscopy and Interventional Pulmonology Academic Conference in 2024. Experts exchanged their views and shared experiences on the Standardized Procedure of Bronchoscopic Thermal Vapor Ablation (referred to as ("**BTVA**"), with the aim of "establishing an expert consensus on the Standardized Clinical Application of Bronchoscopic Thermal Vapor Lung Volume Reduction for COPD".

  - In August, the clinical trial results of BRONC-RF II were published in the authoritative academic journal *Respirology*, validating the advantages of our proprietary Transbronchial Radiofrequency Ablation System (BroncAblate®) in lung tumor treatment in terms of safety and efficacy, providing strong clinical evidence supporting the development and application of the transbronchial ablation system as a treatment method for lung tumors, marking a new era in minimally invasive interventional therapy for lung cancer.

  - In September, the kick-off meeting for the "prospective, single-arm, multicenter clinical study evaluating the efficacy and safety of BTVA in treating Heterogeneous Emphysema distribution" was duly held. Investigators from multiple centers jointly discussed the clinical study protocol and reached a preliminary consensus. This post-marketing clinical study of InterVapor® Thermal Vapor Treatment System is expected to generate high-quality clinical evidence, offering a safe and effective therapeutic option for patients.

  - Patients have been successfully enrolled for our pre-marketing clinical trial for the interventional treatment product of acute exacerbation of COPD, the targeted lung denervation. As of December 31, 2024, more than half of the patients have been enrolled.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Commercialization and Promotion of Innovative Techniques***

We have self-developed numerous innovative products in the interventional pulmonology diagnostic and therapeutic field and pioneered various clinical techniques based on these products. We fully recognize that promoting innovative techniques is a battle that requires extensive and arduous preliminary efforts. Despite various challenges, our management and marketing teams have worked closely together to advance the clinical application of BTVA, EBUS-TTCB and other techniques in hospitals across Beijing, Shanghai, Shandong, Jiangsu, Hunan, Jiangxi, Henan, Yunnan, Tibet, Xinjiang and other provinces and cities, providing safe and effective solutions for patients and physicians.

- In July, Professor Hou Gang (侯剛)'s team from the National Center for Respiratory Medicine (China-Japan Friendship Hospital) published their latest case study in Endoscopic Ultrasound (EUS), a first-tier journal of the Chinese Academy of Sciences, titled "Endobronchial ultrasound-guided transbronchial tunnel cryobiopsy for mediastinal lymphadenopathy (with video)." The team innovatively utilized the BroncTru® disposable transbronchoscopic dilatation catheter to perform transbronchial mediastinal cryobiopsy (EBUS-TTCB) under endobronchial ultrasound (EBUS) guidance. Professor Hou Gang's team named this procedure Endobronchial Ultrasound-Guided Tunnel Cryobiopsy (referred to as "**EBUS-TTCB**") and expressed his view that EBUS-TTCB is expected to become a new, safe, and feasible method for mediastinal lymph node cryobiopsy.

- In September, our BroncAblate® was successfully combined with surgical robots at Shanghai Chest Hospital, where Professor Sun Jiayuan (孫加源)'s team performed the world's first robot-assisted bronchoscopic radiofrequency ablation surgery for lung cancer. This breakthrough has expanded the possibilities for interventional diagnosis and treatment of lung diseases, offering new perspectives and paving the way for advancing the treatment threshold of lung diseases, in particular lung cancer.

- Since the launch of InterVapor® Thermal Vapor Treatment System in China, nearly 200 hospitals have conducted pilot use/trials for the system, and its efficacy in treating severe COPD has been widely recognized by patients and healthcare providers.

- In March 2025, our lung imaging processing software, BroncQCT®, has officially received approval from the Zhejiang Medical Products Administration for marketing in China. The Software is expected to enhance physicians' efficiency in examining lung computed tomography (CT) images, providing support for clinical auxiliary diagnosis and treatment, and promoting more efficient and precise diagnostic processes.

- ***Expanding our business globally***

We are a pioneering company in the field of Interventional Pulmonology, with a clear strategic focus on expanding our global business operations. By the end of 2024, our global footprints have expanded to 37 countries/regions worldwide, including the U.S., the United Kingdom, Italy, Germany, Singapore, India, Australia and others. Regarding market access, to date, we have obtained 66 registration certificates overseas, including the two new FDA approvals for Biostar® and BroncTru® during the year and the certifications for LungPro® in Singapore and Malaysia. During 2024, Our product applications were successfully progressed in several countries, including Poland and Saudi Arabia, with a year-on-year increase of 29% in revenue from overseas sales.

MANAGEMENT DISCUSSION AND ANALYSIS

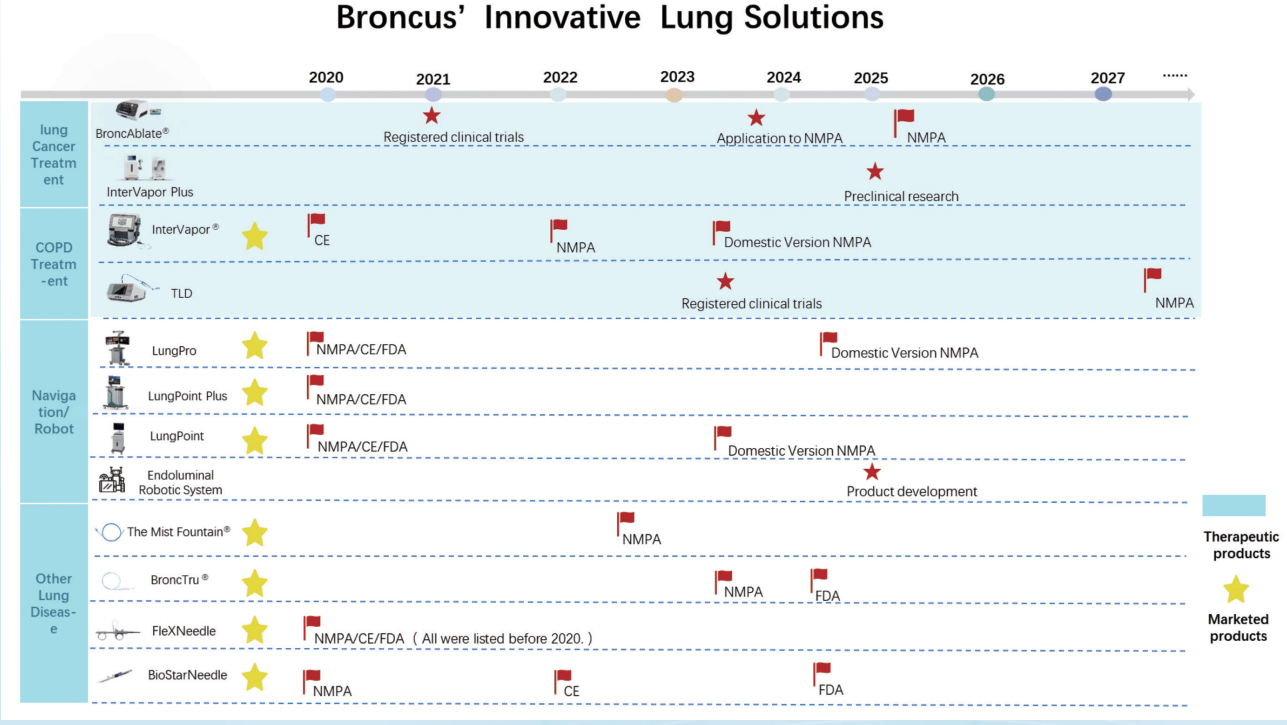
- ***Financial performance***

  The Company's total revenue for the Reporting Period amounted to US$8.1 million; losses for the year narrowed to US$15.3 million from US$28.1 million for FY2023, representing a year-on-year decrease of 46% in losses. As of December 31, 2024, we have sufficient cash reserves of US$139.3 million, including cash and cash equivalents, time deposits, structured deposits and pledged deposits.

  Our Company has grown with recognition in various fields, as we were successively awarded a number of honours, including the first prize of 2023 Science and Technology Progress Award of Sichuan Province (四川省科學技術進步一等獎), the second prize of the 13th Innovation and Entrepreneurship Competition in China – Medical materials and high-end consumables (Growth Division) (第十三屆中國創新創業大賽醫用材料和高端耗材專業賽(成長組)二等獎), Award of Excellence in ESG communications and investors relationship (ESG 溝通與投資者關係卓越獎) and Outstanding IR Team of the Year.

Products and product lines

To the date of this annual report, our main products 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® Thermal 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. BroncAblate® Radiofrequency Ablation System is the world's first transbronchial interventional treatment product for lung cancer. Our Targeted Lung Denervation (referred to as "**TLD**") Radiofrequency Ablation System is the first self-developed targeted radiofrequency ablation system in China to reduce the risk of acute exacerbation of COPD.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

With the advancements in lung cancer diagnostic technology, particularly the widespread adoption of genetic testing, the number of lung cancer patients requiring respiratory endoscopy and interventional treatment has increased significantly. Physicians 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 BroncAblate® for radiofrequency ablation of lung tumors, to achieve higher survival rates.

Currently, the treatment of lung cancer is mainly based on chemotherapy, radiotherapy and surgery 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.

BroncAblate® Radiofrequency Ablation System

BroncAblate® Radiofrequency Ablation System (referred to as "**BroncAblate®**") is the world's first transbronchial interventional treatment product for lung cancer. It is an interventional treatment of lung cancer developed by the medical-industrial joint effort of 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. Guided by navigation platform (LungPro®), it acts on lung tumors via a bronchoscope to perform ablation to the lung tumors.

The follow-up visit to the registered clinical trial of BroncAblate®, namely BRONC-RF II, was completed in March 2023. In August 2024, the clinical trial results of BRONC-RF II were published in the authoritative academic journal *Respirology*, validating its advantages in lung tumor treatment in terms of safety and efficacy, providing robust clinical evidence supporting the development and application of the transbronchial ablation system as a treatment method for lung tumors, marking a new era in minimally invasive interventional therapy for lung cancer. At the end of 2023, the product approval has been submitted to the NMPA, which is progressing smoothly.

MANAGEMENT DISCUSSION AND ANALYSIS

At the end of September, BroncAblate® was successfully combined with surgical robots at Shanghai Chest Hospital, where Professor Sun Jiayuan (孫加源)'s team performed the world's first robot-assisted bronchoscopic radiofrequency ablation surgery for lung cancer. This breakthrough has expanded the possibilities for interventional diagnosis and treatment of lung diseases, offering new perspectives and paving the way for advancing the treatment threshold of lung diseases, in particular lung cancer.

BroncAblate® is well ahead in the field of radiofrequency ablation for the treatment of lung cancer. After the product is launched, we will also collaborate with key opinion leaders to introduce our unique technology by holding training sessions.

COPD Treatment Pipeline

In the 2024 issue of the *Chinese Journal of Tuberculosis and Respiratory Diseases*, a research team led by Professor Luo Fengming (羅鳳鳴) from West China Hospital, Sichuan University, stated that Chronic Obstructive Pulmonary Disease (COPD) is a common chronic respiratory disease. Currently, there are nearly 100 million COPD patients in China, making COPD the third leading cause of death in China. Meanwhile, China facing the world's highest economic losses related to COPD. As a result, COPD has become a major public health concern, significantly impacting the health of the Chinese population.

In 2024, the National Health Commission of the PRC included COPD management in the National Basic Public Health Service Program. Local governments are required to provide services in accordance with the Guidelines for Health Services for Patients with Chronic Obstructive Pulmonary Disease (Trial)(慢性阻塞性肺疾病患者健康服務規範(試行)), which specify the service recipients, content, procedures, performance targets, and quality control requirements. The National Health Commission the PRC has also implemented several initiatives, such as the "Healthy Breathing (幸福呼吸)" program for standardized and tiered COPD diagnosis and treatment in China. The inclusion of COPD health services in the basic public health service program will further transform COPD prevention and control, marking a historic and groundbreaking advancement.

The current standard treatment for COPD remains predominantly the use of inhaled medications, complemented by non-pharmacological interventions. However, despite receiving standard treatment, some patients remain unable to effectively control their symptoms or experience frequent acute exacerbations, leading to a continued decline in lung function and a significant impact on their quality of life, highlighting the urgent need for new treatment options. As the development of inhaled medications is slowing, the field of COPD interventional therapy is expected to experience skyrocketing growth, with thermal vapor lung volume reduction being the center of attention.

Our COPD treatment pipeline includes the InterVapor® Thermal Vapor Treatment System and the 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 TLD Radiofrequency Ablation System is currently in the clinical research stage.

MANAGEMENT DISCUSSION AND ANALYSIS

InterVapor® Thermal Vapor Treatment System

InterVapor® Thermal Vapor Treatment System (referred to as "**InterVapor®**") is the world's only non-implantable medical device for interventional treatment of COPD 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. The innovative technique of Bronchoscopic Thermal Vapor Ablation (BTVA) treats patients with chronic obstructive pulmonary disease.

As an innovative technique for treating COPD, BTVA has demonstrated significant improvements in lung function and quality of life for COPD patients and is expected to become an important treatment method for COPD. Given that BTVA is a safe, effective and minimally invasive treatment technique, InterVapor® was granted the "Breakthrough Device" status by FDA in 2019. In the same year, BTVA was officially included in the recommended treatment methods by internationally recognized COPD guidelines, GOLD, marking the sixth consecutive year that it has been included in the recommendation.

Currently, InterVapor® has received CE, NMPA, and other registration certifications, and the product has been approved for commercialization in Europe, China, Hong Kong, Australia, Singapore, India, Thailand, and other countries/regions. As the world's first and only non-implantable interventional treatment device for COPD, InterVapor® stands at the forefront of innovation, demonstrating our position as a pioneering product. Unlike the well-established "import substitution" market, we have been making steady progress, overcoming a series of hurdles along the commercialization procedure step by step, from product registration, pricing approval, open procurement, clinical adoption, hospital inclusion, and reimbursement, and have achieved significant milestones. As of December 31, 2024, approximately 200 hospitals in China have tried the technology. The treatment results have been widely recognized by physicians and patients. At the same time, in line with the national policy encouraging domestic production and considering cost optimization, we have achieved domestic production, 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 30 provinces/cities nationwide, and it has been included in the National Reimbursement Drug List in two provinces in China, providing access assurance for hospital price negotiations and procurement.

Meanwhile, the Company is actively promoting post-marketing clinical research and the development of expert consensus for InterVapor®, aiming to accumulate more clinical evidence-based medical data for the product and its procedure. This effort is intended to facilitate the clinical application and commercialization of the product.

In June 2024, the Bronchoscopic Thermal Vapor Ablation technology made its appearance at the national health technology promotion project selection and exhibition. Professor Ouyang Haifeng of the Chest Hospital, Xi'an International Medical Center Hospital, introduced and promoted the technology.

MANAGEMENT DISCUSSION AND ANALYSIS

In July 2024, the "Symposium on the Standardized Clinical Application of Thermal Vapor Lung Volume Reduction for COPD" was held during the 12th Academic Conference on Respiratory Endoscopy and Interventional Pulmonology of the Chinese Medical Association. During the symposium, experts shared their perspectives and experiences on the Standardized Procedure for Thermal Vapor Lung Volume Reduction, aiming to facilitate the development of the "Expert Consensus on Standardized Clinical Application of Thermal Vapor Lung Volume Reduction for COPD".

We are actively conducting a series of post-marketing clinical studies for the InterVapor® in China. Led by Shanghai Chest Hospital, "the Multicenter, Randomized Controlled Study Titled Evaluation of the Efficacy and Safety of Precise Subsegmental Targeted Bronchoscopic Thermal Vapor Ablation (BTVA) for the Treatment of Severe Emphysema" held its project kick-off meeting in November 2023. Currently, the study is in the process of patient enrollment.

In September 2024, the launch meeting for the "Prospective, Single-Arm, Multicenter Clinical Study to Evaluate the Efficacy and Safety of Bronchoscopic Thermal Vapor Ablation (BTVA) in the Treatment of Heterogeneous Emphysema distribution" was grandly held. Researchers from multiple centers thoroughly discussed various details of the trial and reached a consensus. These post-market clinical studies of the InterVapor® Thermal Vapor Ablation System are expected to collect more comprehensive and high-quality evidence-based medical data, providing safer and more effective treatment options for COPD patients.

In November 2024, to raise public awareness of COPD, we collaborated with medical institutions across ten provinces and cities to successfully organize more than ten "2024 World COPD Day Free Clinic Events". These events attracted active participation from numerous patients and their families. We partnered with local professional hospital teams to provide free medical consultations, health check-ups, and disease management guidance, receiving widespread praise and recognition. Through these activities, we aim not only to offer immediate assistance to patients but also to enhance public understanding of COPD, promoting early diagnosis and treatment. We believe that through continuous efforts and the support of all sectors of society, we can create a healthier and more vibrant future for COPD patients.

Targeted Lung Denervation (TLD) Radiofrequency Ablation System

TLD Radiofrequency Ablation System developed by us in collaboration with West China Hospital of Sichuan University, is the first self-developed product in China for the treatment of acute exacerbations of COPD (referred to as "AE 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 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 December 31, 2024, nearly 100 patients have been enrolled in over 20 research centers. The interim investigator meeting for 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 2026. Clinical trial reports and data publicity will be completed no earlier than the time point.

MANAGEMENT DISCUSSION AND ANALYSIS

This product focuses on the interventional treatment of COPD, integrating medical and engineering expertise to innovate the development system for AE COPD interventional treatment equipment. It has conducted the world's first targeted lung denervation ablation using domestically developed equipment. Leveraging the professional strengths of respiratory medicine, it has filled the gap in interventional AE COPD treatment in China, offering the "Broncus Solution" for COPD treatment. Due to the product's leading-edge nature, Broncus Medical, as one of the main contributing entities, was honored with the "First Prize of Sichuan Provincial Science and Technology Progress Award" (四川省科學技術進步一等獎). At the same time, at the finals of the 13th China Innovation and Entrepreneurship Competition in the Medical Materials and High-End Consumables Professional Category, the Company was awarded the "Second Prize in the Medical Materials and High-End Consumables Professional Category (Growth Group) (醫用材料和高端耗材專業賽(成長組)二等獎)".

Main Products for Other Lung Disease Diagnostic Pipeline

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

The Mist Fountain®, a disposable nebulizing micro-catheter for endoscope (referred to as "**Mist Fountain®**") 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.

Mist Fountain® 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. As of December 31, 2024, the product was used in nearly 7,200 operations, including bronchoscopic surgeries and RICU clinical scenarios. Its applications encompass airway anesthesia, atomized drug delivery (e.g., tuberculosis medications, anti-inflammatory drugs), and the treatment of conditions such as bronchitis, tuberculosis, and bronchiectasis.

Currently, the product has been listed on the Sunshine Procurement Platform in 30 provinces/cities nationwide, providing access assurance for hospital price negotiations and procurement.

BroncTru®, a disposable transbronchoscopic dilatation catheter

BroncTru® is a disposable transbronchoscopic dilatation catheter (referred to as "**BroncTru®**"). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Compared with the traditional BTPNA, the new generation of BTPNA by BroncTru® can rapidly create access to the lesion outside the airway through streamlined one-step "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 clinical centers across the country. Its application scenarios include, but are not limited to lung biopsy and laser ablation, bronchoscopic lung cavity puncture biopsy and lavage, as well as transbronchial needle aspiration biopsy (TBNA). These procedures have garnered widespread recognition from physicians.

In November 2024, Professor Sun Jiayuan from Shanghai Chest Hospital, in collaboration with the Respiratory and Critical Care Medicine team at the First Affiliated Hospital of Xinjiang Medical University, successfully performed the nation's first navigation-guided cryoablation of a patient with lung adenocarcinoma via a transeptal puncture tunnel, using the LungPro® and BroncTru®. The successful implementation of this procedure represents another advancement in application of LungPro® and BroncTru® for complementary therapeutic surgeries. The integration of navigation and tunneling techniques enables allows physicians to quickly establish a pathway, significantly reducing operation time and enhancing subsequent treatment options.

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.

Currently, the product has been listed on the Sunshine Procurement Platform in over 30 provinces/cities nationwide.

MANAGEMENT DISCUSSION AND ANALYSIS

Navigation Platform, Flexible Surgical Robots and Lung Imaging Processing Software

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 physicians 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.

Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation (LungPro) is a new technology that integrates augmented reality and optical navigation technology based on virtual bronchoscopic navigation to assist bronchoscopy. This technology expands the operable range of peripheral pulmonary lesions, derives new diagnosis and treatment method, and has become one of the important methods in the diagnosis and treatment of pulmonary nodules.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to standardize the clinical operation of Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation technology and guide its application in clinical practice, the Interventional Study Group of the Respiratory Disease Branch of the Chinese Medical Association organized multidisciplinary experts to conduct multiple rounds of discussions and took the lead in formulating the "Expert Consensus on Diagnosis, Localization, and Treatment of Peripheral Lung Nodules under Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation Guidance" (增強現實光學全肺診療導航引導下肺外周結節診斷、定位及治療專家共識), which provides recommendations and clinical guidance on the indications and contraindications, equipment and instruments, perioperative management, operating procedures and complication management of the diagnosis, localization and treatment of peripheral pulmonary nodules applicable to Augmented Reality Optical Whole Lung Diagnostic and Therapeutic Navigation technology. During the period of rapid development of bronchoscopy navigation technology, this expert consensus is of great significance for improving the success rate of diagnosis and treatment and reducing the incidence of navigation-related adverse events.

Flexible Natural Orifice Transluminal Surgical Robot

In view of the high demand and high growth rate of interventional pulmonary therapy, we further expanded the field of flexible surgical robot based on the advanced and patented navigation technology of pulmonary interventional diagnosis and treatment and key transbronchial radiofrequency ablation technology breakthroughs in lung cancer interventional treatment.

Surgical robots are innovative intelligent medical devices that need to perform delicate surgical operations in the narrow space of human body. As the world's leader in the research and development of augmented reality optical navigation system, we are the only one company in the world to have the whole-lung-reach augmented reality real-time image navigation system. Mastering the core algorithms and software technologies and gaining the world's leading fiber grating shape sensing technology through the acquisition of Israel's Fibernova, the Company would develop advanced automatic multi-modal image registration and fusion technology to meet the needs of more accurate and safe surgical navigation, which constitute "eyes" and "brain" of the pulmonary surgical robots. Upon the acquisition of Hangzhou Jingliang Science and Technology Co., Ltd., the Company supplemented relevant technologies such as robot control and driving force for system platform development, and accelerated the project progress of flexible natural orifice transluminal surgical robot. Coupled with the strength of the research and development of robotic arms, the Company managed to fully cover the functions of "eyes", "brain", "hands", "body" and "therapy" of robots.

At present, our flexible natural orifice transluminal surgical robot is in the early stage of research.

MANAGEMENT DISCUSSION AND ANALYSIS

BRONCQCT® LUNG IMAGING PROCESSING SOFTWARE

Lung imaging processing software, BroncQCT®, has officially received approval from the Zhejiang Medical Products Administration for marketing in China. The approval of the Software for marketing reflects the Group's ongoing commitment to developing solutions that improve clinical benefits, and further consolidates the Company's position in the field of precision interventional diagnostics and treatment for pulmonary diseases. The Software is expected to enhance physicians' efficiency in examining lung computed tomography (CT) images, providing support for clinical auxiliary diagnosis and treatment, and promoting more efficient and precise diagnostic processes.

The Software utilizes algorithms to process CT images, performing pulmonary segmentation and analysis that enables the visualization of quantitative data and three-dimensional reconstruction of lung structures, generating CT reading reports for specialist physicians, offering significant clinical value across multiple applications. The Software can be deployed to facilitate efficient large-scale screening within patient populations, identifying individuals with specific pulmonary characteristics. Furthermore, the Software supports analysis of imaging of different periods from the same individual patient, allowing for objective comparison and monitoring of pulmonary parameter evolution over time, thereby optimizing clinical workflow efficiency. When integrating the Software with the Company's interventional therapeutic portfolio, including the InterVapor® Thermal Vapor Treatment System and BroncAblate® Radiofrequency Ablation System, we can provide a comprehensive solution for pulmonary diseases from screening to diagnosis and further to treatment, thus providing an integrated approach to pulmonary health preservation.

THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO ULTIMATELY DEVELOP AND MARKET TLD, RF-II AND ENDOLUMINAL ROBOT SYSTEM 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 well-established track record in the development and commercialization of interventional pulmonology medical devices. To strengthen our R&D capabilities, we implement 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 advancements in product development, upgrade our existing products to address the varying needs of physicians and, where appropriate, expand the range of applications of our products to provide physicians and patients with more comprehensive treatment options.

Manufacturing

During the Reporting Period, our manufacturing activities were conducted at two production centers located in Hangzhou, China and San Jose, the United States, we manufacture navigation products and InterVapor® (import version), FlexNeedle and ATV Kits in our San Jose, California facility in the United States, meanwhile, our Hangzhou facility is responsible for producing navigation products, InterVapor® (domestic version) and various therapeutic products. 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., both facilities comply with ISO13485 standards.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to leverage the labor and material cost advantages in China compared to the U.S., we are progressively relocating our product manufacturing processes 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 lung diseases treatment. The LungPoint domestic version and the LungPro System domestic version were registered and approved by the NMPA in September 2023 and in the third quarter of 2024 respectively. To date, we have 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

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.

As of December 31, 2024, Broncus held the following IPs:

Type of IPs	Quantity
Patent for invention	214
Patent for utility model	308
Design patent	63
Trademark	120
Total	**705**

MANAGEMENT DISCUSSION AND ANALYSIS

Commercialization

In 2024, the Company's product commercialization advanced steadily, demonstrating our capabilities in established commercialization and globalization. We always adhere to market demand orientation. Our professional marketing team, consisting of professionals with academic, marketing education, clinical support, and sales and promotion skills, is gradually developing both domestic and global markets around three key participants of hospitals, physicians, and patients through a proactive commercialization strategy. To this end, our strategies include:

- *Establishing benchmark hospitals to serve as the model, influence other hospitals within the region*
  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 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 operating procedures of innovative at other 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, such as Poland and Estonia, and initial results have been seen.

  In 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; we successfully performed the first overseas RFA surgery at the King Chulalongkorn Memorial Hospital in Thailand, and completed the first tender in Saudi Arabia and other countries in the Middle East.

  Meanwhile, the registration and market access of our products were being actively and steadily advanced overseas. During the year, Our Biostar® and BroncTru® have obtained registration certificates from FDA successively, and our LungPro® has obtained registration certificates in Singapore and Malaysia successively. As of December 31, 2024, we have a total of 83 registration certificates at home and abroad, and a number of products are in the process of global registration.

MANAGEMENT DISCUSSION AND ANALYSIS

- *Actively expanded industry influence*

  We participate in domestic and international academic conferences in the field of respiratory intervention and brand academic promotion activities organized by relevant associations to continuously deepen our academic influence in the industry. We have participated in/organized a total of nearly 200 conferences worldwide, including many industry-leading events, such as the China Medical Equipment Conference and 2024 Medical Equipment Exhibition, the 2024 Annual Meeting of the Chinese Medical Association for Respiratory Diseases, the 12th Chinese Medical Association Respiratory Endoscopy and Interventional Pulmonology Academic Conference, Annual Meeting of the European Respiratory Society (ERS 2024), the 28th Congress of the Asian Pacific Society of Respirology (APSR 2024), the 23rd World Congress of Bronchology and Interventional Pulmonology/World Congress of Bronchoesophagology (WCBIP/WCBE 2024) Etc., to promote the clinical popularization of technologies such as navigation, BTVA, and radiofrequency ablation, and drive the growth of regional surgical volume.

  Meanwhile, we met the clinical training needs for advanced procedures such as BTPNA, RFA (radiofrequency ablation) and BTVA through professional education platforms such as the "Animal Experiment and Surgery Observation Project of Broncus" and "Diagnosis and Treatment Workshop". We also deepen the knowledge and understanding of the respiratory interventional diagnosis "Broncus Solutions" among experts at home and abroad through continuous practical exchange activities, and popularize innovative cutting-edge technologies and high-quality professional technical support in clinical surgery as soon as possible, increase the application rate of products in potential hospitals and new hospitals, and also provide a communication platform for Chinese and foreign lung disease experts to learn from each other and have in-depth discussions on pulmonary disease solutions.

- *Continuous professional development for physicians and dissemination of expert consensus statements physicians*

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

  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 April 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, several centers across the PRC initiated a thematic seminar, establishing an expert consensus on the "Standardized Clinical Application of Bronchoscopic Thermal Vapor Lung Volume Reduction for COPD". During the seminar, experts exchanged views and shared experiences on the "Standardized Procedure for Bronchoscopic Thermal Vapor Lung Volume Reduction", aiming to establish the an expert consensus on the "Standardized Clinical Application of Bronchoscopic Thermal Vapor Lung Volume Reduction for COPD".

We also actively conduct a series of post-market clinical studies on InterVapor® in China. The kick-off meeting of the project "Multi-center, Randomized Controlled Study to Evaluate the Effectiveness and Safety of Precision Subsegmental Targeted Bronchoscopic Thermal Vapor Ablation (BTVA) for the Treatment of Severe Emphysema" led by Shanghai Chest Hospital was held in November 2023, and the study is currently in the process of patient enrollment. The kick-off meeting of the "Prospective, Single-arm, Multi-center Clinical Study to Evaluate the Effectiveness and Safety of Bronchial Endoscopic Thermal Vapour Ablation Therapy (BTVA) for the Treatment of Heterogeneous Emphysema distribution" was grandly held in September. Researchers from multiple centers fully discussed many details of the trial and reached an agreement. These post-market clinical studies of the InterVapor® Thermal Vapour Treatment System are expected to collect abundant high-quality evidence-based medical data and bring safe and effective COPD treatment options to more patients.

- *Promote awareness of pulmonary disease knowledge through diverse offline channels*

  To enhance the willingness of lung disease patients, particularly those COPD patients, to seek treatment, we have disseminated knowledge about lung disease treatment through expert interviews, online live forums, physicians-patient interactive Q&A sessions, patient exchange meetings, and new media communication channels. By leveraging real clinical cases and surgical outcomes, we aim to strengthen patients' motivation to pursue treatment. In November 2024, in collaboration with healthcare institutions across ten provinces and cities, we successfully organized over than ten "2024 World COPD Day Charity Clinics", which garnered active participation from numerous patients and their families. Through these initiatives, we not only provide immediate support to patients but also strive to increase public awareness of COPD, promoting early diagnosis and timely treatment. We believe that through sustained efforts and support from all sectors of society, we can create a healthier and more vibrant future for COPD patients. In addition, for patients who have already undergone treatment, we offer comprehensive disease management services, encompassing consultation, surgery, and postoperative follow-up, thereby enhancing patients' satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

- *Actively facilitate market access in a systematic orderly manner*

  The Company actively facilitated the advancements in the procurement of its products and their entry into hospitals across China. Our consumable products, such as InterVapor® disposable thermal vapor therapy catheter, BroncTru® disposable transbronchoscopic puncture dilatation catheter and Mist Fountain® disposable nebulizing micro-catheter for endoscope, have been successfully listed on the Sunshine Procurement Platform in many provinces and cities nationwide, such as Jiangsu, Zhejiang, Shanghai, Shandong, Guangzhou, and Shenzhen, This ensures accessibility hospital price negotiations and procurement processes, thereby enabling our products quickly penetrate into more hospitals, so as to rapidly increase our sales volume and market share.to rapidly penetrate a broader range of hospitals and effectively boosting both sales volume and market share.

  We have also proactively worked to facilitate within medical insurance coverage. To date, the BTVA procedure utilizing InterVapor® has been incorporated into medical insurance coverage in two provinces.

  Meanwhile, the National Healthcare Security Administration (NHSA) has progressively advanced reforms in medical service pricing and officially released the Guidelines for the Establishment of Respiratory System Medical Service Price Projects (Trial) (呼吸系統醫療服務價格項目立項指南(試行)) in early March 2025. The BTVA procedure involving InterVapor® and the RF procedure involving BroncAblate® were both incorporated into these guidelines with clearly defined corresponding medical service items. Moving forward, NHSA will guide provincial healthcare security bureaus to establish price benchmarks based on these guidelines. We anticipate that the commercialization process of our products will be accelerated following the implementation of national policy initiatives.

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

During the Reporting Period, the Company received government grants totaling US$1.3 million (as of December 31, 2023: US$0.02 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND PROSPECTS

Looking ahead, we will maintain our corporate vision and continue to strive for the further consolidation of our position as a global leader in minimally invasive interventional diagnosis and treatment of lung diseases. Leveraging our navigation platform and two energy control technologies – radiofrequency and thermal vapor – we will focus on the development and commercialization of Broncus solutions for respiratory interventional diagnosis and treatment both in China and globally. Additionally, we will continue to advance various foundational and supporting technologies, ultimately bringing benefits to patients and healthcare providers worldwide.

We will continue to enhance the market penetration and influence of the Company's therapeutic products such as InterVapor® in the PRC market. Simultaneously, we will prioritize advancing the pre-market clinical trials for our pipeline product TLD and the registration process for the BroncAblate® Radiofrequency Ablation System, with the aim of achieving commercialization at the earliest possible time to address significant unmet clinical needs.

As a Chinese medical device company with global technological advantages and demonstrated expertise, we will continue to strategically expand our global business, introduce products with globally competitive such as InterVapor®, BroncAblate® to the global market, and providing high-quality medical services to a broader patients population worldwide.

Meanwhile, we remain committed to implementing cost control measures to enhance profitability while proactively capitalizing on policy support and industry development opportunities. By leveraging our superior product performance, outstanding sales and marketing capabilities, as well as our extensive distribution network, we aim to further expand our market share and solidify our position as leader in the field of Interventional Pulmonology.

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 annual report.

Revenue

During the Reporting Period, the revenue of the Group was mainly derived from sale of medical devices and consumables. For the year ended December 31, 2024, the revenue of the Group was US$8.1 million, representing a decrease of 20.7% when compared with US$10.3 million in the corresponding period of last year. This is mainly due to the decline in revenue in mainland China. On the one hand, the Company has lowered the price of InterVapor catheters in 2024 to improve the affordability of patients, which directly led to a decline in revenue. On the other hand, the revenue of navigation equipment decreased due to market influence. With successive launches of the Group's therapeutic consumable products, continuous deepening in market education on respiratory interventional therapy and improving patient recognition, revenue from the Group's products has sustainable growth potential.

Cost of sales

Cost of sales mainly consisted of staff costs, raw material costs, depreciation and amortization, utility costs and others. For the year ended December 31, 2024, the Group's cost of sales was US$2.0 million, representing a decrease of 34.2% from US$3.0 million in the corresponding period of last year.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2024 was US$6.1 million, representing a decrease of 15.1% when compared with US$7.2 million for the corresponding period of last year. Gross profit margin was calculated by dividing gross profit with revenue. The Group's gross profit margin for the year ended December 31, 2024 was 75.5%, compared with 70.5% recorded for the year ended December 31, 2023. The Vapor products sold during the year were mainly produced in China. After localization, the cost of production dropped significantly, and the gross profit margin of Vapor products increased by 5.7% when compared with the previous year.

Other income and gains

During the Reporting Period, our other income and gains mainly consisted of bank interest income and government grants. For the year ended December 31, 2024, the total amount of other income and gains was approximately US$9.3 million, representing an increase of approximately US$3.3 million when compared with the year ended December 31, 2023, this was mainly due to an increase of US$1.3 million in government grants, as well as an increase in interest income and foreign exchange gains.

Selling and distribution expenses

For the year ended December 31, 2024, our selling and distribution expenses were US$8.5 million, representing a year-on-year decrease of approximately US$3.0 million, or 26.1%, when compared with the year ended December 31, 2023. This was primarily due to the effective optimization of our selling expenses through various initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS

R&D expenses

Our R&D costs mainly consisted 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 consisted of expenses incurred on clinical trials, including payment to CROs and hospitals in relation to our clinical trials.

Our R&D costs for the years ended December 31, 2024 and 2023 were approximately US$11.5 million and US$20.2 million, respectively, representing a decrease of 43.1%. The decrease in our R&D costs was mainly due to our focus on the research and development of core products, and at the same time due to the Chinese R&D team completed localization of production for the full range of navigation products and InterVapor products in 2024 and in the second half of 2023, respectively, and the Company further adopted cost optimization, control of expenses and other measures to reduce R&D expenses.

	For the year ended December 31, 2024		For the year ended December 31, 2023	
	US$'000	**Proportion**	US$'000	Proportion
Staff cost	**5,681**	**49.5%**	10,851	53.9%
Depreciation and amortization	**2,558**	**22.3%**	2,386	11.8%
Technical service fees	**704**	**6.1%**	2,364	11.7%
Clinical trial expenses	**672**	**5.9%**	1,496	7.4%
Raw material costs	**284**	**2.5%**	760	3.8%
Share awards	**92**	**0.8%**	318	1.6%
Others	**1,480**	**12.9%**	1,979	9.8%
Total	**11,471**	**100.0%**	20,154	100.0%

Administrative expenses

For the years ended December 31, 2024 and 2023, our total administrative expenses were approximately US$7.3 million and US$8.9 million, respectively, representing a year-on-year decrease of 18.6%. This was mainly attributable to the improvement of operating efficiency through various measures adopted by us to control expenses.

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 to cope with daily operations and meet its capital needs for future development.

MANAGEMENT DISCUSSION AND ANALYSIS

As of December 31, 2024, our total amount of cash and bank balances and deposits was US$139.3 million, while our amount of cash and bank balances and deposits was US$156.6 million as of December 31, 2023. The decrease was mainly due to the Company's daily operating expenses. For the year ended December 31, 2024, the Company's cash and bank balances decreased by US$17.3 million, representing a decrease of US$14.5 million or 46% from the previous year, which was mainly due to the Company's focus on core product research and development, and control of expenses through various measures to improve operating efficiency.

As at December 31, 2024, the Group's cash and bank balances were mainly denominated in US dollars, Hong Kong dollars and Renminbi.

Bank Borrowings and Gearing

The Group's overdraft facilities amounting to USD30,000 (December 31, 2023: USD84,000), which were denominated in US$, of which USD22,000 (December 31, 2023: USD16,000) had been utilised, were secured by the pledge of certain of the Group's time deposits amounting to USD25,000 (December 31, 2023: USD25,000).

The Group monitored capital using gearing ratio. The Group's gearing ratio (calculated as the sum of borrowings and lease liabilities divided by total equity) as at December 31, 2024 was 0.2% (December 31, 2023: 1.3%)

Foreign Exchange Risk

The functional currency of the Group is US$. The functional currency of its overseas subsidiaries is primarily US$, while the functional currency of subsidiaries based in the PRC is RMB. 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 continuously monitors foreign exchange exposure and will consider implementing appropriate hedging strategies if necessary.

Contingent Liabilities

As at December 31, 2024, the Group did not have any contingent liabilities.

Charge or Restrictions on Assets

As of December 31, 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 security provided to the Group's lessor. Save as disclosed in this annual report, the Group did not pledge any other group assets. The Group's structured deposits, amounting to US$40,291,037.04, were held to support foreign exchange trading contracts between the Group and banks.

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:

	Year ended December 31,	
	2024	2023
	US$'000	US$'000
Loss for the year	**(15,303)**	(28,092)
Add:		
Share-based expenses[1]	**236**	556
Non-IFRS adjusted net loss for the year[2]	**(15,067)**	(27,536)

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 share-based 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, 2024 (2023: Nil).

CAPITAL COMMITMENT

The capital commitment as at December 31, 2024 was approximately US$5.2 million (as at December 31, 2023: US$12.6 million), which was related to the capital contribution payable to purchase limited partnership interests.

Save as disclosed, we did not have any other material capital commitments as of December 31, 2024.

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

As of December 31, 2024, the Group did not have any significant investments. During the Reporting Period, the Group did not have any material 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, 2024, the Group had 200 employees, of which 178 were based in China and 22 were based overseas (primarily in the U.S., Europe and India).

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.

During the Reporting Period, the total staff costs (including Director's emoluments and excluding share award expenses) were approximately US$14.6 million (for the same period in 2023: US$22.6 million).

DIRECTORS AND SENIOR MANAGEMENT

The biography details of the Directors and senior management are set out as follows:

EXECUTIVE DIRECTOR

Mr. Hong XU (徐宏), aged 38, was appointed as an executive Director and CTO of our Company on May 6, 2021, and as the CEO and General Manager of our Company on September 1, 2023. He was further appointed as the Chairman of our Company on April 19, 2024. 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 14 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, directorship and manager in the major subsidiaries of our Group, including Broncus Medical, Uptake Medical, Broncus Hangzhou, Broncus Shanghai and Kunpeng Hangzhou.

NON-EXECUTIVE DIRECTORS

Mr. Ao ZHANG (張奧), aged 40, 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 12 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 a partner. 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.

DIRECTORS AND SENIOR MANAGEMENT

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, Broncus Hangzhou and Broncus Shanghai.

Ms. Yanhong KUANG (鄺豔紅), aged 43, was appointed as a non-executive Director of our Company on April 19, 2024. She has over 21 years of experience in the corporate audit and finance. Before joining the Group, Ms. Kuang has been the chief financial officer of Dinova Capital Limited since 2015 to the present. From 2012 to 2015, she was the senior financial manager of Shenzhen Sinoagri E-commerce Co., Ltd. (深圳市中農網有限公司). In 2011, she served as the group financial reporting manager at LifeTech Scientific Corporation, a company listed on the Stock Exchange (stock code: 1302). Prior to that, she had worked as a senior auditor of financial services department at Ernst & Young Hua Ming LLP from 2004 to 2010.

Ms. Kuang graduated with a bachelor's degree of management from Shanghai University of Finance and Economics in 2004.

Ms. Kuang currently holds directorship in the major subsidiaries of our Group, including Broncus Medical, Uptake Medical, Broncus Hangzhou and Broncus Shanghai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Pok Man KAM (甘博文), aged 75, was appointed as an independent non-executive Director of our Company on September 13, 2021. Dr. Kam is primarily responsible for supervising and providing independent judgement to our Board.

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.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Kam is a member of the Supervisory Committee of the Tracker Fund of Hong Kong since April 2016, 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, and a member of Primary Healthcare Committee since July 2024. 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 61, 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.

DIRECTORS AND SENIOR MANAGEMENT

Dr. David Scott LIM, aged 56, was appointed as an independent non-executive Director of our Company on April 19, 2024. Dr. Lim is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Lim has over 26 years of experience in the fields of cardiovascular medicine and pediatric cardiology. Prior to joining the Group, Dr. Lim has served as the director of the Advanced Cardiac Valve Center at the University of Virginia from 2009 to the present. Since 2018, he has held the position of Professor of Medicine & Pediatrics and been serving as a physicians educator with tenure in the departments of medicine & pediatrics at the University of Virginia. Previously, from 2014 to 2019, he also created heart valve programs at Bon Secours Health System in Richmond, Virginia, as well as at Chippenham Hospital, HCA, from 2020 to present. His academic career began with roles as an assistant professor and later as an associate professor of Medicine & Pediatrics at the University of Virginia from 2002 to 2018. Prior to that, he held positions as an assistant professor of Clinical Pediatrics at the University of Virginia from 2002 to 2005, a lecturer at the University of Michigan from 2001 to 2002, and an instructor in Pediatric Emergency Medicine at Wright State University School of Medicine from 1998 to 1999. Dr. Lim was named a "Millipub Inductee" at the University of Virginia School of Medicine in 2018, included on the "Best Physicians in America" list multiple times from 2008 to 2011, and received the CRT 2016 Top Cardiovascular Innovations – Trialign for Tricuspid Regurgitation in 2016 and 3rd Annual George A. Beller – M.D. Research Award in 2014.

Dr. Lim holds certification from the Sub-Board of Pediatric Cardiology since 2002 and active licensure in Virginia since 2002 and in Michigan since 1999. Since 2006, he has contributed to humanitarian collaborations with the International Hospital for Children, teaching pediatric cardiac catheterization skills to pediatric cardiologists in the Dominican Republic. Additionally, since 2007, he has been part of the UVA-Cedimat Rheumatic Heart Disease mission as a founder.

Dr. Lim earned his bachelor's degree from the University of California at Santa Barbara in 1991 and a Physicians of Medicine from Mayo Medical School in 1996. Dr. Lim completed his pediatric internship and residency at Wright State University School of Medicine in Dayton, Ohio, from 1996 to 1999. He also undertook a pediatric cardiology fellowship at the University of Michigan, from 1999 to 2002.

SENIOR MANAGEMENT

Mr. Hong XU (徐宏), aged 38, is our Chairman, 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, 2024 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, 2024 are set out in the Consolidated Financial Statements and their accompanying notes on pages 143 to 231.

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 232 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 81 to 137, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Code 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 55 to 56 in the section headed "Report of the Directors" of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

During the year ended December 31, 2024, the Board consists of the following Directors:

Executive Director

Mr. Hong Xu *(Chief Executive Officer and Chairman)*

Non-executive Directors

Mr. Ao Zhang
Ms. Yanhong Kuang *(appointed on April 19, 2024)*
Mr. Guowei Zhan *(resigned on April 19, 2024)*
Mr. Michael Yi Wei Zhao *(resigned on April 19, 2024)*
Mr. Zhenjun Zi *(resigned on March 1, 2024)*

Independent Non-executive Directors

Dr. Pok Man Kam
Ms. Yee Sin Wong
Dr. David Scott Lim *(appointed on April 19, 2024)*
Professor Joseph Wan Yee Lau *(passed away on February 7, 2024)*

Note: Mr. Hong Xu was appointed as the Chairman on April 19, 2024 following the resignation of Mr. Michael Yi Wei Zhao as a non-executive Director and the Chairman.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 31 to 34 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, 2024 of the Company and up to the date of this annual report, 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

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 has entered into a service agreement with the Company under which the initial term of three years shall commence from May 6, 2021 or their respective effective date of appointment 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.

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).

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, 9 and 32 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 above, no other payments have been made or are payable, for the year ended December 31, 2024, by our Group to or on behalf of any of the Directors.

REPORT 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed above, 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.

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 date of this report, 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, 2024 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, 2024, 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] %
Hong Xu[2][3]	Beneficial owner	Long position	27,865,816	5.28
Yanhong Kuang[4]	Interest in controlled corporation	Long position	2,999,396	0.57
	Beneficial owner	Long position	64,000	0.01

Notes:

(1) The calculation is based on the total number of 527,198,076 Shares in issue as at December 31, 2024.

(2) Mr. Hong Xu has vested 1,505,912 Shares, which were granted to him pursuant to the RSU Scheme and have not been transferred to him as the Company has not received the payment of consideration from Mr. Hong Xu as of December 31, 2024.

(3) Mr. Hong Xu has been granted 26,359,904 restricted share units pursuant to the RSU Scheme, which have not vested to him as of December 31, 2024.

(4) Ms. Yanhong Kuang holds approximately 36.63% interest in Wise Seed Limited, which beneficially holds 2,999,396 Shares. Accordingly, Ms. Yanhong Kuang is deemed to be interested in the Shares held by Wise Seed Limited.

Save as disclosed above, as at December 31, 2024, 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, 2024, 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 owner	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 owner	Long position	9,172,328	1.74
	Interest in controlled corporation	Long position	33,089,155	6.28
Dinova Healthcare (Hong Kong) Co., Limited[5]	Beneficial owner	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
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
Zhenjun Zi ("**Mr. Zi**")[3] [4] [5] [6]	Beneficial owner	Long position	2,304,129	0.44
	Interest in controlled corporation	Long position	90,017,823	17.07
Computershare Hong Kong Trustees Limited[7]	Trustee	Long position	39,508,788	7.49

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, 2024.

(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 wholly owned by Mr. Zi. 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, Mr. Zi and Xin Nuo Tong Investment Limited are deemed to be interested in the 21,785,249 Shares held by Broncus Biomedical Limited and 3,460,008 Shares held by Dinova Venture Partners GP III, L.P., and Mr. Zi is deemed to be interested in the 9,172,328 Shares held by Xin Nuo Tong Investment Limited.

(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.. For the purpose of the SFO, Mr. Zi and Xin Nuo Tong Investment Limited are also deemed to be interested in the 1,799,015 Shares held by Dinova Venture Partners GP IV L.P. and 6,044,883 Shares held by 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), 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.) and Mr. Zi (as a 39.6% limited partner of Zhejiang Dinova and as a 40% shareholder of Hangzhou Denuo Commercial Information Consulting Co., Ltd. (杭州德諾商務資訊諮詢有限公司)) are deemed to be interested in the Shares held by Dinova Healthcare (Hong Kong) Co., Limited.

(6) Mr. Zi is a 33.33% shareholder of Dinova Venture Partners Limited, which is the general partner of Dinova Venture Partners GP II, L.P., and Dinova Venture Partners GP II, L.P. is the general partner of Dinova Venture Partners LP II, L.P. which in turn is the sole shareholder of BRS Biomedical Limited. For the purpose of the SFO, Mr. Zi is deemed to be interested in the 14,643,588 Shares held by BRS Biomedical Limited. Mr. Zi has vested 2,160,000 Shares, which were granted to him pursuant to the RSU Scheme and have not been transferred to him as the Company has not received the payment of consideration from Mr. Zi as of December 31, 2024.

(7) 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, 2024, 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.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

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.

REPORT OF THE DIRECTORS

EQUITY INCENTIVE PLANS

Currently, the Company has adopted two equity incentive plans, being the Share Option Plan and the RSU Scheme. Further details on each such plan, together with the relevant movement table, are set forth below. As elaborated below, there were no options granted during the Reporting Period.

The Share Option Plan

On May 9, 2021, the Company adopted the Share Option Plan. As no options under the Share Option Plan may be granted after the Listing, there are no options available for grant at the beginning and the end of the Reporting Period. As at the date of this report, the total number of securities available for issue under the Share Option Plan is 5,135,968, representing approximately 0.98% of the total issued Shares (excluding treasury 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.

- *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.

REPORT OF THE DIRECTORS

- *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 Scheme was approximately 6 years and 1 month.

- *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 or may be made are stimulated in the grant letters.

REPORT OF THE DIRECTORS

2. *Outstanding options*

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

		Movement of outstanding options									
Name or category of the participant, as applicable	Date of grant	Outstanding as of the beginning of the Reporting Period	Granted during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercised during the Reporting Period	Outstanding as of the ending of the during 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	5,258,220	0	1,315,048	–	–	3,943,172	5/7/2021 or 4 years from the date of grant	From the vesting date to 12/29/2021-9/16/2029	N/A	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	894,600	0	–	–	–	894,600	7/22/2021	From the vesting date to 7/22/2026	N/A	5.9653
	8/1/2021	–	0	–	–	–	–	4 years from the date of grant	From the vesting date to 8/11/2022-6/15/2023	N/A	12.7927

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

REPORT OF THE DIRECTORS

The RSU Scheme

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

On September 7, 2021, the Company allotted 9,877,197 Shares to the trustee under the RSU Scheme for the purpose of satisfying future grants thereunder (the "**Trustee-held Shares**"), which represented 39,508,788 Shares following a share subdivision, 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.

The numbers of awards available for grant under the Scheme Limit and the Service Provider Sublimit of the RSU Scheme, as at the beginning of the Reporting Period were 52,719,807 and 5,271,980 Shares, respectively. During the Reporting Period, awards of a total of 37,101,106 Shares were granted under the RSU Scheme on May 30, 2024 and December 16, 2024. As at the end of the Reporting Period, the number of awards available for grant under each of the aforesaid limits were 51,922,566 and 5,271,980, respectively (in each case, inclusive of any the trustee-held Shares which may be used for satisfying future grants). Among the awards of 37,101,106 Shares granted under the RSU Scheme in 2024, awards of 797,241 Shares were funded by Trustee-held Shares and awards of 36,303,865 Shares were funded by existing Shares. Accordingly, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the ordinary shares of the Company in issue (excluding treasury shares) was 0.15%, being 797,241 Shares divided by 527,198,076 Shares.

As at the date of this annual report, the total number of Shares available for issue under the RSU Scheme was 51,922,566, which represent approximately 9.87% of the total issued Shares (excluding treasury shares).

REPORT OF THE DIRECTORS

1. Summary of Terms

- *Purpose*

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

- *Eligible Participant*

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

- *Maximum Entitlement*

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

- *Vesting*

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

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

- *Duration*

  The RSU Scheme shall be valid and effective for a period of 10 years commencing on the date on which the RSU Scheme become unconditional, i.e. the date on which the RSU Scheme is approved by the Board, after which no awards will be granted but the provisions of the RSU Scheme shall in all respects remain in full force. Therefore, as at the date of this report, the remaining life of the RSU Scheme was approximately 6 years and 1 month.

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

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

2. *Outstanding awards 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 (resigned on April 19, 2024)	5/14/2021	4,320,000	0	–	N/A	–	–	–	N/A	4,320,000	6/20/2021	0.5015
Zi Zhenjun (resigned on March 1, 2024)	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
	12/16/2024	N/A	10,543,961[2]	–	N/A	–	–	–	N/A	10,543,961	The date on which the vesting conditions are fulfilled	*Note 9*
	12/16/2024	N/A	15,815,943[2]	–	N/A	–	–	–	N/A	15,815,943	4 years from the date of grant, with 25% of the RSUs granted to be vested on March 1, 2026, 2027, 2028 and 2029, respectively	*Note 10*

Name or category of the participant, as applicable	Date of grant	Number of shares underlying awards: 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)
Zhan Guowei (resigned on April 19, 2024)	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	2,803,080	0	–	N/A	–	–	–	N/A	2,803,080	6/20/2021	0.5015
	5/30/2022	1,850,826	0	–	N/A	–	–	327,306	0.58	1,523,520	5/30/2022	0
	9/28/2022	2,400,000	0	60,000	0.68	–	–	–	N/A	2,400,000	5 years from the date of grant	*Note 4*
	5/30/2023	2,255,999	0	120,000[8]	0.58	–	–	75,132	0.53	2,180,867	5/30/2023 or 4 years from the date of grant	*Note 5*

			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)
	5/30/2024	N/A	797,241[3]	797,241	0.55	–	–	–	N/A	797,241	3 months from the date of grant	0
	12/16/2024	N/A	2,291,763[3]	–	N/A	–	–	–	N/A	2,291,763	The date on which the vesting conditions are fulfilled	*Note 9*
	12/16/2024	N/A	7,652,198[3]	–	N/A	–	–	–	N/A	7,652,198	4 years from the date of grant, with 25% of the RSUs granted to be vested on March 1, 2026, 2027, 2028 and 2029, respectively	*Note 10*
Other service providers	6/13/2022[6]	450,000	–	150,000[8]	0.56	–	–	–	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
12/16/2024	10,543,961	Subject to certain performance-based criteria as stipulated in the respective grant letters. See Note 9 hereunder.	HKD0.6	HKD0.38
	15,815,943	Subject to certain performance-based criteria as stipulated in the respective grant letters. See Note 10 hereunder.	HKD0.6	HKD0.32

3. 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
5/30/2024	797,241	Subject to individual performance targets as stipulated in the respective grant letters.	HKD0.58	HKD0.58
12/16/2024	2,291,763	Subject to certain performance-based criteria as stipulated in the respective grant letters. See Note 9 hereunder.	HKD0.6	HKD0.35
	7,652,198	Subject to certain performance-based criteria as stipulated in the respective grant letters. See Note 10 hereunder.	HKD0.6	HKD0.29

REPORT OF THE DIRECTORS

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. 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, 2024; and (ii) 450,000 RSUs were granted to other service providers which remained outstanding as at December 31, 2024.

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.

9. The purchase price of the RSUs is HK$0.2640, being 50% of the average closing price of the Shares in the five trading days immediately preceding the date of grant. The relevant grant of RSUs are funded by existing Shares. The vesting of the RSUs is subject to the fulfillment of the Company's performance target of obtaining marketing approval for the BroncAblate™ RF-II radiofrequency ablation system from the National Medical Products Administration within six months from the date of grant.

10. The purchase price of the RSUs is HK$0.5280, being the average closing price of the Shares in the five trading days immediately preceding the date of grant. The relevant grant of RSUs are funded by existing Shares. The vesting of the RSUs is subject to the achievement of the Company's overall performance target (i.e. meeting the business indicators for the previous fiscal year approved by the Board.

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

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.

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 27 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the reserves of the Company available for distribution to its shareholders amounted to US$386.4 million (2023: US$382.2 million).

REPORT OF THE DIRECTORS

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 December 31, 2024, the Company has utilized approximately HK$714.0 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$906.1 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	52.1	233.3	Expected to be fully utilized by 2030
Development and commercialisation of RF-II	20.9%	339.4	286.8	21.3	265.5	Expected to be fully utilized by 2030
R&D of other product candidates	18.5%	299.9	114.3	50.3	64.0	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	41.4	0.1	Expected to be fully utilized by 2026
Total	100.0%	1,620.1	1,071.2	165.1	906.1	

On March 31, 2025, the Board has resolved to change the intended use of the unutilised net proceeds from the Global Offering with an updated expected timeline of full utilisation. Please refer to the announcement of the Company dated March 31, 2025 for further details.

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 latest practicable date prior to the issue 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 (including sale of treasury shares). As at the end of the Reporting Period, no treasury shares were held by the Company.

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 59% and 19%, respectively, of the Group's total revenue for the Reporting Period.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 15% and 3%, 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 (excluding treasury shares)) had any beneficial interest in the Group's five largest suppliers and customers for the Reporting Period.

When determining the credit term of a customer or a distributor, we consider a number of factors, including its cash flow conditions and creditworthiness. We have policies in place to monitor and manage the settlement of trade receivables and our subsequent settlement of trade receivables with our top five major customers have been in line with those with our other customers and no provisions are necessary. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer's or distributor's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer or distributor in the respective period. Pursuant to our distribution agreement, when our distributor fails to make a payment within the credit term, we may, at our discretion, terminate the distribution arrangement or take certain other measures as appropriate.

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 year ended December 31, 2024. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the year ended December 31, 2024.

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.

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-sections headed "Equity Incentive Plans" in this annual report.

EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from December 31, 2024 to the date of this report.

REPORT OF THE DIRECTORS

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

Save as disclosed in the sub-sections 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, 2024.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

No donations for charitable or other purposes made by the Group during the year ended December 31, 2024.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2024 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 annual general meeting. 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
Chairman

Hong Kong, March 31, 2025

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2024 (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 Part 2 of CG Code as contained in Appendix C1 to the Listing Rules as its own code of corporate governance practices. During the Reporting Period, 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:

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.

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 date of this report, the Board comprised Directors as follows:

Executive Director

Mr. Hong Xu *(Chief Executive Officer and Chairman)*

Non-executive Directors

Mr. Michael Yi Wei Zhao *(resigned on April 19, 2024)*
Mr. Zhenjun Zi *(resigned on March 1, 2024)*
Mr. Ao Zhang
Mr. Guowei Zhan *(resigned on April 19, 2024)*
Ms. Yanhong Kuang *(appointed on April 19, 2024)*

Independent Non-executive Directors

Dr. Pok Man Kam
Professor Joseph Wan Yee Lau *(passed away on February 7, 2024)*
Ms. Yee Sin Wong
Dr. David Scott Lim *(appointed on April 19, 2024)*

Note: Mr. Hong Xu was appointed as the Chairman on April 19, 2024 following the resignation of Mr. Michael Yi Wei Zhao as a non-executive Director and the Chairman.

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.

Each of Ms. Yanhong Kuang and Dr. David Scott Lim, who were appointed as a non-executive Director and an independent non-executive Director on April 19, 2024, respectively, has obtained legal advice as referred to in Rule 3.09D of the Listing Rules on April 19, 2024 and has confirmed that he/she understood his/her obligations as a Director of the Company.

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.

CORPORATE GOVERNANCE REPORT

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.

Independent Non-executive Directors

Save as disclosed herein, 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.

The Board has established mechanisms to ensure independent views and input are available to the Board and reviewed the implementation and effectiveness of such mechanisms on annual basis. 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 has entered into a service agreement with the Company under which the initial term of three years shall commence from May 6, 2021 or from their respective effective date of appointment 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.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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 and Chairman)*	A&B
Non-executive Directors	
Mr. Michael Yi Wei Zhao *(resigned on April 19, 2024)*	–
Mr. Zhenjun Zi *(resigned on March 1, 2024)*	–
Mr. Ao Zhang	A&B
Mr. Guowei Zhan *(resigned on April 19, 2024)*	–
Ms. Yanhong Kuang *(appointed on April 19, 2024)*	A&B
Independent Non-executive Directors	
Dr. Pok Man Kam	A&B
Professor Joseph Wan Yee Lau *(passed away on February 7, 2024)*	–
Ms. Yee Sin Wong	A&B
Dr. David Scott Lim *(appointed on April 19, 2024)*	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

CORPORATE GOVERNANCE REPORT

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 38 years old to 75 years old. In particular, given that two of our Directors are 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.

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 maintained a balanced employee gender ratio in the workforce with male to female ratio of approximately 1.04:1 as at December 31, 2024. 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.

CORPORATE GOVERNANCE REPORT

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, 2024, 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. Professor Joseph Wan Yee Lau ceased to be a member of the Audit Committee on February 7, 2024 and Dr. David Scott Lim was appointed as a member of the Audit Committee on April 19, 2024. 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, 2024, 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, 2023, 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.

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, 2024, the Remuneration Committee consists of one non-executive Director, namely, Ms. Yanhong Kuang, and two independent non-executive Directors, namely, Dr. Pok Man Kam and Ms. Yee Sin Wong. Ms. Yee Sin Wong is the chairwoman of the Remuneration Committee. Mr. Michael Yi Wei Zhao resigned as a member of the Remuneration Committee and Ms. Yanhong Kuang was appointed as a member of the Remuneration Committee on April 19, 2024. 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, 2 meetings of the Remuneration Committee were 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, the Remuneration Committee has considered the grant of RSUs under the RSU Scheme to Mr. Hong Xu, the chairman of the Board, the chief executive officer and an Executive Director, and no other 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, 2024 are set out below:

Remuneration by band (HK$)	Number of persons
HK$2,000,001 to HK$2,500,000	1 *(Note)*

Note: the senior management is also an executive Director

Nomination Committee

As at December 31, 2024, the Nomination Committee consists of one executive Director, namely, Mr. Hong Xu, and two independent non-executive Directors, namely, Ms. Yee Sin Wong and Dr. David Scott Lim. Mr. Hong Xu is the chairman of the Nomination Committee. Professor Joseph Wan Yee Lau ceased to be a member of the Nomination Committee on February 7, 2024. Mr. Michael Yi Wei Zhao resigned as the chairman of the Nomination Committee, Mr. Hong Xu was appointed as the chairman of the Nomination Committee and Dr. David Scott Lim was appointed as a member of the Nomination Committee on April 19, 2024. 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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, 1 meeting of the Nomination Committee was held to, amongst others, review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, 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 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, 6 Board meetings were held at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code, 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, 2023, unaudited interim results for the six months ended June 30, 2024, change of composition of the Board, granting of share awards and repurchase of Shares.

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.

CORPORATE GOVERNANCE REPORT

The attendance record of each Director during their tenure of office at the Board and Board Committee 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 and Chairman)*	6/6	N/A	N/A	1/1	1/1
Non-executive Directors					
Mr. Michael Yi Wei Zhao (resigned on April 19, 2024)	2/3	N/A	0/1	N/A	N/A
Mr. Zhenjun Zi (resigned on March 1, 2024)	1/1	N/A	N/A	N/A	N/A
Mr. Ao Zhang	5/6	N/A	N/A	N/A	1/1
Mr. Guowei Zhan (resigned on April 19, 2024)	3/3	N/A	N/A	N/A	N/A
Ms. Yanhong Kuang (appointed on April 19, 2024)	3/3	N/A	1/1	N/A	1/1
Independent Non-executive Directors					
Dr. Pok Man Kam	6/6	2/2	1/2	N/A	1/1
Professor Joseph Wan Yee Lau (passed away on February 7, 2024)	0/1	N/A	N/A	N/A	N/A
Ms. Yee Sin Wong	5/6	2/2	2/2	1/1	1/1
Dr. David Scott Lim (appointed on April 19, 2024)	3/3	1/1	N/A	1/1	1/1

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 2024, the Company continued to strengthen its cultural framework by focusing on the following:

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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 and Compliance 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 and Compliance 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.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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 advisors, 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.

CORPORATE GOVERNANCE REPORT

- 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.

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, 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. The Board will conduct annual review on the risks management and internal control system of the Company.

CORPORATE GOVERNANCE REPORT

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, 2024. 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, 2024 is US$288,000. The total fee paid/payable to the independent auditor of the Company, in respect of non-audit services for the year ended December 31,2024 is US$28,000. The non-audit services conducted by the Auditor include agreed upon procedures on the internal controls on certain cycles.

COMPANY SECRETARY

During the Reporting Period, Ms. Yin Kwan Ho, a former vice president of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**"), acted as the sole company secretary of the Company and tendered her resignation with effect from June 25, 2024, and Ms. Ka Yan Suen, an assistant manager of SWCS, as a new delegate from SWCS, was appointed by the Company to, in place of Ms. Ho, act as the sole company secretary of the Company with effect from June 25, 2024. Ms. Suen is 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 and Ms. Suen have 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.

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 Exchange). The annual general meeting shall be specified as such in the notices calling it.

CORPORATE GOVERNANCE REPORT

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.

Based 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.

CORPORATE GOVERNANCE REPORT

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#/investor. 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, 2024 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.

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 meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

CORPORATE GOVERNANCE REPORT

CHANGES TO THE CONSTITUTIONAL DOCUMENTS

On May 20, 2024, the Company has adopted the amended and restated Memorandum and Articles of Association incorporating the 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 latest Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

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.

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.

CORPORATE GOVERNANCE REPORT

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 2024 Environmental, Social and Governance ("**ESG**") Report (the "**Report**") to disclose our ESG-related strategies, practices, measures and achievements in 2024 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 around the world, and the environmental key performance indicators (KPIs) include information on our main manufacturing sites in Hangzhou, Shanghai, Shenzhen, Beijing and Guangzhou and our offices in the United States. In the future, we will disclose the information on other operating areas as appropriate. The Report covers the period from January 1, 2024 to December 31, 2024 (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 2023 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,

In 2024, the uncertainties of cooperation and competition in the global market continued to rise. Broncus managed to ride the wind and waves in the turbulent and changing market environment by focusing on overall solutions for interventional diagnosis and treatment for lung diseases, and achieved certain results. On behalf of the Board of Directors, I would like to express my warmest regards and respects to all parties including partners, employee teams, patients and expert teams who have trusted and supported the Company's development for a long time. As a national leading provider of interventional diagnosis and treatment solutions for lung diseases, Broncus has been deeply aware that ESG not only reflects the responsibility of modern enterprises, but is also the only way for enterprises to achieve sustainable development and long-term success. We firmly believe that integrating the concept of sustainable development with our own business can lead us to fulfill our responsibility as a "corporate citizen", achieve continuous improvement in performance and make greater contributions to society.

In the past year, we continued to explore the ESG field and further improved the relevant institutional framework. We actively fulfilled our social responsibilities by not only giving back to the society through social welfare and popularizing knowledge among patients, but also focusing on improving the health and well-being of patients by providing excellent medical products and services. At the same time, we have also committed to creating a diverse and harmonious working environment to enhance the well-being and welfare of our employees. In terms of environmental protection, we implemented a series of innovative measures, which effectively reduced carbon emissions and optimized the efficiency of resource utilization. We adhered to the principles of corporate governance of fairness, transparency and efficiency, and strengthened the internal control and risk management mechanisms to ensure that the rights and interests of our shareholders and stakeholders were effectively protected.

This ESG Report is a comprehensive review and presentation of our unremitting efforts in all aspects of environmental, social and governance in the past year. It not only showcases our achievements in the ESG field and our plans for future development, but also serves as a bridge of communication between us, our shareholders and investors, enabling them to gain a clear insight into our ESG strategy, objectives and the effectiveness of their implementation. Looking forward, we will continue to explore new frontiers in the medical field with a more rigorous attitude, and seize every growth opportunity to promote the in-depth implementation of sustainable development strategy and rapid business development, so as to create greater value for shareholders, investors and society as a whole.

Hong XU
Chairman and Chief Executive Officer

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE ASPECT

2. BOARD STATEMENT

The Board of Broncus provides comprehensive guidance on the Company's environmental, social and corporate governance (ESG) related work, supervises the continuous optimization of ESG policies and measures by the senior management, and is ultimately responsible for the Company's ESG issues. The Board has always paid close attention to ESG issues closely related to operating activities, and flexibly adjusted operating strategies to cope with various risks and changes, aiming at safeguarding the long-term well-being of stakeholders and earnestly fulfilling corporate social responsibilities.

The Board is fully aware of the significance of ESG in shaping an enterprise's long-term competitiveness and value creation. Therefore, we regard ESG principles as an indispensable factor in every decision and strategic plan of the Company, and have carefully formulated a series of forward-looking policies and measures to systematically optimize the environmental impact, enhance the awareness of social responsibility and strengthen the corporate governance structure. We urge the ESG working group to ensure that every policy and measure can be accurately implemented and effectively monitored with a high sense of responsibility and execution.

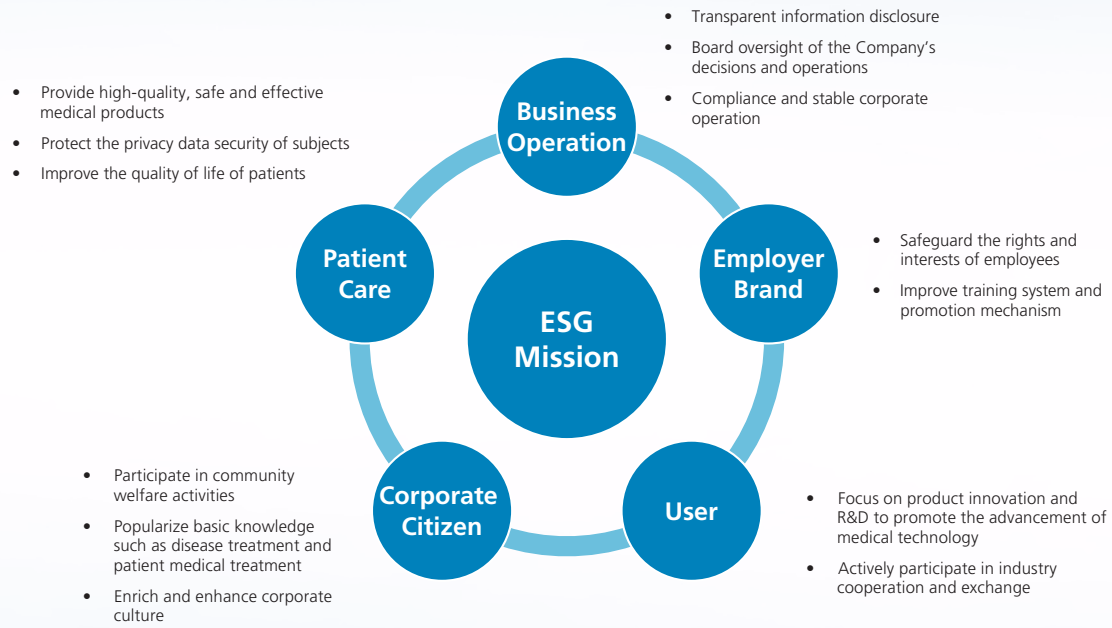
In order to build a closer communication bridge with our major stakeholders, we regularly seek to understand the concerns and expectations of stakeholders on the Company's development through various channels, and conduct materiality assessment on the identified issues to ensure smooth flow of information, and provide reference for the Company's ESG work strategic direction. In addition, the Board has always been vigilant and prepared against potential ESG risks, so as to avoid the negative impact of ESG risks on the brand image and operational efficiency of the enterprise. The Board also flexibly adjusts its operation strategies to cope with the ever-changing environmental and social needs, so as to ensure that the Company can move forward stably in the complex and volatile market environment.

As a pioneer in the field of medical and health care, we are fully aware of our dual mission: on the one hand, we are committed to providing safe, efficient and high-quality medical services to meet the diverse needs of our patients; on the other hand, we actively participate in medical research and technological innovation, promote the iterative upgrading and wide application of medical technology and contribute our wisdom and strength to the cause of human health. During the year, the Board reviewed the prioritization of material ESG issues and the environmental targets, reviewed the progress regularly, and took targeted measures for improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ESG MISSION AND PHILOSOPHY

Broncus is actively improving its ESG management system to consolidate its own medical service characteristics. It shoulders the ESG mission with five major areas as its main contents, namely business operation, employer brand, user, corporate citizen and patient care, and sets a clear direction for the Company's ESG work.



The Board of the Company is the highest decision-making body for environmental, social and governance (ESG) matters and is responsible for supervising, reviewing and formulating ESG-related strategies. Pursuant to the ESG Reporting Guide of the Hong Kong Stock Exchange, the Board has been deeply involved in the identification and ranking of key ESG issues of the Company, continuously strengthened the management of ESG matters, and reviewed and confirmed the effective prevention and control of ESG risk management and internal monitoring systems and the effectiveness of internal monitoring mechanisms.

This Report discloses in detail the progress of Broncus's ESG work and the achievement of its targets in 2024, which was considered and approved at the Board meeting on March 31, 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Management System

The Company has established a three-level management system consisting of the Board, senior management and the ESG working group, which respectively perform the main responsibilities of decision-making, evaluation and execution, emphasize supervision and management awareness, and conduct sufficient internal communication to ensure that the Company's ESG system operates systematically and effectively and relevant policies can be implemented.

Board

- The Board is the body with the highest responsibility for overseeing the Company's ESG affairs. It is responsible for formulating ESG management strategies and targets, regularly reviewing the Company's target progress, major ESG risks faced and management policies, and approving the disclosure of the ESG report.

Senior Management

- Senior management is responsible for assessing the Company's ESG risks, formulating appropriate management policies and submitting them to the Board for review. It is also responsible for ensuring the effective operation of the Company's ESG risk management and internal control systems, and reporting directly to the Board on ESG work.

ESG Working Group

- The ESG working group, composed of representatives of ESG-related departments, is mainly responsible for implementing the Company's ESG management policies, collecting data required for ESG reporting, promoting the proper implementation of relevant systems and policies, and reporting the progress to the senior management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

The Company attaches great importance to the concerns and expectations of stakeholders on the Company's business development. We strive to maintain smooth communication channels with internal and external stakeholders, and keep abreast of relevant demands and concerns of our stakeholders, including shareholders and investors, governments and regulatory bodies, employees, customers and patients, suppliers, partners, communities and the public. According to the characteristics of different stakeholders, we provide various communication opportunities and platforms such as information disclosure, meeting and discussion, and exchange activities on a regular or irregular basis to understand and respond to the opinions and suggestions 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

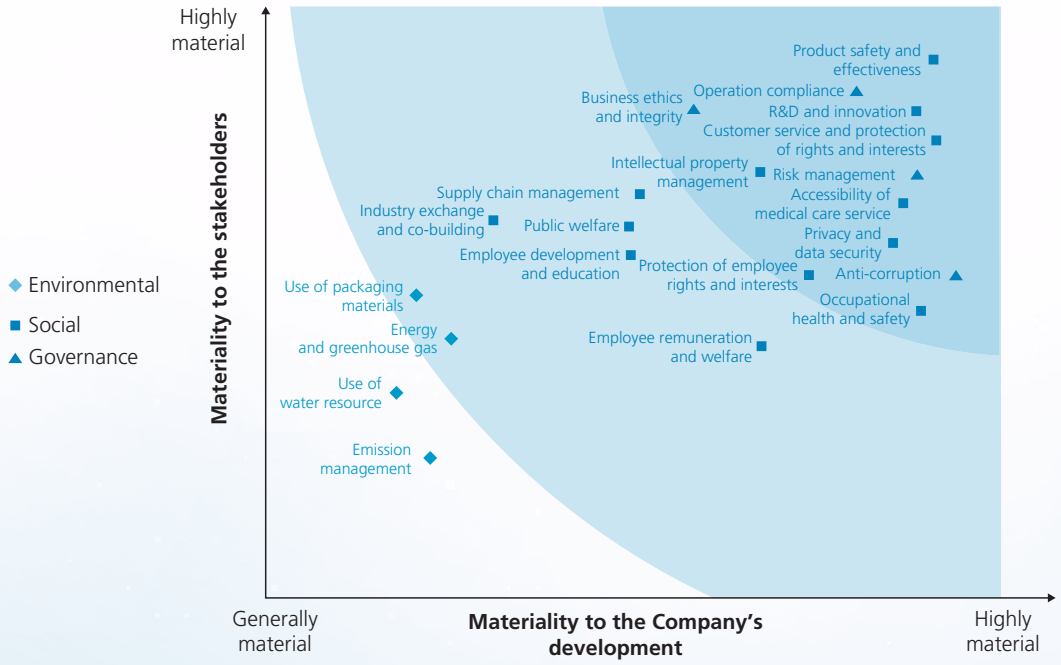
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Company attaches great importance to the opinions and concerns of stakeholders, and has conducted surveys on material issues of various stakeholders and conducted comprehensive analysis in accordance with the Guide. The materiality assessment results previously identified as confirmed by the Board, senior management and ESG working group of the Company are still applicable in this year because (i) there were no significant changes in the Company's business and business environment during the Reporting Period; and (ii) the results of the materiality assessment can still reflect the expectations of our stakeholders, and therefore the assessment results will continue to be used in this year.

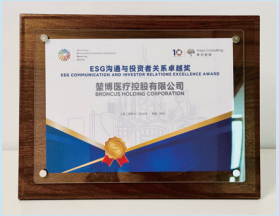
Based on the analysis of stakeholders on the results of the materiality assessment, the Company identified 21 material issues, of which 12 are highly material, 7 are moderately material and 2 are generally material. The following chart shows the material ESG issues we identified this year:

Material ESG issues of Broncus



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Honors received by the Company during the Year

Award Name	Organiser	Award
2023 "Sichuan Province Science and Technology Progress First Prize"	Sichuan Provincial People's Government	
Second Prize of the 13th China Innovation and Entrepreneurship Competition – Medical Materials and High-end Consumables Professional Competition (Growth Category)	China Innovation and Entrepreneurship Competition Medical Materials and High-end Consumables Professional Competition Organizing Committee	
ESG Communication and Investor Relations Excellence Award	Organised by Alaya Consulting Limited (本識諮詢(深圳)有限公司), China Chengxin Green Finance International Co., Ltd.	
Outstanding IR Team of the Year	Guru Club	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. OPERATIONAL COMPLIANCE

Broncus regards integrity and impartiality as the foundation of its business operations, and always adheres to the core values of integrity, honesty, fairness, hard work, excellence, and business ethics. We comply with laws and regulations such as 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 and the Interim Provisions on Prohibition of Commercial Bribery*, and formulate and implement internal systems such as the Company's Anti-Corruption Policy and Anti-Money Laundering Management Regulations, and oppose any form of bribery, corruption, fraud, extortion, money laundering and other violations. At the same time, we encourage internal and external business partners, associates and suppliers to abide by the relevant policy requirements, continuously strengthen the internal control management, and continuously improve the system to avoid damage to the Company's reputation or interests.

During the Reporting Period, there was no case of corruption involving employees or the Company at Broncus.

4.1 Effective Whistle-blowing System

The Company adheres to a "zero-tolerance" attitude towards corruption, bribery and other irregularities, and severely cracks down on all kinds of violations of the internal rules and regulations of the country or the Company. We have established a comprehensive code of conduct system to encourage internal employees and external partners, including suppliers, customers and other stakeholders, to disclose any behavior that may involve unfair trading, violation of regulations or violations of professional ethics, and actively participate in the Company's construction work of maintaining integrity and compliance. In order to protect the legitimate rights and interests of whistleblowers and address their concerns, we accept unverified whistle-blowing contents and take a series of necessary measures to verify them. If the final result is still not confirmed, we are still grateful to the whistleblower for reporting in good faith.

In addition, in order to receive whistle-blowing information more efficiently, we have set up a variety of whistle-blowing communication channels, including emails, whistle-blowing hotline, reporting to the legal department, and communication with the management, so that all kinds of whistleblowers can contact us in a timely, private and safe manner. We respect the whistleblower's choice of reporting in their real name or anonymously. Real-name reporting is encouraged. The Company's compliance team will conduct detailed and in-depth investigation of the case to ensure that every report can be handled impartially. At the same time, we spare no effort in protecting the legitimate rights and interests of every whistleblower, and resolutely oppose any form of retaliation. If any indirect or direct retaliation is discovered, the Company will handle it seriously in accordance with regulations. We will not tolerate malicious reporting, framing others, fabricating facts or other acts, and will impose punishment on perpetrators based on factual evidence to create a good and healthy atmosphere of integrity.

Hotline: 0086-0571-86595016
Email: legal@broncuschina.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 Comprehensive Anti-corruption Training

The Company has been carrying out anti-corruption training for the Board and all employees for a long time. The Company regularly conducts online and offline lectures and training activities to comprehensively popularize anti-corruption education, so as to help the Directors and employees to effectively prevent and timely identify corruption risks, increase vigilance in daily operations, and always be alert to corruption risks. During the Reporting Period, we provided anti-corruption trainings to the Directors and all employees of the Company.

Anti-corruption trainings	Unit	FY2024
Total number of directors trained in anti-corruption and compliance	Person	6
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	19
Total number of entry-level employees trained in anti-corruption and compliance	Person	200
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 QUALITY ASSURANCE

As a leading national medical solution provider focusing on the diagnosis and treatment of lung diseases, we have long been committed to the mission of "establishing interventional diagnosis and treatment solutions as the gold standard for lung disease treatment". The Company pioneered the whole lung precise access navigation technology. Relying on the self-developed comprehensive and multi-functional interventional pulmonology platform, the Company integrated advanced navigation technology, accurate diagnosis methods and efficient treatment plans to provide personalized, safe and effective interventional treatment plans for patients with chronic lung disease and other complex lung diseases. Our products and services have enabled in-depth analysis and precise positioning of the lung structure, leading to profound changes in the diagnosis and treatment of lung diseases, and have achieved outstanding results in clinical application and practice.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.1 Focusing on Technological Innovation

Broncus always insists on innovative research and development. In respect of navigation products, diagnostic products and therapeutic products, in particular, in the field of interventional therapy for lung cancer and severe COPD, the Company continues to forge ahead and innovate to provide patients with innovative medical solutions. The Company actively develops the augmented reality-based whole lung navigation technology platform to provide precise and minimally invasive interventional diagnosis and treatment products for lung diseases such as lung cancer and chronic obstructive pulmonary disease. The Company exclusively owns the world's leading real-time image navigation technology for whole lung access. Its LungPoint®, an augmented reality navigation device, LungPoint Plus®, an upgraded augmented reality navigation device, and LungPro®, a navigation device for whole lung diagnosis and treatment, have obtained marketing authorization from the U.S. Food and Drug Administration (FDA), European CE certification, and the National Medical Products Administration (NMPA). Our core product, InterVapor®, is the world's first thermal vapor energy ablation system for the treatment of COPD. The product has obtained marketing approvals in the European Union and China, and is widely used in the interventional treatment regimens for moderate/severe COPD patients at home and abroad, and has gained international recognition. Meanwhile, the BroncAblate® Radiofrequency Ablation System, a product used for bronchoscopic interventional treatment of lung cancer, is also in the process of registration with the National Medical Products Administration (NMPA) in the PRC. The results of pre-market clinical trials have demonstrated the safety and effectiveness of lung cancer treatment.

Broncus insists on technological innovation in the field of interventional diagnosis and treatment of pulmonary diseases, and has gradually developed into a leader in the field of precise interventional diagnosis and treatment of pulmonary diseases, with a comprehensive lung disease solution of navigation-diagnosis-treatment. Under the current high demand and high growth rate of interventional pulmonary therapy, the development of interventional respiratory medicine has gained innovative power based on the advanced patented technology of pulmonary interventional diagnosis and treatment and the breakthrough in the key transbronchial radiofrequency ablation technology for interventional therapy of lung cancer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 1: Shanghai Chest Hospital completed the world's first operation for the treatment of lung cancer with transbronchial radiofrequency ablation assisted by robotic bronchoscope system

At the end of September 2024, Professor Jiayuan Sun from Shanghai Chest Hospital and his team members successfully completed the world's first operation for the treatment of lung cancer with transbronchial radiofrequency ablation (BroncAblate®) assisted by robotic bronchoscope system. The use of BroncAblate® in combination with surgical robots has opened up a broad space and new ideas for interventional diagnosis and treatment of lung diseases, and brought hope for advancing the treatment of lung diseases, especially lung cancer.

Case 2: Publication of the results of the one-year follow-up study on the world's first transbronchial radiofrequency ablation system BroncAblate® for the treatment of lung tumors

In August 2024, the research results of the BRONC-RF II clinical trial were published in the Respirology, the authoritative academic journal. The research results fully verified the advantages of the transbronchial radiofrequency ablation system (BroncAblate®) self-developed by the Broncus in terms of safety and effectiveness in the treatment of lung tumours, providing a solid scientific basis for the development and application of bronchial ablation technology as a means of treating lung tumours, and opening a new era in the minimally invasive interventional treatment of lung cancer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 3: Diagnosis, localization and treatment of peripheral pulmonary nodules under the guidance of LungPro® augmented reality optical whole lung diagnosis and treatment navigation

In April 2024, the "Expert Consensus on Diagnosis, Localization and Treatment of Peripheral Pulmonary Nodules under the Guidance of Augmented Reality Optical Whole-Lung Diagnosis and Treatment Navigation" was officially published in the Chinese Medical Journal, providing recommendations and clinical guidance on the indications and contraindications, equipment and instruments, perioperative management, operating procedures and complication management for the diagnosis, localization and treatment of peripheral pulmonary nodules applicable to augmented reality optical whole-lung diagnosis and treatment navigation technology. Augmented reality optical whole-lung diagnosis and treatment navigation (LungPro®) has been innovatively upgraded based on the previous generation, combining conventional intra-airway navigation mode and unique extra-airway navigation mode, achieving whole-lung diagnosis and treatment and meeting most clinical lung nodule diagnosis and treatment requirements.

中华医学杂志 2024 年 4 月 23 日第 104 卷第 16 期 Natl Med J China, April 23, 2024, Vol. 104, No. 16 · 1371 ·

·标准与规范·

增强现实光学全肺诊疗导航引导下肺外周结节诊断、定位及治疗专家共识

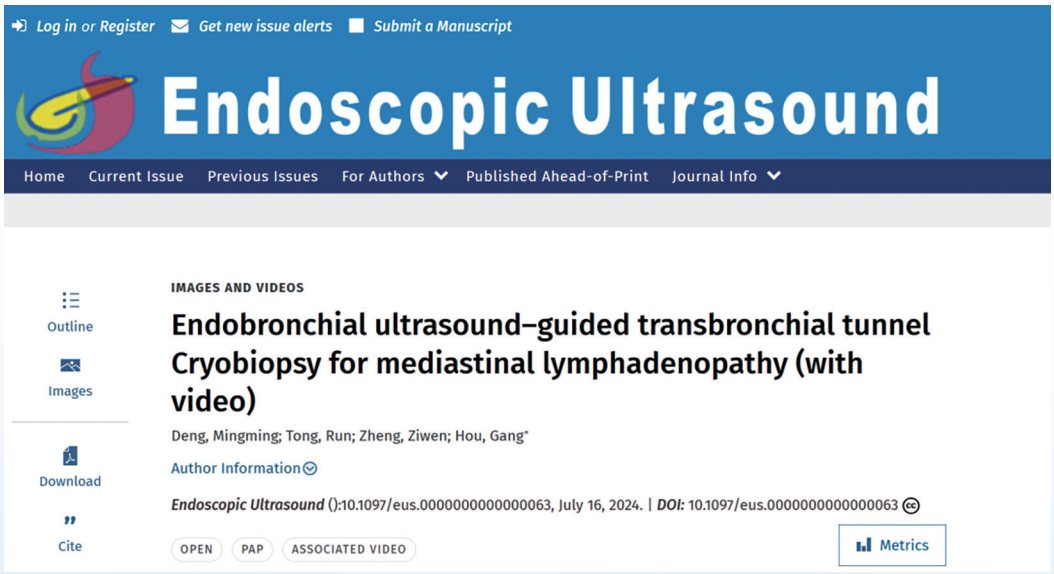
中华医学会呼吸病学分会介入学组 浙江省医学会呼吸病学分会介入学组
通信作者：陈恩国，浙江大学医学院附属邵逸夫医院呼吸与危重症医学科，杭州 310016，Email：3195024@edu.zju.cn；李时悦，广州医科大学附属第一医院呼吸与危重症医学科，广州 510120，Email：lishiyue@188.com

【摘要】 肺癌是全世界第二大常见、死亡率最高的恶性肿瘤。近年来，各种支气管镜导航技术的快速发展，为早期肺癌筛查提供了有力手段，也为肺外周结节经气道的微创诊断及治疗提供了条件。增强现实光学全肺诊疗导航是在虚拟导航支气管镜（VBN）的基础上，融入增强现实和光学导航技术，

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 4: Professor Hou Gang's team successfully implemented and released the innovative exploration of cryobiopsy using BroncTru®

On July 16, 2024, the team of Professor Gang Hou from the National Center for Respiratory Medicine published the latest case study in Endoscopic Ultrasound (EUS), a journal of the first district of the Chinese Academy of Sciences. Professor Gang Hou's team successfully implemented and released cryobiopsy using BroncTru®. Compared with the traditional high-frequency needle-knife incision of the airway, this new method simplified the operation process of tunnel establishment, and completed the endobronchial ultrasound-guided transbronchial mediastinal cryobiopsy more quickly and safely. Professor Gang Hou's team named the method endobronchial ultrasound-guided transbronchial tunnel cryobiopsy (EBUS-TTCB), which is expected to become a new safe and feasible method for cryobiopsy of mediastinal lymph nodes in the future.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 5: Convening a symposium on standardized clinical application of thermal vapor lung volume reduction for COPD emphysema

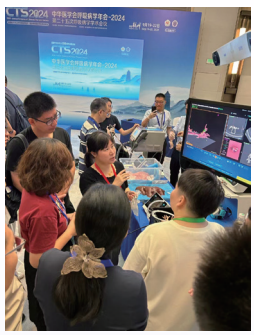
From July 19 to 21, the 12th Chinese Medical Association Respiratory Endoscopy and Interventional Respiratory Diseases Academic Conference was grandly held in Wuhan, China. The "Symposium on the Standardized Clinical Application of Thermal Vapor Lung Volume Reduction for COPD Emphysema "was held as scheduled during the conference.

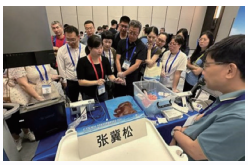
At this symposium, the Standardized Procedure for Lung Volume Reduction with Thermal Vapor was proposed, which effectively summarized the current clinical experience of BTVA in hospitals at all levels, and provided scientific basis and guidance for clinical decision-making, in order to vigorously promote standardized clinical diagnosis and treatment, stimulate the huge development potential of BTVA, and benefit more patients. The conference invited Professor Li Shiyue, Vice President of Guangzhou Respiratory Health Research Institute, Professor Sun Jiayuan of Shanghai Chest Hospital Affiliated to Shanghai Jiao Tong University School of Medicine, and other well-known domestic respiratory disease interventional diagnosis and treatment experts to exchange ideas on the clinical application of lung volume reduction with thermal vapor, so as to promote the establishment of a standardized BTVA process and take the first step in reaching the "Expert Consensus on Thermal Vapor Lung Volume Reduction for COPD Emphysema".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 6: Official launch of post-market clinical study of bronchoscopic thermal vapour ablation (BTVA)

In September 2024, Broncus had presented its overall solution for interventional diagnosis and treatment of pulmonary diseases at the 2024 Annual Meeting of Respiratory Medicine of the Chinese Medical Association. During the meeting, the launching meeting of a post-market clinical study of the InterVapor® thermal vapour therapy system - "A prospective, single-arm, multi-center clinical study to evaluate the effectiveness and safety of bronchoscopic thermal vapour ablation (BTVA) in the treatment of heterogeneous emphysema" was grandly held. Professor Zhang Jisong from Sir Run Run Shaw Hospital, affiliated with the Medical School of Zhejiang University, gave a live demonstration with the theme of "Opening a New Era of Interventional Respiratory Therapy", and shared various products and technical knowledge with the doctors present.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2 Promoting diagnosis and treatment procedures to benefit patients

We always adhere to our sacred mission as the national leading provider of interventional treatment solutions for lung diseases. We put the health of patients, the development of the industry and customer satisfaction at the forefront, and continuously innovate and develop new technologies and products, so as to allow more patients to enjoy more effective and higher quality products. During the year, we continued to leverage on our professional strengths to continuously expand our sales channels across the country, continue to provide more reliable treatment solutions for lung disease patients, help patients recover and enhance our reputation and influence.

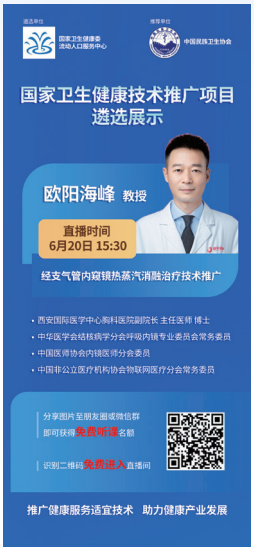
Case 1: Innovative surgical procedures implemented in multiple hospitals

By 2024, Broncus's various innovative products have developed corresponding clinical procedures and have been put into clinical use in many hospitals in Beijing, Shanghai, Shandong, Jiangsu, Hunan, Jiangxi, Henan, Yunnan, Tibet, Xinjiang and other provinces and cities, providing safe and effective solutions for doctors and patients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 2: Bronchoscopic thermal vapour ablation was selected and displayed in the national health technology promotion project

In June 2024, Professor Ouyang Haifeng, Vice President and Chief Physician of Chest Hospital of Xi'an International Medical Center, introduced the effectiveness and safety of "bronchoscopic thermal vapour ablation" through online platforms to promote the technical solution. This technology has been recommended by the Chinese Ethnic Health Association and has been successfully selected into the national health technology promotion project, further benefiting more COPD patients.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case 3: Life changes after receiving BTVA

Many chronic obstructive pulmonary disease (COPD) patients have experienced a significant improvement in their quality of life after receiving bronchoscopic thermal vapour ablation (BTVA) surgery. Broncus will continue to be committed to providing patients with safer and more effective new treatment options, bringing benefits to their future lives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 Quality Management System

Broncus regards product quality as an important pillar of its development, and strictly abides by the *Product Quality Law of the People's Republic of China*, the *Good Manufacturing Practice for Medical Devices*, the *Measures for the Supervision and Administration of Medical Device Production*, and the *Regulation on the Supervision and Administration of Medical Devices* and other laws and regulations, as well as international quality standards, including the U.S. FDA and the European Union's Medical Device Regulation (MDR). The Company has formulated and continuously improved its internal standardized procedural documents such as the Procedural Documents for Quality System, Quality Manual, Quality Objectives and Internal Quality Audit to ensure that our products are also subject to the quality management systems of China, the United States and the European Union, and meet the requirements of the ISO13485:2016 medical device quality management system certification, so as to provide customers and patients with high-quality quality products.


bsi.

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 13485:2016

Broncus ISO13485: 2016 Quality Management System Certification

Quality Assurance

The Company has adopted a variety of measures to ensure that our products comply with relevant standards and regulations, and we have established a complete set of Quality Management System (QMS), including embedding relevant risk factors into our product quality management process, and adopting a risk-oriented process control strategy to help us accurately identify and manage potential risks and provide a clear path for continuous optimization and improvement of QMS performance. At the same time, we have integrated the long-term quality policy into the management system, which has made the process, sequence and interaction of our quality management clearer, and continuously improved the overall quality management level of the Company. The specific policies are as follows:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our quality directions include:

- Understanding and satisfying our customers: We are committed to deeply understanding our customers' needs and striving to meet their expectations in order to provide quality medical devices and solutions.

- Improving and enhancing our medical treatments, devices, and support as customers' needs evolve: We actively work with customers to continuously refine and enhance our products and services based on their needs to accommodate the evolving healthcare industry and customers' needs.

- Compliance with laws, regulations and commercial requirements to maintain the effectiveness of our quality system: We strictly comply with relevant laws, regulations and commercial requirements to ensure that our business operations meet the compliance standards.

Quality Review

We require consistent standards for key processes in our quality management system such as product planning and development, and adopt a systematic approach to drive product adherence to best management practices at every step, from conception to final delivery. Throughout the product life cycle, we strictly follow the ISO 14971 international standard and have established a comprehensive risk management process. From pre-marketing, product transfer, post-marketing, to final decommissioning and disposal, we deeply identify various potential hazards associated with medical devices, and conduct detailed assessment and quantitative analysis of risks to ensure that the actual effects of these measures can be verified and adjusted in a timely manner.

To ensure the efficient operation and continuous improvement of our quality management system, we have adopted a variety of monitoring and measurement methods to strictly monitor each process within the system. Once we find that the results of planning and implementation fail to achieve the expected goals, we immediately initiate the corrective and preventive action mechanism, conduct in-depth analysis of the root cause, and take targeted actions to ensure that the products can meet both the established quality standards and customer expectations. Before the products leave the factory, they are strictly recorded and reviewed by the Production Department and the Quality Department before they are approved for delivery. If a product is unqualified during the realization process, we will adopt a series of necessary means such as clearly identifying the unqualified product, establishing a comprehensive filing system, conducting a detailed assessment, and implementing effective isolation measures to effectively trace the source of the unqualified product, promptly notify relevant departments, and continuously improve.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Clinical Trials

The Company is committed to building and continuously optimizing a comprehensive management system specifically for clinical research projects to ensure that all clinical trials are carried out in compliance with relevant regulations such as the Declaration of Helsinki, ISO 14155 GCP and the National Medical Products Administration's *Quality Management Standards for Clinical Trials of Medical Devices*. We have formulated and strictly implemented the Project Management Plan and Monitoring Plan in clinical trials. It has detailed planning for the entire process of the project from start to finish, including but not limited to team composition, overall operation, quality control, data management, adverse event response, delivery of results, and long-term preservation strategy for data archiving, so as to ensure that the project continues to play a role in the complex and ever-changing clinical trial environment. In addition, in order to minimize the risks and harms, we have formulated the Clinical Trial Implementation Instructions to monitor the subjects from the screening period, the day of surgery, 7 days after surgery and the follow-up period. We have purchased liability insurance for subjects before conducting clinical trials, and objectively reflected the risks and benefits of participating in the trials in the Informed Consent Form to comprehensively protect the interests of both parties. The Company has carefully established a project execution backbone team composed of teams from internal departments such as project management, clinical operations and medical affairs, in cooperation with representatives of third-party partner companies, for the clinical trials conducted. The team works closely with clinical trial centers and researchers, pooling wisdom from all parties and clearly defining the roles and responsibilities of each team member and project timetables, thus laying a solid foundation for the smooth progress of each project. In order to maintain information consistency and work coordination within the team, we have established a set of diversified information feedback mechanisms, while incorporating monthly reports, regular meetings and ad hoc meetings to give full play to the advantages of project periodicity, depth and flexibility, thereby effectively promoting the immediate flow of project information, strengthening cross-departmental collaboration and trust, and ensuring the smooth operation of the project.

In terms of quality control, we have clearly defined the division of responsibilities of each position. The project manager is responsible for customizing the quality control blueprint of the project to ensure that relevant standards are complied with at every step of the operation. The Company's internal quality control specialists, internal quality control experts in the project team, professional clinical research associates (CRAs) and an independent third-party audit team have constituted a high-quality standard quality control system to implement strict on-site monitoring and quality review throughout the project cycle. At the same time, we also have regularly organized professional trainings to continuously improve the professional skills and compliance awareness of project team members, reflect the scientific rigor, compliance and efficiency of clinical research, and achieve both the planning expectations and the high-quality objectives of compliance.

In terms of patient privacy protection, the Company has required the subjects to sign an Informed Consent Form before the commencement of all clinical trials, so as to obtain the consent and understanding of the patients before conducting the trials. We have obtained, used and preserved patients' private data and medical treatment details in strict accordance with the *Quality Management Standards for Clinical Trials of Medical Devices* and other relevant regulations, so as to fully protect patients' rights to know and privacy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Production Control

We pay attention to every link in the production process, manage the production workshop according to the high standard of 5S, and keep the work area clean and orderly. We have provided clean clothes and other equipment for employees to operate in accordance with relevant requirements, and strictly control and conduct regular inspections in special areas such as ultra-clean areas to avoid product contamination caused by bacteria and dust.

Photos of the production workshop

Supervision and Traceability

The Company has strictly complied with national laws and regulations such as the *Medical Device Adverse Event Monitoring and Re-evaluation Management Measures* and the *Medical Device Recall Management Measures*, as well as the U.S. federal regulations such as *Medical Device Reporting* and other guiding notices on medical devices in China, the United States and Europe, and formulated and implemented systems such as Post-Marketing Supervision and Adverse Event Reporting. We have continued to monitor and collect relevant information and feedback after the products are launched, and communicate with customers and patients on a regular basis to investigate the experience and effects of products. In response to the negative information collected about adverse events, we assessed the nature of the events in accordance with relevant policies and take necessary remedial measures in a timely manner. At the same time, we reported to the national medical device adverse event monitoring information system as soon as possible to avoid further escalation, minimize losses, and take further improvement measures in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.4 Efficient Customer Service

Customer Complaint

The Company has always strictly complied 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, has always respected every customer's opinion and suggestion on our products and services, and took it as an opportunity to examine our own improvement direction. In order to increase the frequency of communication between us and our customers and lower the threshold for communication, we have set up multiple channels, such as visits, discussions, training, phone calls or exhibition. When encountering customer complaints, we record, evaluate, investigate, supervise and analyze the content of the complaint in strict accordance with the relevant internal systems such as Solution to Complaints, determine the main responsibility of customer complaints, and deal with them as quickly as possible. If it is due to the Company's own reasons that cause a customer complaint, we will inform the customer as soon as possible and propose compensatory measures to win the customer's understanding.

We have always regarded customers' opinions and feedback as an important direction for the Company's continuous pursuit of progress and excellence, and the only way to achieve higher quality products and services. Therefore, we are continuously committed to deepening the relationship with our customers, striving to achieve the perfection in every detail through effective communication mechanism, so as to ensure that we can accurately capture the needs and expectations of our customers. At the same time, we have always regarded compliance with laws and regulations as the cornerstone of corporate development, and continuously strengthened internal compliance management, and strived to provide customers with higher quality products and services under the premise of compliance, so as to win customers' long-term trust.

During the Reporting Period, the Company received a total of 3 customer complaints, all of which had been settled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recall Policy

The Company has developed a series of measures to standardize the procedure of product recall to ensure that our customers and patients will not encounter health and safety problems caused by the product quality. In order to comprehensively improve the quality of the goods we manufacture and sell, we are constantly improving and optimizing the recall process and other related corrective actions for all goods. Therefore, we have set up a special "Advisory Notices and Recalls" system, which aims to establish a scientific, standardized and efficient product recall and correction mechanism to ensure that we can respond quickly and accurately to maximize the protection of consumer rights when faced with product performance failures, degradation, and potential threats to consumer health. We conduct in-depth analysis of the continuous monitoring and feedback information of products circulating in the market. Once we discover that a product may pose a health hazard, we will immediately initiate a recall procedure and require the person in charge to comprehensively review and evaluate the product's historical records, consumer complaint documents, and distribution records, track the flow of products, ensure that the recall action covers all potentially affected products, and conduct a comprehensive analysis of the defects of the recalled products to provide a scientific basis for future continuous improvement and preventive measures. When recalling products, we regularly submit the Report on Implementation of Recall Plan to local regulatory authorities, report the recall progress in a timely manner, centrally handle and destroy the recalled products, and submit a summary report to the drug supervision and administration department within 10 days of the recall.

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 Respecting Intellectual Property

As a pulmonary disease solution provider that relies on technological innovation for continuous improvement, Broncus has always regarded intellectual property as our core assets. We have strictly followed 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*, as well as the relevant intellectual property laws and regulations of other countries and regions where we operate. Taking into account the Company's business characteristics, we have carefully compiled the Work Manual for Intellectual Property Management based on the Enterprise Intellectual Property Management (GB/T 29490-2013), which further specifies the programmatic guidance and code of conduct for the Company's intellectual property management.

In addition, the Company has established long-term strategic goals, aiming to deepen the recognition and attention of all employees to intellectual property, accelerate the effective transformation of scientific and technological achievements, and strive to build an innovative enterprise that leads in key technology fields and has a competitive advantage in the market. We adhere to the intellectual property management concept of "promote upgrading and development with scientific and technological innovation, protect industrial strength with IP management", clearly plan the establishment, division of responsibilities and allocation of authority of management agencies at all levels, instruct the R&D department to be responsible for the recording and management of external documents, and formulate detailed management system procedure documents to ensure the accuracy and traceability of information.

知识产权管理体系认证证书

证书号码：165IP202045R1M

兹证明

杭州堃博生物科技有限公司

注册地址：浙江省杭州市滨江区西兴街道江陵路 88 号 8 幢 8 楼 801 室

经营地址：浙江省杭州市滨江区西兴街道江陵路 88 号 8 幢 8 楼 801 室
浙江省杭州市滨江区西兴街道江陵路 88 号 2 幢 1 楼 105-136 室

知识产权管理体系符合标准：

GB/T29490-2013

通过认证的范围如下：

中央型一次性内窥镜吸引活检针、外周型一次性内窥镜吸引活检针、一次性使用支气管镜可调弯鞘管、一次性使用支气管镜球囊扩张导管、一次性使用支气管镜导引鞘管、一次性使用肺外科标记物、一次性使用内窥镜雾化激导管、一次性使用经支气管内窥镜热蒸汽治疗导管的研发、生产、销售；支气管镜放置导航软件的销售的知识产权管理

注：认证注册范围不包括未获得有效的国家规定的相关行政许可、资质许可的产品/服务范围

初次发证日期：2020 年 12 月 24 日　本次发证日期：2023 年 12 月 15 日　有效期至：2026 年 12 月 23 日

本证书持有者的管理体系持续符合上述标准的运行条件下，证书有效期为三年。证书有效性通过年度监督确认保持。证书有效信息可登陆国家认证认可监督管理委员会官方网站 www.cnca.gov.cn 或中知（北京）认证有限公司官方网站查询。

签发：

中知（北京）认证有限公司

地址：北京市海淀区花园路5号133幢3层302室（100088）

http://www.zzhjrz.com

Intellectual Property Management System Certification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of December 31, 2024, Broncus held the following IPs:

Type of IPs	Quantity
Patent for invention	214
Patent for utility model	308
Design patent	63
Trademark	120
Total	705

In terms of internal intellectual property risk management, 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 monitor the risks that we may infringe on the intellectual property of others, identify situations in which our intellectual property are infringed, and reserve the right to resolve disputes through litigation, arbitration and other means. At the same time, we attach great importance to the construction of the intellectual property work team, regularly organize intellectual property education and training activities, and continuously improve the team's professional level and business capabilities to ensure that team members have the corresponding professional capabilities and qualities, and safeguard the intellectual property of the Company and others.

We protect our own intellectual property while avoiding infringing on the intellectual property rights of others. We regularly monitor situations where our products may involve the intellectual property of others and propose preventive plans. At the same time, we also promptly detect and monitor intellectual property infringements and use administrative and judicial means to protect intellectual property rights when appropriate; when dealing with intellectual property disputes, we evaluate the impact of different handling methods such as litigation, arbitration, and settlement on the enterprise and select the appropriate dispute resolution method.

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

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5.6 Responsible Marketing

Broncus practices the concept of responsible marketing and promises that the advertising terms and label information of all the Company's products and services are true and valid. We strictly abide by the *Advertising Law of the People's Republic of China,* the *Interim Measures for the Review and Administration of Advertisements for Drugs, Medical Devices, Health Foods, and Foods for Special Medical Purposes*, the U.S. *Federal Trade Commission Act*, the U.S. *Honest Advertising Act*, etc., and strictly implement the Company's Market Activity Management System to continuously regulate the Company's market activities to ensure compliance and orderly development. We respect and protect consumers' right to know and right to choose independently, and require that the Company's marketing content should not exaggerate the effects of use and should not contain any false or misleading content, so as to ensure that consumers' legitimate rights and interests are not infringed.

5.7 Ensuring Information Security

Broncus is committed to protecting the security of company information and patient privacy, and strictly abides by the *Data Security Law of the People's Republic of China and* the *Personal Information Protection Law of the People's Republic of China* as well as the laws and regulations of each business operation location. We have implemented a strict and comprehensive information security management and control process within the Company, and adopted a variety of cutting-edge and efficient technical means to strengthen the network security defense line. For example, a high-performance firewall system is set up to intelligently identify and block malicious attacks from external networks; VPN services are provided to provide secure and private communication channels for employees working remotely or on business trips; and the centralized management of operation and maintenance, fine-grained permission control, and audit records of the bastion host are used to effectively reduce the security risks caused by human errors or malicious attacks.

We have also implemented a strict permission management mechanism to assign reasonable access rights to different users based on the "principle of least privilege" to ensure that they can only access authorized data and functions, thereby minimizing the exposure of sensitive data. In addition, we have classified and managed sensitive data and adopted advanced encryption technology to ensure that it cannot be interpreted and used by unauthorized persons. At the same time, we have established a detailed operation record retention mechanism to ensure that the relevant information of every operation occurring in the system is recorded completely and accurately, so that we can conduct audit analysis work later and promptly discover and correct potential security vulnerabilities and violations.

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Due to the nature of the Company's business, we need to collect and process a large amount of patient information, most of which involves patient privacy or is sensitive information. Therefore, we are fully aware of the significance of protecting this privacy data and solemnly promise to legally, compliantly and reasonably collect, use and store necessary patient information and strictly protect the relevant information. We make every effort to protect the patient's right to know. For clinical trials undertaken by the Company, we require that each subject must sign an "Informed Consent Form" with us that has been fully reviewed and formally approved by the Ethics Committee of the Clinical Trial Center before continuing with the subsequent process. Through this informed consent form, clinical subjects can learn in detail that their sensitive private data such as medical records will be handled in the most appropriate manner and kept strictly confidential in strict accordance with the standards of the *Quality Management Standards for Clinical Trials of Medical Devices* and current relevant laws and regulations. Throughout the research process, each subject will be assigned a unique number, and the research doctor will keep a list of the subject's personal medical records and their corresponding numbers to ensure that unauthorized personnel cannot access this information; only the research doctors, sponsor representatives, monitors, auditors, members of the ethics committee and officials of the State Drug Administration in this research team have the authority to review the original medical data of the subjects.

6. PROTECTING EMPLOYEE RIGHTS

Broncus attaches great importance to the rights, benefits and career development of its employees, and adopts a variety of means to attract and retain outstanding talents to grow and progress with the Company. We are committed to creating a diverse, equal, inclusive, healthy and safe working environment, and providing corresponding training programs and resource support for employees with different needs and levels to help them achieve their career goals while contributing to the Company's development.

6.1 Compliance with Labor and Employment Law

Broncus strictly abides by the *Labor Law of the People's Republic of China,* the *Labor Contract Law of the People's Republic of China* and other employment-related laws and regulations in the place where it operates. We formulate and distribute the "Employee Handbook", which details the Company's internal management system in terms of hiring, firing, working hours, holidays, compensation and benefits, assessment and promotion, professional ethics, etc., to protect our legitimate rights and interests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment and Dismissal

The Company has long adhered to the talent concept of "appointing people on the basis of merit and recruiting the best", and is committed to building an efficient and professional team. In strict accordance with the Company's actual needs, we comprehensively consider the multi-dimensional qualities of the candidates, such as work ability, practical experience, professional level and professionalism, without distinguishing the between candidates based on gender, age, nationality, race and other factors, to create a harmonious and inclusive workplace atmosphere. We strictly follow the provisions of the *Labor Contract Law* and related labor laws and regulations to review employees' identity information, educational information, etc., and resolutely put an end to the employment of child labor; we will sign formal labor contracts with all employees to ensure that each recruitment is based on the premise of equality, voluntariness and consensus between both parties, and to eliminate forced labor. If there are any clues suspected of employing child labor or forced labor, we will immediately initiate the investigation process and corrective measures and report to the higher authorities in a timely manner to fully protect the legitimate rights and interests of both employees and employer.

We respect the career choices and personal wishes of every employee. If an employee takes the initiative to terminate the labor relationship with the Company, he/she needs to submit a resignation application to his/her department in advance and it must be prudently approved by the person in charge of the department. Afterwards, the Human Resources Department will arrange a special exit interview to gain an in-depth understanding of the employee's motivation for leaving and make improvements to future talent management based on the actual situation; at the same time, we provide necessary assistance to colleagues who are leaving, including the transfer of work content and the handling of resignation procedures, to ensure that the resignation procedures are legal and compliant.

During the Reporting Period, no child labour or forced labour were discovered.

Working Hours and Rest Periods

The Company advocates a combination of work and rest, and respects and ensures that employees have personal rest time. We provide generous holiday benefits to our employees. In addition to the national statutory holidays, we also provide employees with annual leave, sick leave, personal leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, bereavement leave and adjustment leave. Employees may enjoy relevant rights and interests according to their needs. In terms of overtime work, we implement a classified overtime system, dividing employees into two types according to the nature of their work and positions: knowledge-based employees and production department operational employees. The former may apply for compensatory leave for overtime work on weekends or statutory holidays with the approval of their superiors, while the latter may apply for allowance compensation.

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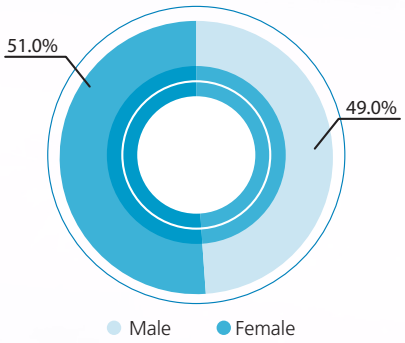
Equal and Diverse Workplace Culture

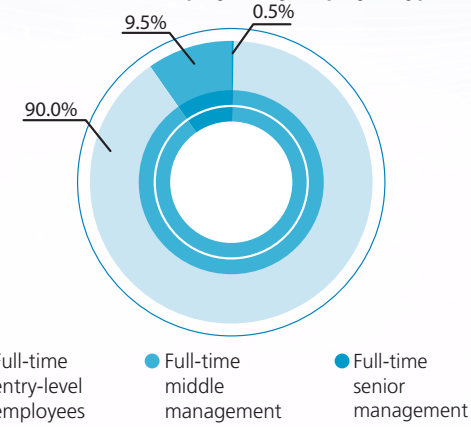
The Company is committed to creating a diverse, harmonious and inclusive working environment and advocating a culture of equal and candid cooperation and communication. We practice the concept of anti-discrimination, fully respect the cultural customs and personal habits of employees from different backgrounds, strictly prohibit any discrimination based on gender, age, nationality, race, marital status or disability, and create an equal and diverse workplace culture throughout the Company.

As of December 31, 2024, the Company had a total of 200[1] employees, all of whom were full-time employees. Set out below is the detailed employee structure.

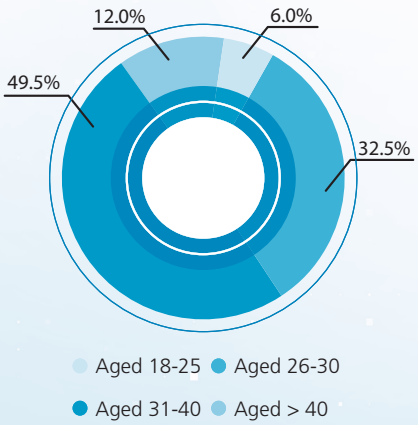
Number of employees by gender



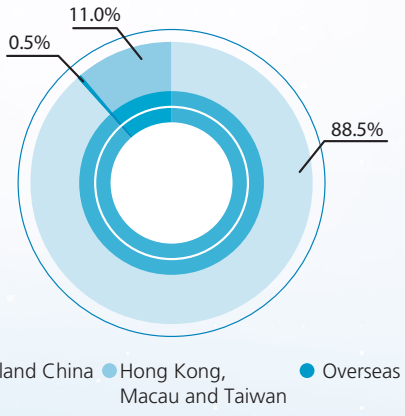
Number of employees by employee type



Number of employees by age group



Number of employees by region



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

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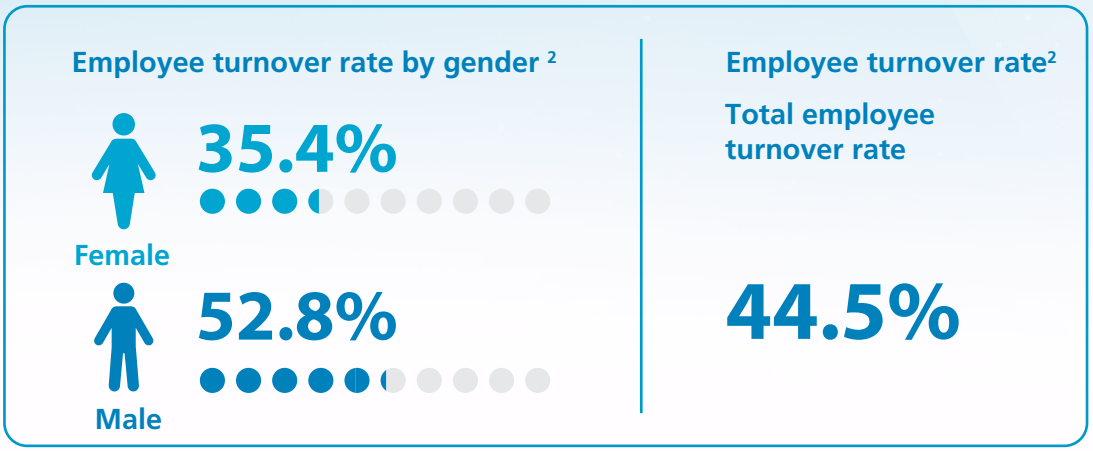

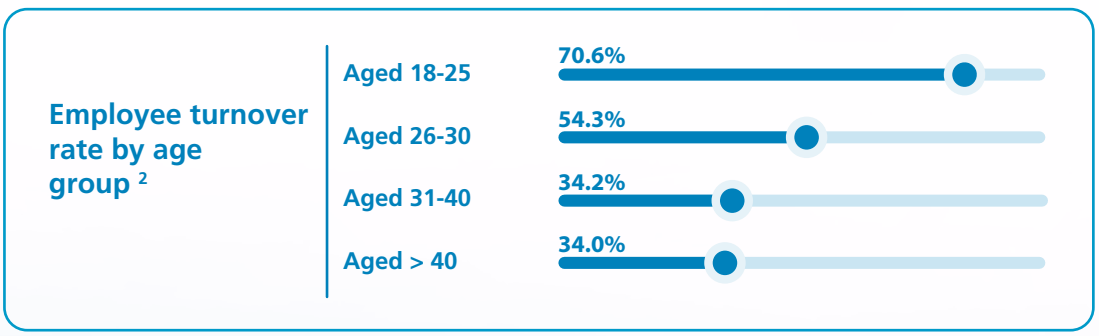

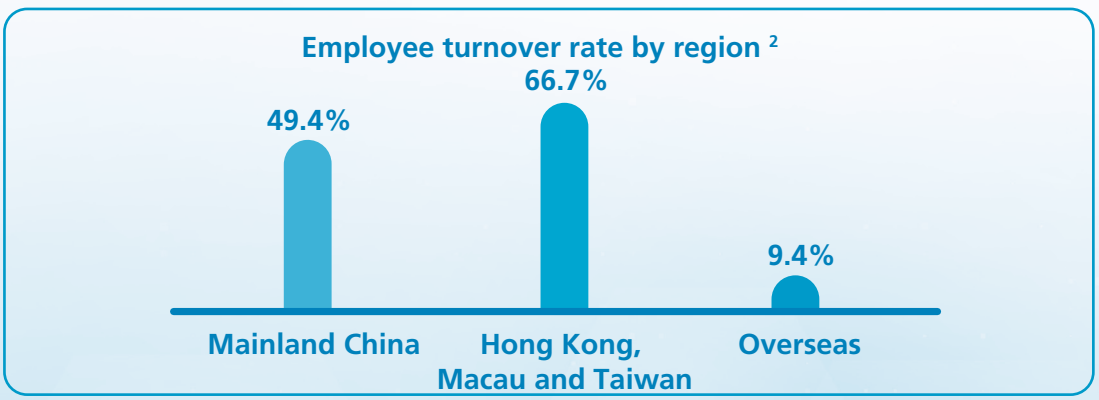

2 Turnover rate = number of lost regular employees/((number of regular employees at the end of the year + number of regular employees at the beginning of the period)/2) × 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.2 Health and Safety Management

The Company attaches great importance to the occupational health and safety of its employees and regards it as an important part of human resources management. We strictly abide by relevant national laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, formulate internal regulations such as the Safety, Health and Environment System Procedures and the Safety Regulations, and clearly stipulate the construction of the occupational health and safety system and the division of responsibilities.

In order to ensure the safety of employees' production activities, we have formulated special management and control procedures for different production areas, requiring employees to operate in accordance with relevant regulations and enhance their awareness of safety risk prevention.

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 Regulations, 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.

In order to enhance the daily risk prevention awareness and handling capabilities of the Company's employees, we have formulated the Emergency Response Procedures, Emergency Evacuation Procedures and Corrective and Preventive Measures to predict possible emergencies in advance and require employees to respond correctly in emergency situations to minimize the negative impact on the Company and avoid risks to personnel health and safety caused by the escalation of the situation. In addition, we provide free physical examinations for employees every year to help them understand their own physical health and strengthen the prevention of occupational diseases.

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During the year, we provided safety production training to our employees to improve their awareness of occupational health and safety and their ability to handle emergencies.

Production safety training site

In the past three years (including this year), the Company has not encountered the mentioned potential risks of occupational diseases, no major health and safety accidents, and no work-related fatalities. During the year, the Company had no lost working days due to work-related injuries.

6.3 Supporting Employee Development

The Company sets assessment indicators based on job responsibilities, division of responsibilities, and the core competencies and goals required for the positions. These indicators are determined by employees and their direct superiors through collaborative discussions, with "consistency, objectivity, fairness, openness, and confidentiality" as the performance assessment principles. The assessment results will serve as the basis for evaluating employee performance and adjusting salaries. In addition, we also implement a long-term incentive plan to encourage employees to make long-term contributions to the Company. Each project company will establish a corresponding share option incentive plan based on the actual progress of the project, whereby key project members may be rewarded with share options of the corresponding project company based on their specific responsibilities and contributions in the project the Company's.

We attach great importance to the continuous improvement of the professional quality and professional ability of our employees. Therefore, we carry out targeted training programs for employees in different positions and ranks to promote the continuous progress of both individual employees and the Company. During the year, we launched "off-the-job marketing training" and provided training for 20 employees on basic diseases, product knowledge, sales skills and department presentations to enhance the all-round capabilities of our employees.

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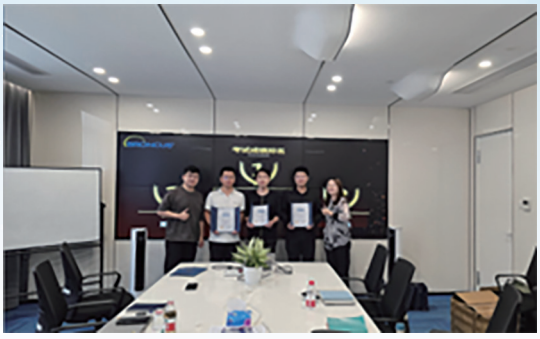

Broncus launched "off-the-job marketing training"

During the Reporting Period, 50%[3] of the Company's employees received trainings, with an average training hour of 2.5 hours[4]. Set out below is the training percentage and average training hours by gender and by job grade:

FY2024 employee training data

	Trainee percentage (%)[5]	Average training hours of Employees (hour)[6]
By gender		
Male	50.0	2.5
Female	50.0	2.5
By job grade		
Senior management	0.5	2
Middle management	9.5	2
Entry-level employees	90	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

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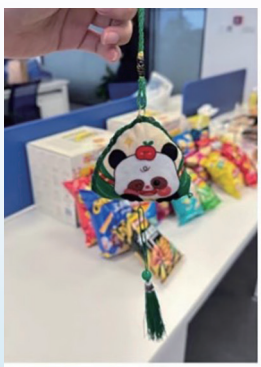
6.4 Abundant Staff Activities

Salary and Benefits

Broncus has always provided competitive remuneration packages for outstanding talents to ensure that the Company can attract and maintain talents in a long-term and sustainable manner. The remuneration paid to our employees consists of basic salary, position salary and performance salary, and the proportions of which vary according to the job division; we also set up specific bonuses for different positions, including performance bonuses, sales bonuses, patent bonuses, project bonuses, etc., to motivate employees in various positions to continue to develop in depth in their respective fields. We also provide employees with "five insurances and one fund" in accordance with relevant PRC laws, namely basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund; in addition, in order to further attract and retain talent and reassure our employees, we have also insured each employee with general accident insurance, traffic accident insurance and supplementary medical insurance.

We also care about the spare time of our employees and organize various welfare activities. For example, we have established a club system for employees, opened a number of amateur interest clubs, and provided financial support according to specific circumstances to encourage employees to make good use of their spare time to participate in club activities; we will distribute red packets during the Chinese New Year every year, and holiday gifts on employees' birthdays, Dragon Boat Festival, and Mid-Autumn Festival; we also hold team-building activities every quarter to provide employees with a platform for communication and cooperation, promote mutual understanding, and help them balance work and life.



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Employee Communication

Broncus attaches great importance to employees' opinions and suggestions on the Company's development and management, and is committed to building a leading enterprise with both good industry reputation and good employee reputation. To this end, we continue to expand the communication channels between employees and leadership, understand employees' doubts and difficulties regarding job satisfaction, labor protection, career psychological counseling, etc., and encourage superiors and the Human Resources Department to actively solve the problems encountered by employees in life and work. At the same time, we provide a platform for employees to make suggestions and express their ideas by providing the Company's suggestion box and internal website communication platform, and holding employee communication conferences from time to time, so as to promote communication and understanding between employees and between employees and the Company.

2024 Annual Meeting of Broncus

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. SUSTAINABLE SUPPLY CHAIN

With the emphasis on the stability and high quality of purchased products, Broncus is committed to building a green and sustainable supply chain to provide customers with reliable products in the long term. In order to further standardize the management of supply chain and bidding and procurement business, we have formulated and implemented internal management systems such as Bidding Management System, Procurement Management System and Procurement Control, standardized the bidding and procurement processes, clearly divided the responsibilities in the procurement process, and classified the purchased items into R&D and production, general goods and services, and related party procurement categories according to their different characteristics to facilitate precise management. At the same time, we adhere to the principles of integrity and fairness. We sign Purchase Contracts and Supply Quality Agreements with selected suppliers, delineating the supply responsibilities in the form of a written contract, clarifying the rights and obligations of both parties in the cooperation, and ensuring that the supplied products and services meet the standards agreed in the contract.

In terms of supplier assessment, we classify suppliers into three categories: A, B, and C based on the importance of the products they provide to the Company's operations. We enter into Quality Assurance Agreements with our suppliers, which set out different evaluation and monitoring standards to ensure that suppliers continue to provide goods and services that meet our product quality requirements, so as to minimize the risks of supply to our business. In addition, we focus on multiple dimensions, including the supplier's ability to to fulfill its obligations, the performance of the supplier, the impact of purchased products or services on the quality of each device, the proportion related to product risks, the financial impact of unqualified products or services on the Company, the strategic importance of the supplier to the Company, and the supplier's internal quality control measures. We have included qualified product or service suppliers into the Qualified Supplier List (ASL), and will give priority to cooperation with suppliers on the list in future business development. At the same time, we also conduct annual and quarterly performance evaluations on suppliers every year, evaluating the results based on comprehensive indicators such as supply quality, delivery efficiency, service and price; for suppliers who fail the assessment, we will order them to make rectifications; if they are unable to propose effective rectification measures or still fail to meet the rectification requirements, we will cancel their supply qualifications at our discretion.

We value our suppliers' implementation of environmental and social responsibilities. When choosing our partners, we prefer to cooperate with those suppliers who demonstrate higher environmental standards and energy-saving efficiency. For suppliers engaged in commissioned processing that may cause environmental pollution, we strictly require such suppliers to hold relevant qualification certificates issued by government environmental protection departments, such as China Environmental Labeling Product Certification, China Energy Saving Product Certification and ISO System Certification, as proof of their ability to operate in compliance with regulations. To ensure that suppliers always meet our environmental standards, we have developed and implemented the Supplier Audit and Inspection Guidelines, which clearly define the evaluation criteria for supplier environmental performance, and we will also conduct regular audits and comprehensive assessments on this aspect. We incorporate the upstream and downstream value chains into the scope of our value management, encourage suppliers and other partners to actively fulfill their environmental and social responsibilities, and work together to build a responsible supply chain system committed to sustainable development.

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Certifications for adoption of environmentally friendly and energy-saving products in production plants in 2024

During the Reporting Period, the Company conducted access assessments for 159 new suppliers and no suppliers was dismissed due to product quality and safety issues. As of December 31, 2024, the Company had a total of 154 suppliers for its operations in China, of which 99 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	FY2024
China	No.	154
Others	No.	5

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8. PROMOTING COMMUNITY DEVELOPMENT

Broncus actively fulfills its social responsibility as a "corporate citizen", continuously leverages its advantages and characteristics in the fields of medical technology and lung disease research, promotes the dissemination and implementation of product-related technical experience accumulated in clinical practice, drives the development and progress of the entire industry, and thus exerts a positive impact in the communities where it does business and benefits more patients. At the same time, we encourage employees to actively participate in various social welfare activities and charitable donation activities, and help disadvantaged groups within their capabilities, so as to enhance employees' sense of social responsibility, accumulate small amounts into large ones, and make contributions to social welfare.

Case 1: Broncus successfully held a series of overseas special activities for animal experiments and surgery observation on interventional diagnosis and treatment of lung diseases under navigation guidance

From April 22 to 23, 2024, the special animal experiment and surgical observation for interventional diagnosis and treatment of lung diseases under navigation guidance-overseas special event hosted by Broncus was successfully concluded in Shanghai. Broncus specially invited Professor Sun Jiayuan from Shanghai Chest Hospital and his team members as teaching guests for this event, and 7 respiratory experts from South Korea, India and Hong Kong, China participated in this event. This event enabled overseas experts to deepen their knowledge and understanding of the "Broncus Solution" for respiratory intervention, and provided a communication platform for Chinese and foreign lung disease experts to learn from each other and discuss in depth lung disease solutions.

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Case 2: Broncus held a special on-site operation demonstration activity on "Opening a New Era of Respiratory Interventional Treatment"

At the 12th Respiratory Endoscopy and Interventional Pulmonology Academic Conference, Broncus brought its comprehensive solution for interventional diagnosis and treatment of lung diseases to Jiangcheng, attracting many experts and scholars to the booth, who stopped to exchange ideas and talk about the new developments in respiratory interventional treatment. During this event, Professor Zhang Jisong from the Sir Run Run Shaw Hospital, affiliated with Zhejiang University School of Medicine, and Professor Xu Li from Shandong Provincial Public Health Clinical Center introduced and demonstrated the operation of various consumables of Broncus to the participants, and provided hands-on teaching to help participants gain a deep understanding of respiratory interventional technology.

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Case 3: Broncus attended the Annual Meeting of the European Respiratory Society (ERS 2024)

From September 7 to 11, 2024, Broncus presented its comprehensive solution for interventional diagnosis and treatment of lung diseases at the 34th Annual Meeting of the European Respiratory Society (ERS 2024), attracting many experts and scholars in the respiratory field to visit and exchange ideas, and jointly discuss the latest development trends of respiratory interventional treatment.

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Case 4: Broncus successfully held a series of free clinic activities for World COPD Day

Broncus, in collaboration with medical institutions in multiple provinces and cities, successfully held the "2024 World COPD Day Free Clinic" to raise public awareness of COPD and bring care to patients in various regions. The event covered ten provinces and cities across the country, and more than 10 free clinic activities were held, attracting the active participation of many patients and their families. Cooperating with medical teams in professional hospitals across the country, Broncus provided participants with free medical consultation, health checks and disease management guidance, which received widespread praise and recognition.

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ENVIRONMENTAL ASPECT

9. IMPLEMENTATION OF ENVIRONMENTAL PROTECTION CONCEPT

Broncus proactively examines the negative impact of its business operations on the ecological environment, monitors and improves in a timely manner, and is committed to integrating environmental protection concepts into our daily operations to achieve the dual goals of business development and green development. 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*. Our goal setting is consistent with our business conditions, but as the Company is still in the stage of continuous business development, the current environmental data cannot fully reflect the Company's overall operations.

During the Reporting Period, there was no significant violation of the PRC laws and regulations regarding environmental protection.

9.1 Emissions and Waste Management

The Company actively practices the environmental protection concept of "environmentally friendly" in its daily operations and adopts various measures to minimize our emissions and waste generation. Therefore, we have formulated and implemented the Waste Management Procedure, which clearly stipulates the treatment process of domestic waste, industrial waste, wastewater and domestic sewage generated in our various business activities, and institutionally established a management system for emissions and waste. We adopt different classification and recycling measures for different types of waste. For example, for industrial waste and wastewater, we will take the initiative to carry out strict treatment procedures until they meet the discharge standards; for non-recyclable waste and hazardous materials, we will hire institutions with advanced technology and professional processing qualifications to handle them in order to reduce related environmental and health and safety risks. In addition, we are also constantly reducing the amount of waste generated during production and operations. We strive to minimize the generation of waste at source and minimize the impact of waste on the environment through measures such as optimizing production processes, improving resource utilization efficiency, and promoting circular economy.

For the domestic garbage and small amount of domestic wastewater generated by the office, we have worked closely with the park where we are located and adopted a series of scientific and effective treatment measures to properly handle them in a unified manner. In order to maximize the recycling of resources, we actively advocate and practice waste sorting and recycling. In the office area, we have set up garbage sorting and recycling bins. These recycling bins are carefully divided according to the different materials and properties of the waste, such as paper, metal, plastic, etc., to guide employees to classify and dispose of waste, thus reducing the burden of subsequent processing. We also attach great importance to the implementation of water-saving measures and regularly carry out detailed inspection and maintenance of faucets, water pipes and other devices. Once damage or leakage is discovered, we will immediately arrange professionals to repair it to avoid unnecessary waste of water resources. In addition, we also reduce the use of disposable and non-recyclable products at the source. When purchasing office supplies, we also prefer to choose environmentally friendly and degradable products to reduce the negative impact on the environment.

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During the Reporting Period, a small amount of volatile organic compounds (VOCs) were 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 continue to implement stringent emission and waste management measures, and actively explore applicable emission reduction measures.

Emissions[7]	Unit	FY2024
VOCs	m^3	100.00
Domestic waste[8]	tonne	61.00
Domestic waste intensity	tonne per capita	0.31

9.2 Promoting Resource Conservation

The Company is fully aware of the significance of source conservation in resource management, and has specially formulated and implemented the Management Procedures for Energy and Resource Conservation to implement our measures on resource conservation and energy conservation and emission reduction in the form of rules and regulations, enhance employees' conservation awareness in daily work, aiming at putting an end to the waste of resources.

Greenhouse gas emissions	Unit	FY2024
Total greenhouse gas emissions	tCO_2e	382.26
Greenhouse gas emissions (Scope 1)	tCO_2e	20.36
Greenhouse gas emissions (Scope 2)	tCO_2e	361.91
Greenhouse gas emissions intensity	tCO_2e per person	1.91

The Company's greenhouse gas emissions mainly come from the use of electricity in production bases and operating offices, so electricity has become our main energy management target. We have adopted a number of measures to reduce electricity usage in daily operations. For example, we divide the office into different lighting areas, set up independent lighting switches in each area, and require employees to use lights according to actual needs to extend the service life of lights as much as possible.

7 In 2024, the hazardous wastes 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 2024, the non-hazardous wastes generated by the Company were mainly domestic waste generated from the operation of production base in Mainland China and the United States.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of air conditioning system management, we regularly inspect and replace air conditioning parts and clean air conditioning filters, which effectively extends the service life of air conditioning equipment and also contributes to energy conservation and emission reduction.

In terms of paper usage, we actively advocate the concept of paperless office and encourage employees to make full use of emails, instant messaging software, etc. for communication and file transfer; if paper printing cannot be avoided, we adopt methods such as posting promotional slogans and regularly counting paper usage to encourage employees to give priority to double-sided printing and minimize paper waste. At the same time, we have set up special paper recycling stations to collect waste paper, discarded posters, letters, envelopes and other paper consumables to further promote resource recycling. During the Reporting Period, there was no problem in finding water sources for our operations as there was no water stress issue in the areas where we operate. We will continue to control our water consumption based on production and operation conditions.

Types of resources	Unit	FY2024
Total energy consumption	MWh	805.99
Fuel consumption	MWh	76.78
Purchased electricity consumption	MWh	729.21
Total energy consumption intensity	MWh per person	4.03
Total water consumption	tonne	1,140
Water consumption intensity	tonne per person	5.70
Paper packaging material used[9]	kg	101.73

9.3 Tackling Climate Risks

Climate change has become a major issue affecting global economic development, bringing complex and changing risks and challenges to business operations in all industries. The Company actively implements the national major strategic plans of "30•60" and "carbon peaking and carbon neutrality", upholds a high sense of mission for environmental protection, unswervingly promotes the concept of low-carbon and green development, and takes proactive actions to address climate change risks. First, we comprehensively review and identify the risks and opportunities related to climate change that the Company may face; secondly, according to the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, we divided risks into two categories: physical risks and transition risks. We then divided them into acute physical risks, chronic physical risks, policy risks, reputation risks, and market risks, and proposed corresponding response measures to continuously improve the Company's ability to adapt to climate change.

9 Due to the wide variety of the Company's products and the difficulty in calculating the weight of products, the percentage of packaging materials per production unit was not disclosed during the Reporting Period. The Company will disclose such indicator 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 may cause inconvenient commute for employees, affect normal water and electricity supply and disrupt the continuity of supply chain.	We keep track of issues related to climate change and issue timely notifications before extreme weather events such as typhoons 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	Extremely hot weather has increased the use of air conditioners and electricity consumption, or caused safety hazards in electricity use, increasing the burden of operating costs;	In the event of extreme high temperature in summer, the inspection of electrical equipment shall be strengthened to eliminate potential safety hazards in a timely manner.
		Climate change may lead to increased incidence of both communicable and non-communicable diseases. Extreme high temperature exposes people to heart diseases, respiratory diseases and heat stroke, which will bring huge pressure on the medical industry.	The Company will conduct in-depth 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification of Climate Change Risks		Potential Impact	Countermeasures
Transition risk	Policy risk	The increasingly sophisticated climate policies of domestic and international regulators; 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.
	Reputation risk	Stakeholders' expectations and demands for proactive management actions by the Company in response to climate actions have been increasing; Failure to adapt to the increasingly stringent emission disclosure requirements in a timely manner may lead to investors' concerns about the Company's environmental and sustainability performance, and may also affect the Company's 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Identification of Climate Change Risks	Potential Impact	Countermeasures
Market risk	Many clients are increasingly concerned about carbon footprint of products made by enterprises. Failure to meet customers' demand for reduction in carbon footprint may lead to a loss of clients and a reduction in revenue.	In order to meet customers' requirements on environmental protection, the Company need to 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, the Company can reduce the negative impact of products on the environment and provide products that better meet customers' needs.

Looking ahead, Broncus will continue to actively implement the national strategic goal of "carbon peaking and carbon neutrality", dynamically monitor the Company's greenhouse gas emissions based on its actual operating conditions, and identify the risks and opportunities that climate change brings to our business. We are steadily integrating climate factors into our risk management framework to build a comprehensive climate change risk management mechanism to help us assess the potential impact of identified major climate risks and take early action.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

10. APPENDIX I: SUSTAINABILITY DATA STATEMENTS

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

Environmental Aspects	Unit	FY2024
Air emissions		
Volatile organic compounds (VOCs)	m^3	100.00
Nitrogen oxides (NO_x)	kg	22.13
Sulfur oxides (SO_x)	kg	0.04
Particulate matter (PM)	kg	2.12
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO_2e	20.36
Indirect greenhouse gas emissions (Scope 2)	tCO_2e	361.91
Total greenhouse gas emissions (Scope 1 and 2)	tCO_2e	382.26
Greenhouse gas emissions per capita (Scope 1 and 2)	tCO_2e/person	1.91
Waste generation		
Non-hazardous waste generation		
Total domestic waste generated	tonne	61.00
Total domestic waste generated per capita	tonne/person	0.31
Paper consumption		
Paper consumption	kg	1,520.00
Paper consumption per capita	kg/person	7.60
Energy consumption		
Total energy consumption	MWh	805.99
Fuel consumption	MWh	76.78
Purchased electricity consumption	MWh	729.21
Total energy consumption intensity	MWh/person	4.03
Water consumption		
Total water consumption	m^3	1,140.00
Water consumption intensity per capita	m^3/person	5.70

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is the Company's sustainability data statements on social aspects for the year:

Social Aspects	Unit	FY2024
Number of employees		
Total number of employees	No.	200
Number of employees by gender		
Female	No.	98
Male	No.	102
Number of employees by employee type		
Full-time entry-level employees	No.	180
Full-time middle management	No.	19
Full-time senior management	No.	1
Number of employees by age group		
18-25	No.	12
26-30	No.	65
31-40	No.	99
Above 40	No.	24
Number of employees by region		
Mainland China	No.	177
Hong Kong, Macau and Taiwan	No.	1
Overseas	No.	22
Employee turnover rate		
Total employee turnover rate	%	44.5
Employee turnover rate by gender		
Female	%	35.4
Male	%	52.8
Employee turnover rate by age group		
18-25	%	70.6
26-30	%	54.3
31-40	%	34.2
Above 40	%	34.0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Aspects	Unit	FY2024
Employee turnover rate by region		
Mainland China	%	49.4
Hong Kong, Macau and Taiwan	%	66.7
Overseas	%	9.4
Occupational Health and Safety		
Number of work-related fatalities (for years 2022, 2023 and 2024)	No.	0
Rate of work-related fatalities (for years 2022, 2023 and 2024)	%	0
Lost days due to work injury	Day	0
Development and Training		
Percentage of employees trained by gender		
Female	%	50.0
Male	%	50.0
Percentage of employees trained by employee type		
Entry-level employees	%	90
Middle management	%	9.5
Senior management	%	0.5
Average training hours of employees trained by gender		
Male	Hour	2.5
Female	Hour	2.5
Average training hours of employees trained by employment type		
Average training hours per entry-level employee	Hour	2.5
Average training hours per middle Management	Hour	2
Average training hours per senior Management	Hour	2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Implementation of Environmental Protection Concept
	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 Promoting Resource Conservation 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. Implementation of Environmental Protection Concept
	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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Promoting Resource Conservation
	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 Promoting Resource Conservation Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9.2 Promoting Resource Conservation Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	9.2 Promoting Resource Conservation
	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 Promoting Resource Conservation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	9.2 Promoting Resource Conservation
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	9.2 Promoting Resource Conservation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	9.2 Promoting Resource Conservation
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 Tackling Climate Risks
	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 Tackling Climate Risks

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Protecting Employee Rights
	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	6.1 Compliance with Labor and Employment Law 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 Health and Safety Management
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.2 Health and Safety Management Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	6.2 Health and Safety Management Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2 Health and Safety Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Supporting Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Supporting Employee Development Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	6.3 Supporting Employee Development Appendix I: Sustainability Data Statements
B4: Labour Standards	B4	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 Compliance with Labor and Employment Law
	B4.1	Description of measures to review employment practises to avoid child and forced labour.	6.1 Compliance with Labor and Employment Law
	B4.2	Description of steps taken to eliminate such practises when discovered.	6.1 Compliance with Labor and Employment Law
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 Quality Assurance
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company'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 Efficient Customer Service
	B6.3	Description of practises relating to observing and protecting intellectual property rights.	5.5 Respecting Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	5.3 Quality Management System
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.7 Ensuring Information Security
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. Operational Compliance
	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. Operational Compliance
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4. Operational Compliance
	B7.3	Description of anti-corruption training provided to directors and staff.	4. Operational Compliance
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. Promoting Community Development
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Promoting Community Development
	B8.2	Resources contributed to the focus area.	8. Promoting Community Development

INDEPENDENT AUDITOR'S REPORT

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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 143 to 231, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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") as 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 items of intellectual property and intangible asset not ready for use	
The Group had items of intellectual property of USD3,233,000 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 2024. The Group is required to perform impairment assessment of the items of intellectual property 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 IPR&D might be impaired. The recoverable amount of the underlying cash-generating units (the "CGUs") to which the items of intellectual property 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 items of intellectual property and IPR&D were not impaired as at 31 December 2024. 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 items of intellectual property 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 items of intellectual property 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 IFRS Accounting Standards 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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
31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 USD'000	2023 USD'000
REVENUE	*5*	**8,131**	10,255
Cost of sales		**(1,992)**	(3,028)
Gross profit		**6,139**	7,227
Other income and gains	*5*	**9,345**	6,019
Selling and distribution expenses		**(8,490)**	(11,486)
Administrative expenses		**(7,265)**	(8,929)
Impairment losses on financial assets, net		**(1,401)**	121
Research and development costs		**(11,471)**	(20,154)
Other expenses		**(2,073)**	(804)
Finance costs	*7*	**(84)**	(83)
LOSS BEFORE TAX	*6*	**(15,300)**	(28,089)
Income tax expense	*10*	**(3)**	(3)
LOSS FOR THE YEAR		**(15,303)**	(28,092)
Attributable to:			
Owners of the parent		**(15,303)**	(28,091)
Non-controlling interests		**–**	(1)
		(15,303)	(28,092)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	*12*	**(0.03)**	(0.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 USD'000	2023 USD'000
LOSS FOR THE YEAR	**(15,303)**	(28,092)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(826)**	(603)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(826)**	(603)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(16,129)**	(28,695)
Attributable to:		
Owners of the parent	**(16,129)**	(28,694)
Non-controlling interests	**–**	(1)
	(16,129)	(28,695)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 USD'000	31 December 2023 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**1,279**	2,398
Right-of-use assets	*14*	**310**	2,157
Other intangible assets	*15*	**7,706**	8,970
Financial assets at fair value through profit or loss	*20*	**14,670**	8,878
Finance lease receivables	*22*	**19**	42
Prepayments, other receivables and other assets	*19*	**121**	708
Total non-current assets		**24,105**	23,153
CURRENT ASSETS			
Inventories	*16*	**3,599**	4,709
Finance lease receivables	*22*	**26**	26
Trade receivables	*17*	**7,863**	9,959
Prepayments, other receivables and other assets	*19*	**956**	1,311
Pledged deposits	*21*	**238**	238
Structured deposits	*21*	**40,291**	–
Time deposits with original maturity over three months	*21*	**52,344**	72,845
Cash and cash equivalents	*21*	**46,473**	83,564
Total current assets		**151,790**	172,652
CURRENT LIABILITIES			
Trade payables	*23*	**255**	399
Lease liabilities	*14*	**296**	1,115
Other payables and accruals	*24*	**5,089**	6,944
Bank overdrafts	*25*	**22**	16
Derivative financial instruments	*18*	**170**	–
Contract liabilities	*26*	**586**	684
Total current liabilities		**6,418**	9,158
NET CURRENT ASSETS		**145,372**	163,494
TOTAL ASSETS LESS CURRENT LIABILITIES		**169,477**	186,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 USD'000	31 December 2023 USD'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**169,477**	186,647
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	**–**	1,224
Contract liabilities	*26*	**–**	53
Total non-current liabilities		**–**	1,277
Net assets		**169,477**	185,370
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	**12**	12
Reserves	*28*	**169,466**	185,359
		169,478	185,371
Non-controlling interests		**(1)**	(1)
Total equity		**169,477**	185,370

Mr. Hong Xu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital USD'000 (note 27)	Share premium* USD'000 (note 28)	Other reserve* USD'000 (note 28)	Share option reserve* USD'000 (note 28)	Exchange fluctuation reserve* USD'000 (note 28)	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital USD'000 (note 27)	Share premium* USD'000 (note 28)	Other reserve* USD'000 (note 28)	Share option reserve* USD'000 (note 28)	Exchange fluctuation reserve* USD'000 (note 28)	Accumulated losses* USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2024	12	593,574	43,808	12,625	(2,750)	(461,898)	185,371	(1)	185,370
Loss for the year	–	–	–	–	–	(15,303)	(15,303)	–	(15,303)
Exchange differences on translation of foreign operations	–	–	–	–	(826)	–	(826)	–	(826)
Total comprehensive income for the year	–	–	–	–	(826)	(15,303)	(16,129)	–	(16,129)
Issue of shares upon the exercise of share award arrangements	–	123	–	(123)	–	–	–	–	–
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(629)	–	629	–	–	–
Equity-settled share award arrangements	–	–	–	236	–	–	236	–	236
At 31 December 2024	12	593,697	43,808	12,109	(3,576)	(476,572)	169,478	(1)	169,477

* These reserve accounts comprise the consolidated reserves of USD169,466,000 (2023: USD185,359,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 USD'000	2023 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(15,300)**	(28,089)
Adjustments for:			
Finance costs	*7*	**84**	83
Bank interest income	*5*	**(6,534)**	(6,041)
Reversal of interest from non-current receivables	*5*	**–**	80
Loss/(gain) on disposal of items of property, plant and equipment	*6*	**780**	(7)
Fair value loss net:			
Financial assets at fair value through profit or loss	*6*	**1,089**	340
Fair value adjustments of contingent consideration	*5*	**(900)**	–
Fair value loss on derivative financial instruments	*6*	**170**	–
Depreciation of property, plant and equipment	*13*	**1,054**	886
Depreciation of right-of-use assets	*14(a)*	**892**	716
Amortisation of intangible assets	*15*	**1,265**	1,264
Gain on termination of leases	*14(c)*	**(129)**	(7)
Impairment of trade receivables, net	*17*	**1,401**	(121)
Write-down of inventories to net realisable value	*6*	**49**	81
Impairment of property, plant and equipment	*13*	**78**	–
Equity-settled share award expenses		**236**	556
Foreign exchange differences, net	*6*	**(610)**	455
		(16,375)	(29,804)
Decrease/(increase) in inventories		**1,061**	(492)
Decrease in trade receivables		**721**	183
Decrease in finance lease receivables		**23**	27
Decrease in prepayments, other receivables and other assets		**429**	457
Withdrawal of pledged deposits		**–**	288
(Decrease)/increase in trade payables		**(144)**	63
Decrease in other payables and accruals		**(955)**	(1,349)
(Decrease)/increase in contract liabilities		**(151)**	202
Cash used in operations		**(15,391)**	(30,425)
Cash used in operations		**(15,391)**	(30,425)
Interest received		**5,392**	4,296
Income tax paid		**(3)**	(3)
Net cash flows used in operating activities		**(10,002)**	(26,132)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 USD'000	2023 USD'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(322)**	(664)
Proceeds from disposal of items of property, plant and equipment		**15**	211
Addition to other intangible assets		**–**	(39)
Acquisition of subsidiaries		**–**	(2,460)
Placement of structured deposits		**(40,291)**	–
Withdrawal of time deposits with original maturity over three months		**21,643**	10,053
Purchases of financial assets at fair value through profit or loss	*20*	**(6,955)**	(5,296)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,681
Net cash flows from investing activities		**(25,910)**	5,486
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**200**	246
Repayment of bank and other borrowings		**(194)**	(966)
Principal portion of lease payments		**(947)**	(711)
Issue of shares upon the exercise of share award arrangements		**–**	55
Interest paid		**(84)**	(83)
Net cash flows used in financing activities		**(1,025)**	(1,459)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(36,937)**	(22,105)
Cash and cash equivalents at beginning of year		**83,564**	106,756
Effect of foreign exchange rate changes, net		**(154)**	(1,087)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**46,473**	83,564
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**22,287**	60,445
Non-pledged time deposits with original maturity of less than three months when acquired		**24,186**	23,119
Cash and cash equivalents as stated in the consolidated statement of financial position	*21*	**46,473**	83,564
Cash and cash equivalents as stated in the consolidated statement of cash flows		**46,473**	83,564

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 are 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 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
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 (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/ Mainland China 24 February 2016	Renminbi ("RMB") 1,200,000,000	–	100%	Research development and commercialisation of medical devices and consumables
Broncus Medical (China) Co., Ltd.* (i)	PRC/ Mainland China 18 December 2012	RMB55,600,000	–	100%	Research development and commercialisation of medical devices and consumables
Hangzhou Kunpeng Medical Co., Ltd.* (i)	PRC/ Mainland China 4 July 2018	RMB1,000,000	–	100%	No principal activity
Fibernova Holding Corporation ("FHC")	Cayman Islands 2 August 2021	USD50,000	100%	–	Investment holding
Fibernova Ltd ("Fibernova")	Israel 31 August 2021	New Israel Shekel ("NIS")1,000	–	100%	Research development and commercialisation of medical devices and consumables
Fibernova (Hong Kong) Limited	Hong Kong 8 September 2021	HKD1	–	100%	No principal activity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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	
Hangzhou Dinova Boguang Medical Device Co., Ltd.* (i)	PRC/ Mainland China 29 October 2021	RMB100,000	–	100%	No principal activity
Hangzhou Kunhua Medical Co., Ltd.* (ii)	PRC/ Mainland China 28 February 2023	RMB50,000,000	–	52%	No principal activity
Hangzhou Jingliang Science and Technology Co., Ltd* ("Hangzhou Jingliang") (i)	PRC/ Mainland China 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 a limited liability company established under PRC law.

(iii) During the year, the registered capital of this entity increased from RMB1,000,000,000 to RMB1,200,000,000.

* The English names of these entities registered in Mainland China 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

31 December 2024

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as 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, derivative financial instruments 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 2024. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's consolidated financial statements.

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 the impact of the revised IFRS Accounting Standards 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised IFRS Accounting Standards are described below: (continued)

(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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting.* In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. The Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

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.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial instruments: Disclosures:* The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- IFRS 9 *Financial instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 are subject to an annual impairment test based on the recoverable amount of the cash-generating unit to which the intangible assets related to.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 2024

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 2024

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 items of intellectual property 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 are determined by considering the typical product effective life of the items of intellectual property.

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 2024

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 2024

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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.

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 derivative instruments and 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 2024

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 2024

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 further details of which are given in note 29 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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 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 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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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 2024

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 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 of the Company. Further details are included in note 29 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 20 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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

	2024 USD'000	2023 USD'000
Mainland China	**3,214**	6,465
European Union	**2,628**	1,848
Other countries/regions	**2,289**	1,942
Total revenue	**8,131**	10,255

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

(b) Non-current assets

	2024 USD'000	2023 USD'000
Mainland China	**3,471**	6,461
USA	**3,329**	4,620
Israel	**2,500**	2,994
European Union	**9**	16
Other countries/regions	**13**	4
Total non-current assets	**9,322**	14,095

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 2024

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:

	2024 USD'000	2023 USD'000
Customer A	–	6,317
Customer B	1,547	–
Customer C	1,432	522

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 USD'000	2023 USD'000
Revenue from contracts with customers		
Sale of medical devices and consumables	7,571	11,984
Licensing of intellectual property rights*	–	(2,152)
Provision of services	560	423
Total	8,131	10,255

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 USD'000	2023 USD'000
Geographical markets		
Mainland China	**3,214**	6,465
European Union	**2,628**	1,848
Other countries/regions	**2,289**	1,942
Total	**8,131**	10,255
Timing of revenue recognition		
Goods transferred at a point in time	**7,571**	9,832
Services transferred over time	**560**	423
Total	**8,131**	10,255

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:

	2024 USD'000	2023 USD'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of medical devices and consumables	**281**	26
Provision of services	**269**	269
Total	**550**	295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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:

	2024	2023
	USD'000	USD'000
Amounts expected to be recognised as revenue:		
Within one year	**452**	749
After one year	**134**	53
Total	**586**	802

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 2024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	2024 USD'000	2023 USD'000
Other income		
Government grants *(note a)*	**1,296**	21
Bank interest income	**6,534**	6,041
Reversal of interest from non-current receivables	**–**	(80)
Others	**5**	23
Total other income	**7,835**	6,005
Gains		
Gain on disposal of non-current assets	**–**	14
Foreign exchange gains, net	**610**	–
Fair value adjustments of contingent considerations	**900**	–
Total gains	**1,510**	14
Total other income and gains	**9,345**	6,019

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. There were no unfulfilled conditions or contingencies attached to these grants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. LOSS BEFORE TAX

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

	Notes	2024 USD'000	2023 USD'000
Cost of inventories sold		**1,921**	3,086
Cost of services provided		**22**	111
Cost of licensing of intellectual property rights		**–**	(250)
Research and development costs*		**11,471**	20,154
Depreciation of property, plant and equipment	*13*	**1,054**	886
Depreciation of right-of-use assets	*14(a)*	**892**	716
Amortisation of intangible assets**	*15*	**1,265**	1,264
Impairment of trade receivables, net	*17*	**1,401**	(121)
Write-down of inventories to net realisable value***		**49**	81
Government grants	*5*	**(1,296)**	(21)
Reversal of interest from non-current receivables	*5*	**–**	80
Bank interest income	*5*	**(6,534)**	(6,041)
Loss/(gain) on disposal of items of property, plant and equipment		**780**	(7)
Lease payments not included in the measurement of lease liabilities	*14(c)*	**377**	471
Auditor's remuneration		**288**	320
Fair value adjustment:			
Financial assets at fair value through profit or loss	*20*	**1,089**	340
Fair value adjustments of contingent consideration	*5*	**(900)**	–
Fair value loss on derivative financial instruments		**170**	–
Foreign exchange differences, net		**(610)**	455
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**11,215**	17,303
Pension scheme contributions****		**1,137**	1,729
Staff welfare expenses		**1,755**	2,987
Equity-settled share award expenses		**179**	556
Total		**14,286**	22,575

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

6. LOSS BEFORE TAX (CONTINUED)

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

* The research and development costs include USD5,773,000 (2023: USD11,169,000) 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 USD'000	2023 USD'000
Interest on lease liabilities *(note 14(b))*	**84**	83

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:

	2024 USD'000	2023 USD'000
Fees	**148**	153
Other emoluments:		
Salaries, allowances and benefits in kind	**291**	460
Equity-settled share option expenses	**57**	–
Pension scheme contributions	**6**	10
Subtotal	**354**	470
Total	**502**	623

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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

(a) Independent non-executive directors

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

	2024 USD'000	2023 USD'000
Dr. Pok Man Kam	**52**	51
Professor Joseph Wan Yee Lau*	**8**	51
Ms. Yee Sin Wong	**52**	51
Dr. David Scott Lim*	**36**	–
Total	**148**	153

* Professor Joseph Wan Yee Lau passed away on 7 February 2024 and Dr. David Scott Lim was appointed as an independent non-executive director on 19 April 2024.

There were no other emoluments payable to the independent non-executive directors during the year (2023: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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

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

	Salaries, allowances and benefits in kind USD'000	Pension scheme contributions USD'000	Equity-settled share award expenses USD'000	Total remuneration USD'000
2024				
Executive directors:				
Mr. Hong Xu (chief executive)	232	6	57	295
Non-executive directors:				
Ms. Yanhong Kuang***	–	–	–	–
Mr. Ao Zhang	–	–	–	–
Mr. Guowei Zhan**	35	–	–	35
Mr. Michael Yi Wei Zhao**	24	–	–	24
Mr. Zhenjun Zi*	–	–	–	–
Subtotal	59	–	–	59
Total	291	6	57	354

* Mr. Zhenjun Zi resigned as a non-executive director on 1 March 2024.

** Mr. Michael Yi Wei Zhao and Mr. Guowei Zhan resigned as non-executive directors on 19 April 2024.

*** Ms. Yanhong Kuang was appointed as a non-executive director on 19 April 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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
2023			
Executive directors:			
Mr. Guowei Zhan (chief executive)	109	4	113
Mr. Hong Xu (chief executive)	208	6	214
Subtotal	317	10	327
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	460	10	470

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included a director (2023: nil), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2023: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 USD'000	2023 USD'000
Salaries, allowances and benefits in kind	**946**	1,276
Pension scheme contributions	**54**	69
Equity-settled share award expenses	**26**	53
Total	**1,026**	1,398

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	
	2024	2023
HKD1,500,001 to HKD2,000,000	**3**	1
HKD2,000,001 to HKD2,500,000	**1**	4
Total	**4**	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 29 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 2024

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 Mainland China were entitled to a preferential income tax rate of 5% (2023: 5%) for small and micro enterprises except that Hangzhou Broncus was subject to CIT at a rate of 25% (2023: 15%) 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% (2023: 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% (2023: 19%) on the estimated assessable profits arising in Netherlands 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% (2023: 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% (2023: 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:

	2024 USD'000	2023 USD'000
Current – USA		
Charge for the year	3	3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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:

	2024 USD'000	2023 USD'000
Loss before tax	**(15,300)**	(28,089)
Tax at the statutory tax rate	**(4,698)**	(7,683)
Preferential tax rates enacted by local authority	**387**	1,959
Expenses not deductible for tax	**120**	189
Additional deductible allowance for research and development costs	**(1,662)**	(1,868)
Temporary differences and tax losses not recognised	**5,856**	7,406
Tax charge at the Group's effective tax rate	**3**	3

Deferred tax assets have not been recognised in respect of the following items:

	2024 USD'000	2023 USD'000
Tax losses	**230,407**	206,664
Deductible temporary differences	**8,246**	6,503
Total	**238,653**	213,167

The Group had tax losses arising in Mainland China of RMB884,637,000 (equivalent to USD123,053,000) (2023: RMB742,463,000 (equivalent to USD104,836,000)) that will expire in one to ten years (2023: one to ten years) for offsetting against taxable profits.

The Group had tax losses arising in USA of USD37,454,000 (2023: USD37,454,000) that will expire in eight to thirteen years (2023: nine to fourteen years) for offsetting against taxable profits. The Group had tax losses arising in USA of USD64,664,000 (2023: USD60,073,000) for offsetting against taxable profits indefinitely.

The Group had tax losses arising in Netherlands of USD2,996,000 (2023: USD2,616,000) that will expire in one to six years (2023: one to six years) for offsetting against taxable profits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

The Group had tax losses arising in Israel of USD2,240,000 (2023: USD1,534,000) 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.

11. DIVIDEND

No dividend has been paid or declared by the Company during the year (2023: 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 488,860,643 (2023: 488,570,732) outstanding 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:

	2024	2023
	USD'000	USD'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(15,303)**	(28,091)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**488,860,643**	488,570,732

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 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 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements USD'000	Machinery USD'000	Office equipment USD'000	Total USD'000
31 December 2024				
At 1 January 2024:				
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
At 1 January 2024, net of accumulated depreciation	1,241	771	386	2,398
Additions	278	539	18	835
Disposals	(772)	(5)	(18)	(795)
Depreciation provided during the year *(note 6)*	(586)	(278)	(190)	(1,054)
Impairment	–	(42)	(36)	(78)
Exchange realignment	(8)	(16)	(3)	(27)
At 31 December 2024, net of accumulated depreciation	153	969	157	1,279
At 31 December 2024:				
Cost	2,079	2,182	1,188	5,449
Accumulated depreciation and impairment	(1,926)	(1,213)	(1,031)	(4,170)
Net carrying amount	153	969	157	1,279

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2024

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:

	2024	2023
	USD'000	USD'000
As at 1 January	**2,157**	1,354
Additions	**197**	1,690
Reduction as a result of termination of leases	**(1,129)**	(153)
Depreciation charge *(note 6)*	**(892)**	(716)
Exchange realignment	**(23)**	(18)
As at 31 December	**310**	2,157

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2024	2023
	USD'000	USD'000
Carrying amount at 1 January	**2,339**	1,442
New leases	**197**	1,793
Accretion of interest recognised during the year *(note 7)*	**84**	83
Reduction as a result of termination of leases	**(1,258)**	(160)
Exchange realignment	**(35)**	(25)
Payments	**(1,031)**	(794)
Carrying amount at 31 December	**296**	2,339
Analysed into:		
Current portion	**296**	1,115
Non-current portion	**–**	1,224

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is disclosed in note 35 to the consolidated financial statements.

(c) The amounts recognised in the consolidated statement of profit or loss in relation to leases are as follows:

	2024 USD'000	2023 USD'000
Interest on lease liabilities	**84**	83
Depreciation charge of right-of-use assets	**892**	716
Gain on termination of leases	**(129)**	(7)
Expense relating to short-term leases (included in selling expenses, administrative expenses and research and development costs) *(note 6)*	**377**	471
Total amount recognised in profit or loss	**1,224**	1,263

(d) The total cash outflow for leases is disclosed in note 31(c) to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

15. OTHER INTANGIBLE ASSETS

	Software USD'000	Intellectual property USD'000	IPR&D USD'000	Total USD'000
31 December 2024				
At 1 January 2024:				
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
Cost at 1 January 2024, net of accumulated amortisation	210	4,472	4,288	8,970
Amortisation provided during the year *(note 6)*	(26)	(1,239)	–	(1,265)
Exchange realignment	1	–	–	1
At 31 December 2024, net of accumulated amortisation	185	3,233	4,288	7,706
At 31 December 2024:				
Cost	303	16,340	4,288	20,931
Accumulated amortisation	(118)	(13,107)	–	(13,225)
Net carrying amount	185	3,233	4,288	7,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software USD'000	Intellectual property 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

Impairment testing of IPR&D

The intangible assets of the Group include IPR&D which are acquired through acquisition of subsidiaries, identified as the fiber optic navigation and imaging system and the robot control and driving system. 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 2024, IPR&D were tested for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 2024.

Key assumptions used in the calculation are as follows:

	2024	2023
Revenue (% compound growth rate)	**2.03/6.03**	(1.84)/8.92
Gross margin rate (%)	**41.15-52.85**	38.18-54.30
Pre-tax discount rate (%)	**20.15/23.79**	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

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16. INVENTORIES

	2024 USD'000	2023 USD'000
Raw materials	**2,006**	2,103
Work in progress	**259**	594
Finished goods	**1,334**	2,012
Total	**3,599**	4,709

17. TRADE RECEIVABLES

	2024 USD'000	2023 USD'000
Current		
Trade receivables	**10,344**	11,065
Impairment	**(2,481)**	(1,106)
Total	**7,863**	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:

	2024 USD'000	2023 USD'000
Within 3 months	**1,630**	5,889
3 to 6 months	**64**	45
6 to 12 months	**1,785**	3,862
1 to 2 years	**4,384**	163
Total	**7,863**	9,959

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

17. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 USD'000	2023 USD'000
At beginning of year	**1,106**	1,240
Impairment losses, net *(note 6)*	**1,401**	(121)
Amount written off as uncollectible	**–**	(1)
Exchange realignment	**(26)**	(12)
At end of year	**2,481**	1,106

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.

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 2024

	Gross carrying amount USD'000	Expected credit loss rate	Expected credit loss USD'000
Collectively assessed:			
Less than 1 year	**3,574**	**2.66%**	**95**
1 to 2 years	**6,375**	**31.23%**	**1,991**
Over 2 years	**395**	**100.00%**	**395**
Total	**10,344**		**2,481**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

17. TRADE RECEIVABLES (CONTINUED)

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2024	
	Assets USD'000	**Liabilities USD'000**
Foreign currency swaps	**–**	**147**
Forward currency contracts	**–**	**10**
Foreign currency option	**–**	**13**
Total	**–**	**170**

The Group has entered into foreign currency contracts, to manage its exchange rate exposures, which are measured at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 USD'000	2023 USD'000
Current		
Prepayments	**556**	705
Deposits and other receivables	**220**	475
Value-added tax recoverable	**180**	131
Subtotal	**956**	1,311
Non-current		
Advance payments for long-term assets	**–**	513
Deposits	**94**	138
Prepayments	**27**	57
Subtotal	**121**	708
Total	**1,077**	2,019

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 2024 and 2023, the loss allowance was assessed to be minimal.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 USD'000	2023 USD'000
Unlisted debt investments, at fair value	**14,670**	8,878

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The movement of the financial assets at fair value through profit or loss is as follows:

	2024 USD'000	2023 USD'000
At beginning of year	**8,878**	7,603
Addition	**6,955**	5,296
Disposal	**–**	(3,681)
Fair value change	**(1,089)**	(340)
Exchange realignment	**(74)**	–
At end of year	**14,670**	8,878

The Group has invested in Unicorn Holding Partners LP and Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership), which were measured at fair value.

In September 2024, the Group has made an additional investment of RMB50,000,000 (equivalent to USD6,955,000) in Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership).

21. CASH AND CASH EQUIVALENTS AND DEPOSITS

	2024 USD'000	2023 USD'000
Cash and bank balances	**22,312**	60,470
Time deposits	**117,034**	96,177
Total	**139,346**	156,647
Less:		
Pledged for bank overdraft facilities *(note 25)*	**(25)**	(25)
Pledged for service and rent deposits	**(213)**	(213)
Structured deposits*	**(40,291)**	–
Time deposits with original maturity over three months	**(52,344)**	(72,845)
Cash and cash equivalents	**46,473**	83,564

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

21. CASH AND CASH EQUIVALENTS AND DEPOSITS (CONTINUED)

	2024 USD'000	2023 USD'000
Denominated in:		
USD	**32,933**	53,485
RMB	**12,191**	29,363
HKD	**1,225**	679
AUD	**–**	2
EUR	**124**	35
Total cash and cash equivalents	**46,473**	83,564

* Structured deposits mainly represents deposits made to Agricultural Bank of China for foreign currency swaps, which will mature in June 2025.

The RMB is not freely convertible into other currencies, however, under Mainland China'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, structured deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. FINANCE LEASE RECEIVABLES

	2024 USD'000	2023 USD'000
Finance lease receivables	**46**	71
Unrealised finance income	**(1)**	(3)
Finance lease receivables, net	**45**	68
Analysed into:		
Current portion	**26**	26
Non-current portion	**19**	42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

22. FINANCE LEASE RECEIVABLES (CONTINUED)

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:

	2024 USD'000	2023 USD'000
Over 3 years	**45**	68
Total	**45**	68

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:

	2024 USD'000	2023 USD'000
Within one year	**23**	24
After one year but within two years	**23**	24
After two years but within three years	**–**	23
	46	71
Unrealised finance income	**(1)**	(3)
Total	**45**	68

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

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23. 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:

	2024 USD'000	2023 USD'000
Within 3 months	**253**	232
3 to 6 months	**–**	166
6 to 12 months	**–**	1
Over 1 year	**2**	–
Total	**255**	399

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

24. OTHER PAYABLES AND ACCRUALS

	2024 USD'000	2023 USD'000
Current		
Other payables	**1,421**	1,560
Contingent Consideration payable	**–**	900
Accrued expenses	**598**	751
Accrued payroll	**3,007**	3,467
Taxes payable other than corporate income tax	**63**	266
Total	**5,089**	6,944

Other payables are non-interest-bearing and repayable on demand.

In September 2023, the Company acquired 100% of shares of FHC and its subsidiaries. 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. As at 31 December 2024, the fair value decreased by USD900,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

24. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The movement of the fair value of contingent consideration payable is as follows:

	2024 USD'000	2023 USD'000
At beginning of year	900	–
Arising from acquisition of intangible assets	–	900
Fair value changes	(900)	–
At end of year	–	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.

	2024	2023
Discount for own non-performance risk	100%	10%

25. BANK OVERDRAFTS

	Effective interest rate (%)	Maturity	*Note*	As at 31 December 2024 USD'000	As at 31 December 2023 USD'000
Current					
Bank overdrafts					
– secured	–	On demand	*(a)*	22	16
Analysed into:					
Within one year or on demand				22	16

Note:

(a) The Group's overdraft facilities amounting to USD30,000 (2023: USD84,000), of which USD22,000 (2023: USD16,000) had been utilised, were secured by the pledge of certain of the Group's time deposits amounting to USD25,000 (2023: USD25,000) (note 21).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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26. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2024 USD'000	2023 USD'000
Current		
Sale of medical devices and consumables	**195**	415
Service fee	**391**	269
Subtotal	**586**	684
Non-current		
Service fee	**–**	53
Total contract liabilities	**586**	737

27. 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").

	2024 USD'000	2023 USD'000
Authorised:		
2,000,000,000 (2023: 2,000,000,000) ordinary shares of USD0.000025 (2023: USD0.000025) each	**50**	50
Issued and fully paid:		
489,076,574 (2023: 488,674,136) ordinary shares of USD0.000025 (2023: USD0.000025) each	**12**	12
Issued but not paid:		
38,121,502 (2023: 38,523,940) ordinary shares of USD0.000025 (2023: USD0.000025) each	**1**	1
Total	**13**	13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

27. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Share capital USD'000
At 1 January 2023	526,873,076	12
Share options exercised during the year *(note a)*	150,000	–
Share options exercised during the year *(note b)*	175,000	–
At 31 December 2023, 1 January 2024 and 31 December 2024	527,198,076	12

Notes:

(a) 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).

(b) 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).

28. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

28. RESERVES (CONTINUED)

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.

29. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE-BASED PAYMENTS (CONTINUED)

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 2024	Company	RSUs	797,241	3	–
December 2024	Company	RSUs	12,835,724	6	Note a
December 2024	Company	RSUs	23,468,141	15-51	Note b

Note a: Exercise price is half of the average closing price of the Company's share in the last five trading days immediately preceding the date of grant.

Note b: Exercise price is the average closing price of the Company's share in the last five trading days immediately preceding the date of grant.

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:

	2024		2023	
	Weighted average exercise price USD/share	Number of options	Weighted average exercise price USD/share	Number of options
Outstanding at beginning of the year	**0.31**	**6,451,016**	0.42	10,186,864
Forfeited or expired during the year	**0.17**	**(1,315,048)**	0.64	(3,410,848)
Exercised during the year	**–**	**–**	0.17	(325,000)
Outstanding at end of the year	**0.28**	**5,135,968**	0.31	6,451,016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

29. SHARE-BASED PAYMENTS (CONTINUED)

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

	2024		2023	
	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**	**21,698,081**	0.08	20,253,683
Granted during the year	**0.06**	**37,101,106**	0.01	2,255,999
Forfeited during the year	**–**	**–**	0.09	(758,701)
Exercised during the year	**–**	**(402,438)**	–	(52,900)
Outstanding at end of the year	**0.07**	**58,396,749**	0.08	21,698,081

During the year, share-based expenses of USD236,000 (2023: USD556,000) were charged to the consolidated statement of profit or loss.

The fair values of RSUs granted were estimated based on the share price as of the date of grant using binomial 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:

	2024 RSUs	2023 RSUs
Expected volatility (%)	**39.90**	39.40
Risk-free interest rate (%)	**3.50**	3.58
Expected life (year)	**10**	10
Weighted average share price (USD)	**0.08**	0.11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

30. COMMITMENTS

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

	2024 USD'000	2023 USD'000
Capital contribution payable to purchase limited partnership interests	**5,216**	12,355
Plant and machinery	**–**	243
Total	**5,216**	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 USD197,000 (2023: USD796,000) and USD197,000 (2023: USD796,000), 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 USD1,129,000 (2023: USD153,000) and USD1,258,000 (2023: USD160,000), respectively, in respect of termination of leases for warehouses and office premises.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	Lease liabilities USD'000	Bank overdrafts USD'000
At 1 January 2024	**2,339**	**16**
Changes from financing cash flows	**(1,031)**	**6**
Interest expense	**84**	**–**
New leases	**197**	**–**
Reduction as a result of termination of leases	**(1,258)**	**–**
Foreign exchange difference	**(35)**	**–**
At 31 December 2024	**296**	**22**

	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

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 USD'000	2023 USD'000
Within operating activities	**377**	471
Within financing activities	**1,031**	794
Total	**1,408**	1,265

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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32. RELATED PARTY TRANSACTIONS

Name	Relationship
Hangzhou Dinova Medical Technology Co., Ltd. ("Hangzhou Dinova")***	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

* In September 2023, the Company acquired 100% of shares of FHC.

** In December 2023, Hangzhou Broncus acquired 100% of shares of Hangzhou Jingliang.

*** Mr. Michael Yi Wei Zhao resigned as a non-executive director and the chairman of the board of directors on 19 April 2024, Hangzhou Dinova and Dinova Healthcare have ceased to be related parties of the Group since then.

(a) The Group had the following transactions with related parties during the year:

	2024 USD'000	2023 USD'000
Management service from:		
Hangzhou Dinova *(note (i))*	–	157
Purchase of research service from:		
Fibernova *(note (ii))*	N/A	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	2024 USD'000	2023 USD'000
Other payables and accruals: *		
Hangzhou Dinova	**N/A**	104
Contingent consideration payables:		
Dinova Healthcare	**N/A**	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 in September 2023. Further details are disclosed in note 24 to the consolidated financial statements.

* The balances are trade in nature.

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

	2024 USD'000	2023 USD'000
Salaries, allowances and benefit in kind	**291**	706
Pension scheme contributions	**6**	19
Equity-settled share award expenses	**57**	1
Total compensation paid to key management personnel	**354**	726

Further details of directors' remuneration are included in note 8 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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:

2024

Financial assets

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000
Trade receivables	–	7,863
Finance lease receivables	–	45
Financial assets included in prepayments, other receivables and other assets	–	314
Financial assets at fair value through profit or loss	14,670	–
Pledged deposits	–	238
Structured deposits	–	40,291
Cash and cash equivalents	–	46,473
Time deposits with original maturity over three months	–	52,344
Total	14,670	147,568

Financial liabilities

	Financial liabilities at fair value through profit or loss USD'000	Financial liabilities at amortised cost USD'000
Trade payables	–	255
Derivative financial instruments	170	–
Financial liabilities included in other payables and accruals	–	1,421
Bank overdrafts	–	22
Total	170	1,698

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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)

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 2024

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, structured 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 and accruals 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 financial controller. 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 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 Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including foreign currency swaps, forward currency contracts and foreign currency option, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of risk-free rate, foreign exchange spot and forward rates. The carrying amounts of foreign currency swaps are the same as their fair values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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

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, is reasonable, and that it was the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial liabilities together with a quantitative sensitivity analysis as at 31 December 2024.

As at 31 December 2024

	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**	**100%**	**5% decrease would result in increase in fair value by 5%**

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 would result in decrease/ increase in fair value by 5%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2024

	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	**–**	**14,670**	**–**	**14,670**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 2024

	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
Derivative financial Instruments	–	170	–	170

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

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 (2023: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 2024			
If USD weakens against RMB	5	1,000	1,182
If USD strengthens against RMB	(5)	(1,000)	(1,182)
If USD weakens against HKD	5	(2,139)	(2,139)
If USD strengthens against HKD	(5)	2,139	2,139
If USD weakens against EUR	5	(15)	(15)
If USD strengthens against EUR	(5)	15	15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 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

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, structured 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 2024

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2024

	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*	–	–	–	10,344	10,344
Finance lease receivables	–	–	–	45	45
Financial assets included in prepayments, other receivables and other assets – Normal**	314	–	–	–	314
Structured deposits	40,291	–	–	–	40,291
Pledged deposits – Not yet past due	238	–	–	–	238
Cash and cash equivalents – Not yet past due	46,473	–	–	–	46,473
Time deposits with maturity over three months – Not yet past due	52,344	–	–	–	52,344
Total	139,660	–	–	10,389	150,049

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 2024

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 56.4% (2023: 67.4%) and 87.9% (2023: 81.4%) 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 2024				
	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	255	–	–	–	255
Financial liabilities included in other payables and accruals	1,421	–	–	–	1,421
Lease liabilities	–	136	169	–	305
Bank overdrafts	22	–	–	–	22
Total	1,698	136	169	–	2,003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 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

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 2024

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:

	2024 USD'000	2023 USD'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**284,824**	267,694
Financial assets at fair value through profit or loss	**2,956**	3,721
Prepayments, other receivables and other assets	**20**	30
Total non-current assets	**287,800**	271,445
CURRENT ASSETS		
Due from subsidiaries	**11,014**	10,929
Prepayments, other receivables and other assets	**203**	46
Cash and cash equivalents	**27,682**	41,004
Structured deposits	**40,291**	–
Time deposits with original maturity over three months	**32,130**	72,845
Total current assets	**111,320**	124,824
CURRENT LIABILITIES		
Other payables and accruals	**182**	1,129
Derivative financial instruments	**170**	–
Total current liabilities	**352**	1,129
NET CURRENT ASSETS	**110,968**	123,695
TOTAL ASSETS LESS CURRENT LIABILITIES	**398,768**	395,140
Net assets	**398,768**	395,140
EQUITY		
Share capital	**12**	12
Reserves *(note)*	**398,756**	395,128
Total equity	**398,768**	395,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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 2024	**593,574**	**59,042**	**12,908**	**(270,396)**	**395,128**
Total comprehensive income for the year	**–**	**–**	**–**	**4,021**	**4,021**
Equity-settled share award arrangements	**–**	**–**	**236**	**–**	**236**
Issue of shares upon the exercise of share award arrangements	**123**	**–**	**(123)**	**–**	**–**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**(629)**	**–**	**(629)**
At 31 December 2024	**593,697**	**59,042**	**12,392**	**(266,375)**	**398,756**

	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

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025.

FINANCIAL SUMMARY

	For the year ended December 31				
	2024	2023	2022	2021	2020
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**8,131**	10,255	9,413	10,891	3,259
Gross profit	**6,139**	7,227	7,315	8,742	2,506
Loss before tax	**(15,300)**	(28,089)	(28,033)	(236,175)	(48,784)
Loss for the year	**(15,303)**	(28,092)	(28,036)	(236,178)	(48,786)
Loss attributable to:					
Owners of the parent	**(15,303)**	(28,091)	(28,036)	(235,784)	(48,237)
Non-IFRS adjusted net loss for the year [(1)]	**(15,067)**	(27,536)	(26,913)	(23,654)	(19,058)
Loss per share attributable to ordinary equity holders of the parent					
Basic and diluted (US$)	**(0.03)**	(0.06)	(0.06)	(0.79)	(0.22)

	As at December 31				
	2024	2023	2022	2021	2020
	US$'000	US$'000	US$'000	US$'000	US$'000
Total non-current assets	**24,105**	23,153	19,076	14,089	13,195
Total current assets	**151,790**	172,652	202,866	238,717	26,682
Total current liabilities	**6,418**	9,158	7,417	8,964	14,227
Total non-current liabilities	**–**	1,277	1,067	1,424	148,091
Non-controlling interests	**(1)**	(1)	–	–	(1,928)
Total equity	**169,477**	185,370	213,458	242,418	(122,441)

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

DEFINITIONS

"AGM"	the annual general meeting of the Company to be held on Friday, May 16, 2025
"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
"COPD"	chronic obstructive pulmonary disease
"CTO"	the chief technology officer

DEFINITIONS

"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
"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
"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
"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 15, 2025, being the latest practicable date for ascertaining the contents set out in this annual report

DEFINITIONS

"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 tenth amended and restated memorandum and articles of association of the Company adopted by a special resolution passed on May 20, 2024, as may be amended and/or restated 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"	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
"Prospectus"	the prospectus of the Company dated September 13, 2021
"R&D"	Research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	12 months ended December 31, 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
"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 October 25, 2023
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

"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
"treasury share(s)"	has the meaning ascribed to it under the Listing Rules
"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
"%"	per cent

* *for identification purposes only.*