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OrbusNeich Medical Group Holdings Limited

業聚醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6929)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023 AND CHANGE IN USE OF PROCEEDS

The Board is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Year-on-year change
	2023 US\$'000	2022 US\$'000	
Operating results			
Revenue	153,865	136,824	+12.5%
Cost of sales	(47,367)	(44,366)	+6.8%
Gross profit	106,498	92,458	+15.2%
Profit before income tax	49,628	21,791	+127.7%
Profit for the year attributable to owners of the Company	45,073	18,491	+143.8%
Adjusted profit for the year (non-HKFRS measure)	46,153	26,666	+73.1%
Basic earnings per share (US cents)	5.45	3.17	+71.9%
Diluted earnings per share (US cents)	5.41	2.55	+112.2%
Profitability			
Gross profit margin ⁽¹⁾	69.2%	67.6%	+1.6% points
Net profit margin ⁽²⁾	29.3%	13.5%	+15.8% points
Adjusted profit margin for the year (non-HKFRS measure) ⁽³⁾	30.0%	19.5%	+10.5% points

Non-HKFRS Measures

To supplement our consolidated annual results, which are prepared and presented in accordance with HKFRS, we use certain additional financial measures which are not required by or presented in accordance with HKFRS. Such measures include adjusted profit for the year (non-HKFRS measure) and adjusted profit margin for the year (non-HKFRS measure). Our adjusted profit for the year (non-HKFRS measure) is not calculated in accordance with HKFRS, and it is considered non-HKFRS measure. We believe that the adjusted profit for the year (non-HKFRS measure) is useful for investors in comparing our performance, and it allows investors to consider metrics used by our management in evaluating our performance. Adjusted profit for the year (non-HKFRS measure) and adjusted profit margin for the year (non-HKFRS measure) represent the profit for the year and the profit margin for the year excluding the effect of certain non-cash items and one-time events. These non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of these non-HKFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
<i>Non-HKFRS measures:</i>		
Profit for the year attributable to owners of the Company	45,073	18,491
Add:		
Unwinding of interests on convertible redeemable preferred shares	—	1,336
Share-based compensation expenses	1,080	684
Listing expenses	—	6,155
	<hr/>	<hr/>
Adjusted profit for the year	<u>46,153</u>	<u>26,666</u>
Adjusted profit margin for the year⁽³⁾	30.0%	19.5%

Notes:

- (1) Calculated by dividing gross profit by revenue.
- (2) Calculated by dividing profit for the year attributable to owners of the Company by revenue.
- (3) Calculated by dividing adjusted profit for the year (non-HKFRS measure) by revenue.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended December 31, 2023

	<i>Note</i>	2023 US\$'000	2022 <i>US\$'000</i>
Revenue	3	153,865	136,824
Cost of sales	5	<u>(47,367)</u>	<u>(44,366)</u>
Gross profit		106,498	92,458
Other income — net		2,125	915
Other gains/(losses) — net	4	589	(2,810)
Selling and distribution expenses	5	(35,931)	(32,558)
General and administrative expenses	5	(18,909)	(22,570)
Research and development expenses	5	(14,379)	(14,113)
Impairment losses on financial assets		<u>(54)</u>	<u>(250)</u>
Operating profit		<u>39,939</u>	<u>21,072</u>
Finance income		10,666	2,387
Finance costs		<u>(142)</u>	<u>(1,469)</u>
Finance income — net	6	<u>10,524</u>	<u>918</u>
Share of loss of investment in a joint venture		<u>(835)</u>	<u>(199)</u>
Profit before income tax		49,628	21,791
Income tax expense	7	<u>(4,555)</u>	<u>(3,300)</u>
Profit for the year attributable to owners of the Company		<u>45,073</u>	<u>18,491</u>
Earnings per share	8	US cents	US cents
Basic		<u>5.45</u>	<u>3.17</u>
Diluted		<u>5.41</u>	<u>2.55</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2023

	2023	2022
	US\$'000	US\$'000
Profit for the year	<u>45,073</u>	<u>18,491</u>
Other comprehensive income/(loss):		
<i>Item that will not be subsequently reclassified to profit or loss</i>		
Remeasurements of post-employment benefit obligations	3	292
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>309</u>	<u>(2,786)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>312</u>	<u>(2,494)</u>
Total comprehensive income for the year	<u>45,385</u>	<u>15,997</u>

CONSOLIDATED BALANCE SHEET

as at December 31, 2023

	<i>Note</i>	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		13,011	8,484
Right-of-use assets		5,455	4,490
Deferred income tax assets		3,541	2,834
Financial assets at fair value through profit or loss		1,618	1,767
Intangible assets		9,560	4,057
Goodwill		12,959	1,749
Interest in a joint venture		13,920	11,648
Deposits and prepayments		2,117	1,756
		<hr/>	<hr/>
Total non-current assets		62,181	36,785
		<hr/>	<hr/>
Current assets			
Inventories		41,426	29,400
Trade receivables	9	37,966	32,322
Deposits, prepayments and other receivables		11,659	4,328
Amounts due from joint ventures		640	39
Amounts due from non-controlling interests		46	—
Tax recoverable		447	248
Financial assets at fair value through profit or loss		—	18,792
Cash and bank balances		255,779	229,146
		<hr/>	<hr/>
Total current assets		347,963	314,275
		<hr/>	<hr/>
Total assets		410,144	351,060
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		414	414
Other reserves		446,693	445,971
Accumulated losses		<u>(78,707)</u>	<u>(123,819)</u>
		368,400	322,566
Non-controlling interests		<u>1,018</u>	<u>—</u>
Total equity		<u>369,418</u>	<u>322,566</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,356	2,349
Retirement benefit obligations		2,779	2,333
Deferred income tax liabilities		<u>967</u>	<u>—</u>
Total non-current liabilities		<u>5,102</u>	<u>4,682</u>
Current liabilities			
Trade payables	10	4,815	4,065
Bank borrowing		4,235	—
Accruals and other payables		15,704	15,939
Financial liabilities at fair value through profit or loss		4,975	—
Amount due to a joint venture		194	157
Current income tax liabilities		3,831	1,972
Lease liabilities		<u>1,870</u>	<u>1,679</u>
Total current liabilities		<u>35,624</u>	<u>23,812</u>
Total liabilities		<u>40,726</u>	<u>28,494</u>
Total equity and liabilities		<u>410,144</u>	<u>351,060</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

OrbusNeich Medical Group Holdings Limited (the “**Company**”) is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”), are principally engaged in the manufacturing, trading, sales and marketing of medical devices/instruments used for the treatment of coronary and peripheral vascular diseases.

The immediate and ultimate holding company is Harmony Tree Limited, a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling shareholders of the Group are Mr. David CHIEN and Ms. Kwai Ching Denise LAU, spouse of Mr. David CHIEN (the “**Controlling Shareholders**”).

The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong (“**HKSE**”) on December 23, 2022.

These consolidated financial statements are presented in thousands of United State Dollar (“**US\$’000**”), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on March 7, 2024.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost basis, except for financial assets and liabilities at fair value through profit or loss or other comprehensive income, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing on January 1, 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts and the Related Amendments
HKFRS 17	Initial Application of HKFRS and HKFRS 9 — Comparative Information

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretation not yet adopted by the Group

Certain amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group in preparing the consolidated financial statements:

		Effective for accounting year beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new and amended standards and interpretation as and when they become effective. The directors of the Company have performed preliminary assessment and do not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new and amended standards and interpretation to existing HKFRS.

3 REVENUE AND SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors of the Company that make strategic decisions.

The CODM considers the business from a product perspective which is manufacturing, trading, sales and marketing of medical devices/instruments used for the treatment of coronary and peripheral vascular diseases. The CODM regularly reviews the financial information of the Group which is the same as the consolidated financial statements of the Group, for the purposes of allocating resources and assessing its performance, so only one operating segment of the Group and, no separate segmental analysis is presented in these consolidated financial statements.

The amounts provided to the CODM with respect to total assets and total liabilities are measured in a manner consistent with that in the consolidated balance sheet.

The revenue recognized during the year are as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Sales of goods — at point in time	<u>153,865</u>	<u>136,824</u>

Geographical information

The Group is organized on a worldwide basis. The analysis of revenue by geographical area is as follows:

	Japan <i>US\$'000</i>	EMEA <i>US\$'000</i>	APAC <i>US\$'000</i>	The PRC <i>US\$'000</i>	United States <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended						
December 31, 2023						
Revenue	38,005	77,043	99,803	69,300	21,267	305,418
Less: inter-segment revenue	<u>—</u>	<u>(40,681)</u>	<u>(63,446)</u>	<u>(47,426)</u>	<u>—</u>	<u>(151,553)</u>
Revenue from external customers	<u>38,005</u>	<u>36,362</u>	<u>36,357</u>	<u>21,874</u>	<u>21,267</u>	<u>153,865</u>
Year ended						
December 31, 2022						
Revenue	32,440	71,138	88,244	62,150	16,623	270,595
Less: inter-segment revenue	<u>—</u>	<u>(38,854)</u>	<u>(56,352)</u>	<u>(38,565)</u>	<u>—</u>	<u>(133,771)</u>
Revenue from external customers	<u>32,440</u>	<u>32,284</u>	<u>31,892</u>	<u>23,585</u>	<u>16,623</u>	<u>136,824</u>

The non-current assets information below is based on the location of assets other than financial instruments and deferred income tax assets.

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Japan	931	1,127
EMEA	5,894	3,620
APAC	31,944	14,053
The PRC	14,645	10,191
United States	<u>2,736</u>	<u>2,669</u>
	<u>56,150</u>	<u>31,660</u>

4 OTHER GAINS/(LOSSES) — NET

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Net foreign exchange losses	(357)	(965)
Losses on disposals of property, plant and equipment	(54)	(29)
Write-off of property, plant and equipment	—	(341)
Gains/(losses) on disposals of financial assets at fair value through profit or loss	5	(7)
Fair value changes in financial assets at fair value through profit or loss	971	(1,479)
Gain on lease modification	14	2
Others	<u>10</u>	<u>9</u>
	<u>589</u>	<u>(2,810)</u>

5 EXPENSES BY NATURE

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Cost of inventories recognized as expense (including write-down of inventories to net realizable value)	27,290	24,318
Employee benefit expenses	53,298	50,585
Depreciation of property, plant and equipment	1,790	1,819
Depreciation of right-of-use assets	1,831	1,548
Amortization of intangible assets	584	515
Short-term lease expense in respect of office premises	923	990
Royalty expenses	3,127	3,039
Auditors' remuneration	462	216
Marketing and advertising expenses	4,868	4,045
Legal and professional fees	2,636	2,913
Clinical trial expenses	690	193
Travel and entertainment expenses	4,367	2,565
Testing material expenses	2,202	2,665
Commission expenses	1,426	1,145
Delivery and warehouse charge	2,511	2,902
Transportation expenses	481	530
Telecommunication expenses	262	162
Insurance expenses	603	680
Listing expenses	—	6,155
Other expenses	7,235	6,622
	<u>116,586</u>	<u>113,607</u>

6 FINANCE INCOME — NET

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Finance income:		
— Interest income from bank deposits	10,106	2,387
— Interest income from financial assets at fair value through profit or loss	560	—
	<u>10,666</u>	<u>2,387</u>
Finance costs:		
— Interest expense on bank borrowings	(4)	(11)
— Interest expense on lease liabilities	(130)	(116)
— Unwinding of interests on convertible redeemable preferred shares	—	(1,336)
— Others	(8)	(6)
	<u>(142)</u>	<u>(1,469)</u>
Finance income — net	<u>10,524</u>	<u>918</u>

7 INCOME TAX EXPENSE

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Current income tax:		
Current income tax on profits for the year	5,078	3,226
Under-provision in prior year	<u>136</u>	<u>50</u>
	<u>5,214</u>	<u>3,276</u>
Deferred income tax:		
Relating to the origination and reversal of temporary differences	<u>(659)</u>	<u>24</u>
	<u><u>4,555</u></u>	<u><u>3,300</u></u>

The Group is primarily subject to the Hong Kong profits tax, PRC corporate income tax (“CIT”), Japan corporate income tax and the Netherlands corporate income tax.

(a) Hong Kong profits tax

The applicable profits tax rate in Hong Kong is 16.5% (2022: 16.5%) for the year ended December 31, 2023.

(b) PRC corporate income tax

OrbusNeich Medical (Shenzhen) Company Limited (“**OrbusNeich Shenzhen**”) is qualified as a National High and New Technology Enterprise (“**HNTE**”), on December 11, 2020 and December 25, 2023 with a validity of three years therefrom. According to the CIT Law, the enterprise qualifying the HNTE status is entitled to the 15% reduced CIT rate subject to a record-filing to the in-charge tax bureau. OrbusNeich Shenzhen had completed the record-filing with Shenzhen local tax bureau. As such, the applicable CIT rate is 15% (2022: 15%) for the year ended December 31, 2023.

(c) Japan corporate income tax

The applicable corporate income tax in Japan is 33.58% (2022: 33.58%) for the year ended December 31, 2023.

(d) The Netherlands corporate income tax

For the year ended December 31, 2023, Netherlands corporate income tax has been provided for at the rate of 25.8% (2022: 25.8%) on the estimated assessable profits of the Netherlands subsidiaries.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company for the years ended December 31, 2023 and 2022 divided by the weighted average number of shares in issue during the year.

The shares of the Company were listed on the HKSE on December 23, 2022, whereby 54,633,000 new shares were issued by the Company.

	2023	2022
Profit attributable to owners of the Company (<i>US\$'000</i>)	45,073	18,491
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>827,767</u>	<u>583,086</u>
Basic earnings per share (<i>US cents</i>)	<u><u>5.45</u></u>	<u><u>3.17</u></u>

Upon initial public offering completed on December 23, 2022, the Company issued new shares and converted convertible redeemable preferred shares into ordinary shares, which were accounted at time apportion basis. During the year ended December 31, 2023, the Company issued 198,400 new shares for exercise of share option schemes and repurchased 945,500 shares for share award schemes, which were accounted for time apportion basis.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended December 31, 2023, the Company had share options that are potential ordinary shares (2022: share options and convertible redeemable preferred shares that were potential ordinary shares). The diluted earnings per share have been calculated as follows:

Diluted earnings per share is calculated by dividing the adjusted profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares outstanding during the financial year.

	2023	2022
Profit attributable to owners of the Company (<i>US\$'000</i>)	45,073	18,491
Adjustment for convertible redeemable preferred shares (<i>US\$'000</i>)	—	1,336
	<u>45,073</u>	<u>19,827</u>
Adjusted profit attributable to owners of the Company (<i>US\$'000</i>)		
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	827,767	583,086
Adjustments for:		
Weighted average number of convertible redeemable preferred shares (<i>thousand shares</i>)	—	191,398
Weighted average number of share options (<i>thousand shares</i>)	5,195	1,905
	<u>832,962</u>	<u>776,389</u>
Adjusted weighted average number of ordinary shares (<i>thousand shares</i>)		
Diluted earnings per share (<i>US cents</i>)	<u>5.41</u>	<u>2.55</u>

9 TRADE RECEIVABLES

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables (<i>Note</i>)	38,646	34,064
Loss allowance	(680)	(1,742)
	<u>37,966</u>	<u>32,322</u>
Trade receivables, net		

Note: The majority of the Group's sales are with credit terms of 30 to 180 days. The carrying amounts of trade receivables approximate their fair values.

The ageing analysis of the trade receivables based on invoice date, before provision for impairment, is as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
0 to 30 days	16,786	13,993
31 to 60 days	9,675	8,360
61 to 90 days	4,324	4,943
Over 90 days	7,861	6,768
	<u>38,646</u>	<u>34,064</u>

Movements in the loss allowance of trade receivables are as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Beginning of year	1,742	1,587
Charged during the year	54	250
Trade-receivables written-off as uncollectible	(1,337)	—
Acquisition of subsidiaries	201	—
Currency translation difference	20	(95)
	<u>680</u>	<u>1,742</u>

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The carrying amounts of the Group's trade receivables, net are denominated in the following currencies:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
US\$	5,916	9,553
HK\$	3,385	2,802
JPY	11,270	9,715
EUR	5,616	4,507
IDR	3,982	—
Other currencies	7,797	5,745
	<u>37,966</u>	<u>32,322</u>

10 TRADE PAYABLES

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Trade payables	<u>4,815</u>	<u>4,065</u>

The carrying amounts of trade payables approximate their fair values. Credit terms granted by creditors generally range from 30 to 90 days.

The ageing analysis of the trade payables based on invoice date is as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
0 to 30 days	3,833	3,392
31 to 60 days	370	288
61 to 90 days	274	191
Over 90 days	<u>338</u>	<u>194</u>
	<u>4,815</u>	<u>4,065</u>

Trade payables are denominated in the following currencies:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
US\$	3,214	3,322
RMB	1,318	399
EUR	233	311
Other currencies	<u>50</u>	<u>33</u>
	<u>4,815</u>	<u>4,065</u>

11 DIVIDENDS

No dividend has been paid by the Company for the year ended December 31, 2023 (2022: Nil).

A dividend in respect of the year ended December 31, 2023 of HK10 cents (approximately US1.28 cents) (2022: Nil) per ordinary share, amounting to total dividend of HK\$82,797,000 (approximately US\$10,615,000) (2022: Nil), is to be approved at the 2023 annual general meeting of the Company. These financial statements do not reflect this dividend payable.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

We are a major global medical device manufacturer specialized in interventional instruments for PCI and PTA procedures. Headquartered in Hong Kong, China, we sell products to over 70 countries and regions worldwide. In addition to PCI and PTA balloons, we also specialize in coronary and peripheral stent products and are actively expanding into structural heart disease and neuro vascular intervention areas.

Our diversified product portfolio covers all major treatment processes in PCI and PTA procedures. Our approved and marketed products are indicated for lesion access, lesion preparation, lesion therapy and lesion optimization, encompassing semi-compliant balloons and scoring balloons for pre-dilatation and lesion preparation, stents for implantation, non-compliant balloons for post-dilatation, and specialty catheters.

Overall Performance for 2023

In 2023, economies made a gradual recovery from the impact of the COVID-19 pandemic, but global economic headwinds continued to present a challenging business environment. The US Federal Reserve fought inflation with interest rate hikes resulting in a stronger USD in 2023, which impacted the Group's revenue growth momentum in terms of USD. Nevertheless, the Group recorded a revenue of US\$153.9 million, representing an increase of 12.5% as compared to the previous year. Excluding the foreign exchange impact, the revenue growth rate would have been 15.4% year-on-year. The considerable growth was mainly attributable to the increase in sales volume from approximately 1.2 million units in 2022 to 1.4 million units in 2023. In particular, revenue from PCI balloons and PTA balloons grew by 12.1% and 29.0% year-on-year to US\$115.4 million and US\$14.7 million, respectively.

Gross profit increased by 15.2% to approximately US\$106.5 million as a result of the increase in sales volume of products which have higher average selling prices in the Japan and US markets. Profit for the year attributable to owners of the Company was US\$45.1 million, up 143.8% from US\$18.5 million in 2022. The net profit margin for 2023 was 29.3%, up 15.8 percentage points year-on-year. Basic earnings per share for 2023 was US5.45 cents (2022: US3.17 cents).

Adjusted profit for the year (non-HKFRS measure) that excludes certain non-cash and one-off items including listing expenses, unwinding of interests on convertible redeemable preferred shares, and share-based compensation expenses increased by 73.1% year-on-year to approximately US\$46.2 million. Core operating profit that excludes finance income — net and fair value changes of USD commodity notes from adjusted profit for the year (non-HKFRS measure) amounted to US\$34.4 million, representing a year-on-year growth of 34.4%.

Performance by Geographical Markets

Japan

Driven by the continued increase in sales of Scoreflex TRIO, a three-wire scoring balloon, revenue generated from Japan in terms of Japanese Yen showed a robust growth of 26.3% year-on-year. However, the growth in terms of USD was partially offset by the depreciation of Japanese Yen to USD in 2023. Revenue from Japan grew by 17.2% on a US dollar reported basis in 2023, amounting to US\$38.0 million.

EMEA

In 2023, we experienced a moderate year-on-year growth of 12.6% in revenue generated from EMEA, amounting to US\$36.4 million. The increase in sales was mainly because of the increased adoption of new generation products, such as Sapphire 3 and Sapphire NC 24, in certain direct sales countries.

APAC

During 2023, revenue generated from APAC achieved a steady year-on-year growth of 14.0% on a US dollar reported basis, reaching US\$36.4 million. This was mainly attributable to increase in sales of various coronary balloons including Scoreflex NC, Sapphire NC 24, Sapphire II PRO and drug eluting balloons in countries such as Singapore, India, Indonesia, and Malaysia, as well as growth in peripheral balloon products in Singapore.

The PRC

The anti-corruption campaign targeting the healthcare industry in the PRC led to a lower number of PCI procedures and therefore reducing the usage of our products in the third quarter of the year, offsetting the growth in the first half of the year driven by the resumption of activities after the COVID-19 pandemic. Revenue generated from the PRC market remained broadly flat in RMB terms. Meanwhile, the depreciation of RMB against USD further reduced the reported revenue. Revenue generated from the PRC market was approximately US\$21.9 million, representing a decline of 7.3%.

The US

The US market remained the fastest growing market in 2023. Revenue generated from the US amounted to US\$21.3 million, representing a significant growth of 27.9%. The robust growth was mainly attributable to the increase in sales volume of peripheral balloons, semi-compliant balloons and scoring balloons.

Sales and Marketing

We always pride ourselves on our extensive global sales network, which spans over 70 countries and regions. Strengthening our commercialization capabilities through mergers and acquisitions initiatives and extending collaboration with our partners have always been one of our strategic focuses. In 2023, we acquired 100% equity stake in SJ Medicare Co. Ltd., a South Korean distributor, and 84% equity stake in PT Revass Utama Medika, an Indonesian distributor, with the aim of expanding our presence in local markets and capturing market growth potential. During the year, we also extended the exclusive distribution agreement with Cardiovascular Systems, Inc., now a subsidiary of Abbott Laboratories, to accelerate our growth in this major market. At the end of 2023, Indonesia became one of our 11 direct sales countries/regions, in addition to the PRC, Hong Kong, Macau, Japan, Malaysia, Singapore, Germany, France, Switzerland and Spain, following the completion of the acquisition of PT Revass Utama Medika. As of December 31, 2023, we have a total of 221 (as of December 31, 2022: 148) sales and marketing personnel and 234 (as of December 31, 2022: 212) distributors. In 2023, direct sales and distributor sales contributed approximately US\$80.0 million and US\$73.9 million, respectively, accounting for 52.0% and 48.0% of total revenue.

In order to enhance our brand awareness, we implemented numerous market communication activities. During the year, we resumed our physical Physician Exchange Programme (“PEP”) to enable renowned physicians to share their expertise and knowledge in PCI or PTA procedures with their peers in other countries. During the year, we conducted 11 physical PEPs in Malaysia, Sri Lanka, Vietnam, Taiwan, Mexico and Singapore where our innovative products such as Sapphire 3, Sapphire NC 24, Scoreflex TRIO and EZ Guide were applied in complex cases such as chronic total occlusions. Additionally, we continued to educate physicians about our products and interact with KOLs from different parts of the world through participating in industry exchanges. In 2023, we held or participated in around 73 seminars, workshops, conferences or discussion panels worldwide, such as EuroPCR, SingLive, Gulf PCR, AICT-ASIA PCR, HKSTENT, OCC Shanghai, and CCT in Japan to carry out physician education and product promotion.

Research and Development

R&D capability serves as a fundamental pillar for the future success of the Group. Therefore, we persistently invest in a diverse range of R&D activities to constantly improve aspects such as product design, material treatment, manufacturing processes, etc. As of December 31, 2023, we own more than 240 granted patents and published patent applications globally across key jurisdictions, including over 35 and 55 granted patents in the US and the PRC, respectively.

We persistently translate innovation into marketable products with the aim of enriching our product portfolio and generating additional revenue for the Group. During the year, we obtained NMPA approval for EZ Guide guiding catheter extension from NMPA and CE Marking for EZ Guide guiding catheter extension and Scoreflex TRIO. In particular, Scoreflex TRIO was our first CE-Marked product under the new Medical Device Regulation (MDR) regime, demonstrating our ability to navigate the regulatory landscape. As of December 31, 2023, we had an aggregate of over 40 approved products, including 27 PMDA approved products, 26 products with CE Mark, 14 FDA cleared or approved products and 20 NMPA approved products. Up to the date of this announcement, we also obtained the NMPA approval for Teleport Neuro and FDA approval of Teleport XT. In addition, we submitted the registration for Sapphire Ultra and Sapphire NC Ultra to FDA, registration for Teleport XT to CE for approval and were under review as of the date of this announcement.

We also initiated the clinical trial enrollment of Scoreflex TRIO in the PRC in April 2023. The clinical trial patient enrollment of Scoreflex TRIO in China is expected to be completed in the first quarter of 2024 and the registration application is expected to be submitted to NMPA in second half of 2024. Meanwhile, other pipeline products such as Corepass modular antegrade retrograde microcatheter, support catheter, guiding catheter and Jade OTW line extension have made significant progress and their registration applications are expected to be submitted to various regulatory bodies in 2024.

Production Facilities

To keep pace with the growing demand, we have been continuously expanding our production capacity. In 2023, we successfully raised the annual production capacity of balloon products by 550,000 units, bringing the aggregate annual production capacity to approximately 1.9 million units of balloons and 60,000 units of stents as of December 31, 2023. This increase in capacity was made possible by the establishment of a newly leased manufacturing site in Fuyong, Shenzhen, which allowed us to procure additional production machinery and further optimize the layout of our production facility by relocating certain production procedures to the new site. Product quality has always been our top priority. We adhere to a strict quality management system (QMS). During 2023, our production facilities passed recertification audits, QMS approval surveillance audits, extension audits, etc. from Notified Body (BSI), MFDS and GDMPA. Meanwhile, we are also formulating plans to address future production needs. In 2023, we acquired a land parcel in Fuyang, Hangzhou in the PRC with a land area of approximately 20,000 square meters. We plan to invest approximately RMB430 million in the project to construct the Group's largest R&D and manufacturing base with a gross floor area of approximately 60,000 square meters. Construction was officially commenced in December 2023. The new R&D and manufacturing base is expected to be operational in 2027 adding an annual production capacity of 2.4 million units of products upon commencement of production.

Joint Venture

To expand into the structural heart field, the Group established ON P&F, a joint venture principally engaging in the development, manufacturing, and sales of structural heart products, in 2020. During 2023, ON P&F made significant progress in both sales and product development. In 2023, the first TricValve case was successfully performed in both Australia and Taiwan with satisfactory clinical outcomes. Meanwhile, a TricValve study protocol has been submitted to the NMPA and the first patient enrollment for the clinical trial in the PRC is expected at the beginning of second quarter of 2024. Apart from TricValve, ON P&F also has a comprehensive pipeline of structural heart interventional devices, including Vienna Aortic Valve, a TAVR product; Vienna Mitral Valve — Replacement, a TMVR product; Vienna Pulmonary Valve — replacement, a TPVR product, and balloon expandable valves, which are complementary additions to our series of self-expandable heart valve devices.

Outlook

Looking ahead, the Company anticipates continued growth momentum through its market expansion and product enrichment efforts in 2023. The recent acquisitions of PT Revass Utama Medika and SJ Medicare Co. Ltd. are expected to contribute significantly to revenue growth in the Asia Pacific region. Indonesia, the world's fourth most populous country with a high demand for medical products and services, presents immense opportunities. The country has witnessed a steady increase in the number of cardiac catheterisation laboratories, with expectations for rapid growth in the future. This trend will drive the demand for PCI procedures and related medical devices in Indonesia. The acquisition of PT Revass Utama Medika, an established player in Indonesia with over a decade of presence and an extensive sales network, positions the Company to seize these growth opportunities. In addition, through the strategic move of acquiring SJ Medicare Co. Ltd. allows the Company to strengthen sales channel management, increase product offerings and enhance physician education in South Korea, thereby capturing greater market share.

Moreover, the growing trend of “leave nothing behind” in PCI and PTA procedures underscores the increasing use of drug eluting balloons. The Company believes that eucatech AG's CE-Marked coronary and peripheral paclitaxel-coated drug eluting balloons will enable us to effectively address this market trend. Coupled with their coronary drug-eluting stent and peripheral self-expanding stent, these products will enhance our ability to treat lesions in PCI and PTA procedures. Leveraging OrbusNeich's extensive sales network in Asia Pacific and Europe, Middle East, and Africa, these products are expected to drive further growth.

In addition to the new products added to our product portfolio through mergers and acquisitions, the Company's R&D team is committed to developing new products. Our Scoreflex TRIO, the three-wire scoring balloon, which has been well received by Japanese physicians, was launched in early 2024 in key direct sales markets across Asia Pacific and EMEA regions, including Hong Kong, Singapore, Malaysia, Germany, Switzerland, and Spain. Additionally, registration applications for Sapphire Ultra and Sapphire NC Ultra coronary balloons with good product cost control and promising product quality, have been submitted to the FDA. Approval is expected in the first quarter of 2024, further enhancing the competitiveness of the Company's products in certain price-sensitive markets.

Despite the temporary impact on the overall volume of PCI procedures in the PRC due to the anti-corruption campaign last year, we maintain the view that this fluctuation was only transitory. In light of the ageing population and rising income levels, the number of PCI procedures in China is expected to see a steady increase, accelerating the growth in demand for PCI procedures and related medical devices.

As of December 31, 2023, the Group had cash and bank balances amounting to approximately US\$255.8 million. To facilitate rapid business growth, we will continue to utilize our abundant financial resources to identify merger and acquisition opportunities that align with the Group's corporate strategies of strengthening our commercialization capabilities and complementing our existing product portfolios or technology platforms. Through these strategic moves, we aim to create value for Shareholders as a whole.

FINANCIAL REVIEW

REVENUE

By business line

	2023	2022	Change	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	%
Coronary interventional medical devices				
Scoring balloons	56,521	50,805	5,716	+11.3
Semi-compliant balloons	30,188	26,540	3,648	+13.7
Non-compliant balloons	28,685	25,585	3,100	+12.1
Stents	11,898	12,667	(769)	-6.1
Peripheral interventional medical devices				
Balloons	14,715	11,410	3,305	+29.0
Other medical accessories	5,925	4,397	1,528	+34.8
Third party products	5,933	5,420	513	+9.5
Total	<u>153,865</u>	<u>136,824</u>	<u>17,041</u>	+12.5

Our revenue increased by US\$17.0 million from US\$136.8 million for the year ended December 31, 2022 to US\$153.9 million for the year ended December 31, 2023, primarily due to (i) a US\$12.5 million increase in revenue generated from our coronary balloon products as result of a) increase in sales volume of our Scoreflex TRIO, a three-wire scoring balloon in the Japan market; b) increase in sales volume of Sapphire NC 24, non-compliant balloon in the EMEA, APAC and US markets; and c) increase in sales volume of our Sapphire 3, semi-compliant balloon in certain direct sales countries in the EMEA market such as Spain, France, Germany and Switzerland; and (ii) a US\$3.3 million increase in revenue generated from our peripheral balloon products as result of the increase in sales volume of our Jade OTW balloon in the US market.

By geographical area

	2023	2022	Change	
	US\$'000	US\$'000	US\$'000	%
Japan	38,005	32,440	5,565	+17.2
EMEA	36,362	32,284	4,078	+12.6
APAC	36,357	31,892	4,465	+14.0
The PRC	21,874	23,585	(1,711)	-7.3
United States	21,267	16,623	4,644	+27.9
Total	153,865	136,824	17,041	+12.5

Our revenue increased by US\$17.0 million from US\$136.8 million for the year ended December 31, 2022 to US\$153.9 million for the year ended December 31, 2023, primarily due to (i) a US\$5.6 million increase in revenue generated from the Japan market, as a result of the increase in sales volume of our Scoreflex TRIO scoring balloon; (ii) a US\$4.6 million increase in revenue generated from the US market, which was mainly contributed by the increase in sales volume of our Jade OTW peripheral balloon as well as the increase in sales volume of our Scoreflex NC coronary balloon as a result of increasing market recognition since their introduction into the US market in 2022; (iii) a US\$4.5 million increase in revenue generated from the APAC market, mainly driven by a) the increase in sales volume of coronary balloon products, particularly Scoreflex NC, Sapphire NC 24, Sapphire II PRO and drug eluting balloons in the Malaysia and India markets; and b) increase in both sales volume and average selling prices of our coronary and peripheral balloon products in the Singapore market; and (iv) a US\$4.1 million increase in revenue generated from the EMEA market, as a result of the increase in sales volume of our coronary balloons in direct sales countries including Spain, Germany, France and Switzerland.

The Group's revenue is exposed to currency risk from various currency exposures (including Japanese Yen, Euro and Renminbi). During the year, the substantial appreciation of US dollar against Japanese Yen and Renminbi reduced our revenue by approximately US\$4.8 million. Despite the strong US dollar impact, the Group's revenue for the year ended December 31, 2023 hit a record high of US\$153.9 million, representing a 12.5% growth as compared to last year. If the foreign exchange impact was excluded, the revenue would grow by 15.4% as compared to 2022.

Cost of sales

For the year ended December 31, 2023, the Group's cost of sales was US\$47.4 million, representing a 6.8% increase compared to US\$44.4 million for the year ended December 31, 2022. Such increase was primarily attributable to the increase in sales volume in all regions including the United States, the PRC, APAC, Japan and EMEA.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit increased by 15.2% from US\$92.5 million for the year ended December 31, 2022 to US\$106.5 million for the year ended December 31, 2023. Such increase was primarily due to the increase in sales volume.

Gross profit margin for the year ended December 31, 2023 and 2022 were 69.2% and 67.6%, respectively. Such increase was primarily due to the increase in sales volume of our scoring balloons in the Japan and US markets and our Sapphire 3, semi-compliant balloon in the Spain market, which have higher average selling prices.

Other income

Other income increased by 132.2% from US\$0.9 million for the year ended December 31, 2022 to US\$2.1 million for the year ended December 31, 2023, primarily due to the increase in government grants that support our R&D projects in the PRC.

Other gains/(losses) — net

We recorded US\$0.6 million of other gains for the year ended December 31, 2023, as compared to US\$2.8 million of other losses for the year ended December 31, 2022, mainly due to (i) we recorded a fair value gain of the Commodity Linked Fixed Rate Note of US\$1.2 million for the year ended December 31, 2023, as compared to a fair value loss of US\$1.2 million for the same period in 2022; and (ii) the decrease in net foreign exchange losses by US\$0.6 million.

Selling and distribution expenses

Selling and distribution expenses increased by 10.4% from US\$32.6 million for the year ended December 31, 2022 to US\$35.9 million for the year ended December 31, 2023, primarily due to (i) the increase in employee benefit expenses as a result of the increase in sales commission along with the increase in revenue and overall salary increment; and (ii) the increase in marketing expenses and travelling and entertainment expenses as a result of the Company's active participation in marketing activities such as medical congresses and trade shows in 2023 as COVID-19 stabilized.

General and administrative expenses

General and administrative expenses decreased by 16.2% from US\$22.6 million for the year ended December 31, 2022 to US\$18.9 million for the year ended December 31, 2023, primarily because listing expenses did not recur in 2023 as the Listing was completed in 2022.

Research and development expenses

Research and development expenses increased slightly by 1.9% from US\$14.1 million for the year ended December 31, 2022 to US\$14.4 million for the same period of 2023, mainly as a result of increase in clinical trials and product registration fees.

Finance income — net

Finance income — net increased from US\$0.9 million for the year ended December 31, 2022 to US\$10.5 million for the year ended December 31, 2023, primarily due to the increase in interest income from fixed deposits from US\$2.4 million for the year ended December 31, 2022 to US\$10.1 million for the same period in 2023 and the decrease in unwinding interest of convertible redeemable preferred shares from US\$1.3 million for the year ended December 31, 2022 to nil for the same period in 2023.

Share of losses of investment in a joint venture

Share of losses of investment in a joint venture amounted to US\$0.2 million and US\$0.8 million in 2022 and 2023, respectively.

Income tax

Income tax expense increased from US\$3.3 million for the year ended December 31, 2022 to US\$4.6 million for the year ended December 31, 2023, primarily due to the increase in profit before tax for the year ended December 31, 2023, as compared to the same period in 2022.

Effective income tax rates for the years ended December 31, 2023 and 2022 were 9.2% and 15.1%, respectively. Decrease in effective income tax rate was primarily due to (i) the utilization of tax losses brought forward from prior years and (ii) increase in bank interest income, which was not taxable.

Profit for the year attributable to owners of the Company

As a result of the foregoing, our profit increased by 143.8% from US\$18.5 million for year ended December 31, 2022 to US\$45.1 million for the year ended December 31, 2023, mainly due to (i) the increase in gross profit as a result of the increase in sales volume; (ii) increase in bank interest income arising from fixed deposits; and (iii) listing expenses did not recur during the year ended December 31, 2023.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, utilization of banking facilities or sell assets to reduce debt.

The Group monitors capital on the basis of the liability to asset ratio. The capital structure of the Group consists of Shareholders' equity and bank borrowing. Capital is managed so as to maximize the return to Shareholders while maintaining a capital base to allow the Group to operate effectively in the market and sustain future development of the business.

LIQUIDITY AND FINANCIAL RESOURCES

In 2022 and 2023, the Group mainly financed its operations with its own working capital and equity funding.

As of December 31, 2023, the Group had US\$255.8 million of cash and bank balances, as compared to US\$229.1 million as of December 31, 2022. Such increase was mainly attributable to the net operating cash inflow of US\$23.0 million generated during the year.

As of December 31, 2023, the Group had a Renminbi denominated fixed rate interest bearing bank borrowing of US\$4.2 million, the maturity profile of which is on demand or within one year.

The Group recorded total current assets of approximately US\$348.0 million as of December 31, 2023 (2022: approximately US\$314.3 million) and total current liabilities of approximately US\$35.6 million as of December 2023 (2022: approximately US\$23.8 million). As of December 31, 2023, total current liabilities of the Group primarily included trade payables, consideration payable in relation to the Group's acquisition of subsidiaries as well as accruals and other payables amounting to approximately US\$25.5 million (2022: approximately US\$20.0 million). As of December 31, 2023, accruals and other payables mainly consisted of accruals for employee benefit expenses of US\$6.1 million, other tax payable of US\$1.8 million, intangible asset payable of US\$1.3 million and accruals for royalty expenses of US\$0.6 million.

Trade receivables in terms of debtor turnover days for the year ended December 31, 2023 was 86 days (2022: 83 days), while trade payable in terms of creditor turnover days for the year ended December 31, 2023 was increased to 34 days (2022: 26 days).

Current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 9.8 times as of December 31, 2023 (2022: approximately 13.2 times). The decrease was mainly attributable to the increase in total current liabilities arising from the consideration payable of US\$5.4 million arising from the Group's acquisition of subsidiaries.

NET CURRENT ASSETS

The Group's net current assets as of December 31, 2023 were US\$312.3 million, representing an increase of 7.5% compared to net current assets of US\$290.5 million as of December 31, 2022.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from various currency exposures, primarily with respect to the Japanese Yen, Euro and Renminbi. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency, US dollar.

Our management manages the foreign exchange risks by performing regular review and monitoring our foreign exchange exposure. Our management has also set up a policy to require the subsidiaries of our Group to manage their foreign exchange risk against their functional currency.

For the year ended December 31, 2023, the Group recorded a net foreign exchange loss of US\$0.4 million, as compared to a net foreign exchange loss of US\$1.0 million for the year ended December 31, 2022.

CAPITAL EXPENDITURE

During the year ended December 31, 2023, the Group's total capital expenditures amounted to approximately US\$9.9 million, which principally consisted of expenditures for the purchases of property, plant and equipment, intangible assets and right-of-use assets.

CHARGE ON ASSETS

As at December 31, 2023, the Group did not have any charge on assets.

TREASURY POLICY

The Directors will continue to follow the Group's prudent treasury policy to manage its financial resources, with the objective of maintaining its highly liquid position to ensure future growth opportunities would be captured when they arise.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Our Group's investment strategy for significant investments is to identify investment opportunities with growth potential that facilitate our expansion of product portfolio, strengthen our R&D capabilities, broaden our hospital coverage and increase our market penetration.

The Group intends to utilize the net proceeds raised from the Global Offering according to the plans set out in the section headed "Use of Proceeds from Listing" in this announcement.

Save as disclosed in the Business Review section of this announcement regarding the Group's planned investment on the new R&D and manufacturing base in Fuyang, Hangzhou, there were no significant investments held with carrying amount accounting for more than 5% of the Group's total assets as at December 31, 2023, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On November 27, 2023, OrbusNeich Medical Company Limited (業聚醫療有限公司) (an indirect wholly-owned subsidiary of the Company) (the "**Purchaser**") and Muhammad Zidni Ilma, Andriatno Martono, Bachder and Ida Bagus Ketut Pramayuliana (collectively, the "**Sellers**"), entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell, an aggregate of 525,000,000 shares of PT Revass Utama Medika, a company incorporated in Indonesia with limited liability, (the "**Target Company**"), representing 84% of the issued share capital of the Target Company. Upon completion, the Target Company will be held as to 84% by the Purchaser. As at the date of this announcement, the Target Company has become an indirect non-wholly owned subsidiary of the Company. For more details, please refer to the Company's announcement dated November 27, 2023.

Save as disclosed above, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2023.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at December 31, 2023.

FINANCIAL INSTRUMENT

The Group did not have any outstanding hedge contracts or financial derivative instruments as at December 31, 2023.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, we employed a total of 1,249 full-time employees. Among them, 732 were based in the PRC, 193 were based in Indonesia, 115 were based in European countries, 113 were based in Japan, 58 were based in Hong Kong, 19 were based in Malaysia, 9 were based in Singapore, 9 were based in the U.S. and 1 was based in South Korea.

The employee benefit expense, including Directors' remuneration, was approximately US\$53.3 million for the year ended December 31, 2023, as compared to approximately US\$50.6 million for the year ended December 31, 2022. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to statutory social insurance fund (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and childbirth insurance) and housing provident fund as applicable in the jurisdictions in which the Group operates.

The Group invests in continuing education and training programs for the management staff and other employees to upgrade their skills and knowledge continuously. It provides its employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. It also assesses the employees based on their performance to determine their salary, promotion and career development.

In addition, the Company has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Share Award Scheme A and the Share Award Scheme B.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend out of Company's share premium account ("**2023 Final Dividend**") of HK10 cents (approximately US1.28 cents) per ordinary Share for the year ended December 31, 2023 (2022: Nil) to the Shareholders whose names appear on the register of members of the Company on June 17, 2024. The final dividend, if approved by the Shareholders at the AGM to be held on June 6, 2024, will be payable on or around June 28, 2024.

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board on December 23, 2022. The net proceeds from the Global Offering (as defined in the Prospectus) which the Company received, after deducting the underwriting commissions, the discretionary incentive fee and expenses in relation to the Global Offering payable by the Company was approximately HK\$366.0 million.

Change in Use of Proceeds from Listing

As of the date of this announcement, the total unutilized net proceeds amounted to approximately HK\$296.2 million (the “**Unutilized Net Proceeds**”). The Board, having considered the reasons set out in “Reasons for the Change in Use of Proceeds” below, has resolved to change the use of the Unutilized Net Proceeds in the following manner (the “**Proposed Change**”). The table below sets forth the actual usage of the net proceeds as of December 31, 2023 and the Proposed Change.

Intended application	Original	Original	Utilized net	Unutilized net	New allocation of the	New	Expected	
	allocation of	percentage of						
	Net Proceeds	total net	proceeds as of	proceeds as of	as of December 31, 2023	of total net	for the use of	
	disclosed in the	proceeds	December 31,	December 31,	as of December 31, 2023	proceeds	unutilized net	
	Prospectus	disclosed in the	2023	2023	(US\$ million)	proceeds	proceeds	
	(HK\$ million)	Prospectus	(HK\$ million)	(HK\$ million)				
For the development and commercialization of our pipeline products								
(i) for the ongoing R&D activities, clinical trial and product registration of drug eluting balloon products;	62.7	17.1%	1.3	61.4	— (note 1)	— (note 1)	— (note 1)	N/A (note 1)
(ii) for the product registration and commercialization of new generation of COMBO dual therapy stent products primarily in the PRC, Japan and European markets;	15.7	4.3%	—	15.7	— (note 1)	— (note 1)	— (note 1)	N/A (note 1)
(iii) for the ongoing R&D activities, clinical trial and product registration of our new coronary and peripheral balloon and catheter-based products;	12.4	3.4%	5.2	7.2	7.2	0.9	2.4%	2027

Intended application	Original	Original	Utilized net	Unutilized net	New allocation of the	New allocation of the	New	Expected
	allocation of	percentage of						
	Net Proceeds	total net	December 31,	December 31,	as of December 31, 2023	as of December 31, 2023	of total net	for the use of
	disclosed in the	proceeds	December 31,	December 31,	Unutilized Net Proceeds	Unutilized Net Proceeds	proceeds	unutilized net
	Prospectus	disclosed in the	2023	2023	as of December 31, 2023	as of December 31, 2023	percentage	proceeds
	(HK\$ million)	Prospectus	(HK\$ million)	(HK\$ million)	(HK\$ million)	(US\$ million)	of total net	proceeds
(iv) for the ongoing R&D activities for new generation of neuro interventional products; and	12.4	3.4%	0.8	11.6	11.6	1.5	3.9%	By the end of 2025
(v) to support the expansion of our R&D team in our Shenzhen facility	6.7	1.8%	1.9	4.8	4.8	0.6	1.6%	By the end of 2027
For the expansion of our production capacities								
(i) to acquire a new land parcel with a land area of approximately 20,000 sq.m;	16.1	4.4%	11.5	4.6	— (note 2)	— (note 2)	— (note 2)	N/A
(ii) to construct and renovate new facilities to be built on the above-mentioned newly acquired land; and	149.3	40.8%	5.9	143.4	225.1 (note 2)	28.9 (note 2)	76.0% (note 2)	By the end of 2026
(iii) to purchase new machinery and equipment for the new manufacturing site.	32.9	9.0%	—	32.9	32.9	4.2	11.2%	By the end of 2027
For potential strategic acquisitions, entering into strategic partnerships, and other business development with an aim to expand our product portfolio, strengthen our R&D capabilities, broaden our hospital coverage and increase our market penetration	39.5	10.8%	39.5	—	—	—	—	—
For working capital and other general corporate purposes	18.3	5.0%	3.7	14.6	14.6	1.9	4.9%	By the end of 2027
Total	366.0	100.0%	69.8	296.2	296.2	38.0	100.0%	

Notes:

- (1) The Unutilized Net Proceeds under the categories “for the ongoing R&D activities, clinical trial and product registration of drug eluting balloon products” and “for the product registration and commercialization of new generation of COMBO dual therapy stent products primarily in the PRC, Japan and European markets” were reallocated to the category “to construct and renovate new facilities to be built on the above-mentioned newly acquired land”.
- (2) The Unutilized Net Proceeds under the category “to acquire a new land parcel with a land area of approximately 20,000 sq.m” were reallocated to the category “to construct and renovate new facilities to be built on the above-mentioned newly acquired land”.

Reasons for the Change in Use of Proceeds

The reasons for the Proposed Change are as follows:

- (a) as disclosed in the Prospectus at the time of Listing, the Group intended to acquire a new land parcel in the Pearl River Delta and Yangtze River Delta areas for expansion of its production capacities. The land premium, being approximately HK\$16.1 million, was estimated with reference to the then prevailing average price of industrial land of certain second-tier cities in the Pearl River Delta and Yangtze River Delta areas. In 2023, the Group completed the acquisition of a new land parcel in Fuchun Bay New Town, Fuyang District, Hangzhou at a consideration of RMB10.5 million (approximately HK\$11.5 million) since a discount on the land purchase price was provided by the government. The Group has therefore saved approximately HK\$4.6 million on the acquisition of the land; and
- (b) as an alternative strategy to the development and commercialization of the Group’s pipeline products, the Group has been actively looking for acquisition targets developing and manufacturing products that are complementary to the Group’s product portfolio. In December 2023, the Group completed the acquisition of eucatech AG, a company principally engaged in the development, manufacture and distribution of minimally invasive cardiovascular and endovascular products in Germany. eucatech AG’s product portfolio includes CE Mark approved coronary drug eluting stent, coronary drug eluting balloon and peripheral drug eluting balloon. As a result, the Group will not spend the HK\$77.1 million on the development and commercialization of new generation of COMBO dual therapy stent products and drug eluting balloon products.

The Group intends to reallocate (i) the savings of HK\$4.6 million on the acquisition of the land; and (ii) the Unutilized Net Proceeds of HK\$77.1 million on the development and commercialization of drug eluting balloon products and new generation of COMBO dual therapy stent products to the construction and renovation costs of the new R&D and manufacturing base in Hangzhou. The new R&D and manufacturing base is expected to be operational in 2027 adding an annual production capacity of 2.4 million units of products upon commencement of production.

The Board considered that the Proposed Change would allow the Group to deploy its financial resources more efficiently. The Board confirms that there is no material change in the business nature of the Group and considers that the Proposed Change will not have any material adverse impact on the existing business and operations of the Group and is in the best interests of the Company and its Shareholders as a whole.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability.

During the Reporting Period, the Company had complied with all the applicable code provisions of the Corporate Governance Code, except as expressly described below.

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. David CHIEN is the Chairman and Chief Executive Officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Mr. David CHIEN is in charge of overall strategic planning and policy execution of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board and the senior management which comprises experienced and diverse individuals. The Board currently comprises three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors, and therefore has a strong independent element in its composition.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Policy regarding Dealing in the Securities of a Listed Company by Directors, Managers and Employees” (the “**Policy**”) which incorporates the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the relevant employees. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Policy (and the Model Code) during the year ended December 31, 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The Audit Committee consists of Mr. Yip Keung CHAN, Mr. Ka Keung LAU *BBS, MH, JP* and Dr. Lai Fan Gloria TAM, with Mr. Yip Keung CHAN serving as the chairman. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by the Board.

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the consolidated annual results for the year ended December 31, 2023) of the Group. The Audit Committee and the independent auditors considered that the consolidated annual results are in compliance with the applicable accounting standards, the Listing Rules and all other application legal requirements. Accordingly, the Audit Committee recommends the Board to approve the audited consolidated financial statements of the Group for the year ended December 31, 2023.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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

During the year ended December 31, 2023, 945,500 shares were acquired by the Trustee of the share award schemes through purchase from the open market according to the instructions of the board of directors, at a total cost of approximately US\$815,000.

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as of date of this announcement.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, there is no other important event affecting the Group since December 31, 2023 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on June 6, 2024. The notice of AGM and all other relevant documents will be published and despatched to the Shareholders in April 2024.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 3, 2024 to Thursday, June 6, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, May 31, 2024 (Hong Kong Time), being the last registration date.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, June 13, 2024 to Monday, June 17, 2024, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, June 12, 2024 (Hong Kong Time), being the last registration date.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://orbusneich.com>). The 2023 annual report of the Company will be dispatched to Shareholders in due course and available on the websites above at the same time.

DEFINITIONS

“AGM”	the annual general meeting of the Company
“APAC”	means the 17 countries/regions out of the 21 members of the Asia-Pacific Economic Cooperation (APEC) excluding the PRC, Japan, Russia and the United States
“Audit Committee”	the audit committee of the Board
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CE Mark”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“Company” or “OrbusNeich”	OrbusNeich Medical Group Holdings Limited, an exempted company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6929)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company or any one of them
“EMEA”	Europe, Middle East and Africa
“EUR”	Euros, the lawful currency of the member states of Eurozone
“FDA”	the Food and Drug Administration of the United States
“GDMPA”	Guangdong Provincial Medical Products Administration (廣東省藥品監督管理局)

“Group”, “our Group”, “our”, “we” or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“Indonesia”	Republic of Indonesia
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“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)
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Mainland China” or “PRC”	the People’s Republic of China excluding, for the purposes of this announcement and geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“MFDS”	Ministry of Food and Drug Safety (formerly known as Korea Food & Drug Administration)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“NMPA”	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)

“ON P&F”	OrbusNeich P+F Company Limited, a company incorporated in the BVI on May 15, 2017, a joint venture indirectly owned as to 50% by the Company
“ONM Group Ltd.”	OrbusNeich Medical Group Limited (業聚醫療集團有限公司), an exempted company incorporated in the Cayman Islands on June 8, 2017, formerly known as OrbusNeich Medical Group Limited (祥豐醫療集團有限公司), an indirect wholly owned subsidiary of the Company
“PCI”	percutaneous coronary intervention, a minimally invasive procedure to open narrowed coronary arteries to restore blood flow to the heart
“PMDA”	the Pharmaceuticals and Medical Devices Agency under Japan Ministry of Health, Labor and Welfare
“Post-IPO Share Option Scheme”	the share option scheme adopted by the Company on December 5, 2022
“Pre-IPO Share Option Scheme”	the share option scheme approved and adopted by ONM Group Ltd. on December 18, 2020 and assigned to the Company on September 21, 2021
“Prospectus”	the prospectus issued by the Company dated December 13, 2022
“PTA”	percutaneous transluminal angioplasty, a minimally invasive procedure to open a blocked vessel in the peripheral vasculature using a balloon catheter to restore blood flow to a limb or an organ
“R&D”	research and development
“Reporting Period”	the one-year period from January 1, 2023 to December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share Award Scheme A”	the share award scheme adopted by the Company on March 8, 2023
“Share Award Scheme B”	the share award scheme adopted by the Company on May 16, 2023

“Share(s)”	ordinary share(s) in the share capital of the Company with the nominal value of US\$0.0005 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“TAVR”	transcatheter aortic valve replacement, a minimally invasive procedure using a catheter-based technique to replace the diseased aortic valve with a new aortic valve
“TMVR”	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery
“TPVR”	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery
“U.S.” or “US”	the United States of America
“US\$”	United States dollar, the lawful currency of the U.S.
“%”	percent

By Order of the Board of
OrbusNeich Medical Group Holdings Limited
Mr. David CHIEN
Chairman, Executive Director and Chief Executive Officer

Hong Kong, March 7, 2024

As of the date of this announcement, the Board comprises Mr. David CHIEN, Ms. Kwai Ching Denise LAU and Mr. Wing Shing CHEN as Executive Directors; Mr. Ching Chung John CHOW, Mr. Ting San Peter Lionel LEUNG and Dr. Yi ZHOU as Non-Executive Directors; and Mr. Yip Keung CHAN, Mr. Ka Keung LAU BBS, MH, JP and Dr. Lai Fan Gloria TAM as Independent Non-executive Directors.