OrbusNeich
業聚醫療

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

Annual Report 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. David CHIEN
Ms. Kwai Ching Denise LAU
Mr. Wing Shing CHEN

Non-executive Directors
Mr. Ching Chung John CHOW
(redesignated on September 7, 2023)
Mr. Ting San Peter Lionel LEUNG
(appointed on May 23, 2023)
Dr. Yi ZHOU

Independent Non-executive Directors
Mr. Yip Keung CHAN
Mr. Ka Keung LAU *BBS, MH, JP*
Dr. Lai Fan Gloria TAM

AUDIT COMMITTEE

Mr. Yip Keung CHAN *(Chairman)*
Mr. Ka Keung LAU *BBS, MH, JP*
Dr. Lai Fan Gloria TAM

REMUNERATION COMMITTEE

Mr. Ka Keung LAU *BBS, MH, JP (Chairman)*
Mr. David CHIEN
Mr. Yip Keung CHAN

NOMINATION COMMITTEE

Mr. David CHIEN *(Chairman)*
Mr. Ka Keung LAU *BBS, MH, JP*
Dr. Lai Fan Gloria TAM

AUTHORIZED REPRESENTATIVES

Ms. Kwai Ching Denise LAU
Mr. Wing Shing CHEN

COMPANY SECRETARY

Mr. Wing Shing CHEN

REGISTERED OFFICE

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Hutchins Drive
PO Box 2681
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KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

Units 303 & 305,
3/F, Building 20E
Hong Kong Science Park
Shatin, N.T.
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 303 & 305,
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Hong Kong Science Park
Shatin, N.T.
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
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KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Wan Chai
Hong Kong

HONG KONG LEGAL ADVISOR

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PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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COMPLIANCE ADVISOR

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Shanghai Commercial Bank Ltd.
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OCBC Wing Hang Bank Ltd.
161 Queen's Road Central
Hong Kong

STOCK CODE

6929

COMPANY WEBSITE

https://orbusneich.com/

CHAIRMAN'S STATEMENT

We strive to offer a variety of endovascular and structural heart intervention products to effectively improve patients' quality of life

Dear Shareholders,

On behalf of the Board of Directors of OrbusNeich Medical Group Holdings Limited (the "**Company**"), I am pleased to present to our shareholders the Annual Report for the year ended December 31, 2023 ("**FY2023**").

In 2023, economies made gradual strides towards recovery from the COVID-19 pandemic, yet global economic headwinds persisted, posing ongoing challenges to the business environment. The tightening of monetary policy by the US and European central banks aimed at curbing inflation led to volatile exchange rates. During 2023, the Group's revenue growth momentum in US dollar terms was adversely affected by the depreciation of the Japanese yen and Renminbi against the US dollar. Nonetheless, I am proud that our employees continued to work relentlessly to overcome the difficulties and achieve better results. In 2023, the Group achieved revenue growth for the third consecutive year, with revenue reaching a record high of US$153.9 million, representing a growth of 12.5%. Excluding exchange rate effects, revenue would have increased by 15.4% year-on-year. Gross profit increased by 15.2% to approximately US$106.5 million and core operating profit was US$34.4 million, up 34.4%, demonstrating strong operational resilience. The Group sold approximately 1.4 million units of products worldwide, an increase of approximately 19.6%. Earnings per share for 2023 was US5.45 cents (2022: US3.17 cents).

Our exceptional financial performance is attributable to the operational excellence of our team. We achieved significant milestones in 2023. One notable achievement was the successful renewal of CE Marking for our existing Sapphire PTCA family, as well as the CE Marking of our new products, including Scoreflex TRIO, our three-wire scoring balloon and EZ Guide, the guiding catheter extension under the new MDR regime. This achievement is a testament to the strong execution capabilities of our research and development, clinical, regulatory, sales and marketing teams and is a great encouragement to the Group.

We take great pride in our extensive global sales network, which spans more than 70 countries and regions. In September 2023, we extended the exclusive US distribution agreement for our products with Cardiovascular Systems, Inc., a subsidiary of Abbott Laboratories ("**Abbott**"). We will leverage Abbott's vast hospital coverage and strong local sales force in the US to increase the penetration of our unique products and further accelerate revenue growth in one of our fastest-growing geographical markets.

In addition, the lifting of anti-pandemic measures allowed our sales and marketing personnel to travel and actively participate in numerous conferences and events. During the year, we also resumed our face-to-face Physician Exchange Program ("**PEP**"), which enables renowned physicians to share their expertise and knowledge of PCI and PTA procedures with their peers in less developed countries. These initiatives have been instrumental in strengthening our brand recognition and awareness.

Our unwavering commitment to improving patients' quality of life through innovative treatment options remains steadfast. Following the overwhelming success of Scoreflex TRIO in Japan, we initiated the clinical trial of Scoreflex TRIO in the PRC in 2023, with the aim of making this cutting-edge device available to a wider group of patients.

The Group has demonstrated robust internal growth momentum and delivered an impressive operational and financial performance over the past year. Nevertheless, it is important to acknowledge the prevailing challenges posed by both the local and global economic landscape. The Hong Kong stock market remained under pressure amidst tight credit conditions, while a banking crisis emerged in the US and Europe. Under these circumstances, we believe that maintaining a strong financial footing is crucial to smoothly navigating through the current economic instability. We have therefore adopted a cautious approach to capital deployment.

However, the Group has continued to pursue longer-term, value accretive transaction initiatives aimed at enhancing our offerings through the addition of complementary products and strengthening our global sales network. During the year, we acquired eucatech AG, a German medical device engineering company with a number of CE-Marked products, including a sirolimus-eluting coronary stent, a peripheral self-expandable stent and paclitaxel-coated PTCA and PTA balloons, enabling us to keep pace with market trends and strengthen our presence.

Another strategic focus of the Group is to further strengthen our sales network. To this end, we are also exploring direct sales opportunities to further penetrate the market through mergers and acquisitions. In November 2023, we acquired an 84% stake in PT Revass Utama Medika, an Indonesian distributor, providing the Group with greater potential to capture the growing healthcare market in the world's fourth most populous country. During the year, we also acquired SJ Medicare Co., Ltd., a distributor in South Korea, with the aim of expanding our presence in the Korean market by offering a more comprehensive product portfolio and improving physician education.

With our continued market expansion and product portfolio enrichment, we believe that demand for our products will continue to grow rapidly, and we are therefore working to expand capacity to meet future demand. In March 2023, the Group entered into a commercial agreement with the Hangzhou Fuchun Bay New Town Management Committee to establish our largest R&D and production base in Fuyang District, Hangzhou, the PRC. Construction of the facility officially commenced in December 2023. This will further enhance both R&D and production capabilities and efficiency to create value for the Group as a whole.

While we remain committed to pursuing our growth objectives and allocating cash towards strategic initiatives, we also recognize the importance of generating returns for our valued shareholders. Having considered future capital requirements, the Board has proposed a final dividend of HK10 cents per share in cash, as a token of appreciation for the continued support of our valued shareholders.

Finally, we would like to express our sincere gratitude to our business partners and employees for their trust and dedication. Their continued partnership and unwavering commitment to the Company have been key to our success. We remain steadfast in creating sustainable value for all our stakeholders. Together, we will make a positive impact on the quality of life of patients worldwide.

FINANCIAL HIGHLIGHTS

	For the year ended December 31, 2023 US$'000	2022 US$'000	Year-on-year change
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 US$'000	2022 US$'000
Non-HKFRS measures:		
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
Adjusted profit for the year(3)	**46,153**	26,666
Adjusted profit margin for the year	**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.

FIVE YEARS' FINANCIAL SUMMARY

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Operating results					
Revenue	**153,865**	136,824	116,462	88,472	96,342
Cost of sales	**(47,367)**	(44,366)	(35,290)	(30,452)	(30,895)
Gross profit	**106,498**	92,458	81,172	58,020	65,447
Profit/(loss) before income tax	**49,628**	21,791	(1,318)	7,255	7,507
Profit/(loss) for the year attributable to owners of the Company	**45,073**	18,491	(4,444)	7,071	6,958
Adjusted profit for the year (non-HKFRS measure)	**46,153**	26,666	21,352	7,071	6,958
Basic earnings/(losses) per share (US cents)	**5.45**	3.17	(0.77)	1.23	1.21
Diluted earnings/(losses) per share (US cents)	**5.41**	2.55	(0.77)	1.23	1.21
Profitability					
Gross profit margin(1)	**69.2%**	67.6%	69.7%	65.6%	67.9%
Net profit margin(2)	**29.3%**	13.5%	N/A	8.0%	7.2%
Adjusted profit margin for the year (non-HKFRS measure)(3)	**30.0%**	19.5%	18.3%	8.0%	7.2%

	As of December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Financial position					
Total non-current assets	**62,181**	36,785	33,172	29,179	21,515
Total current assets	**347,963**	314,275	235,355	74,467	74,177
Total non-current liabilities	**5,102**	4,682	68,965	13,284	103,302
Total current liabilities	**35,624**	23,812	16,450	55,466	144,681
Net current assets/(liabilities)	**312,339**	290,463	218,905	19,001	(70,504)
Total equity/(deficit)	**369,418**	322,566	183,112	34,896	(152,291)

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 the adjusted profit for the year (non-HKFRS measure) by revenue.

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 report, 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 report.

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**	
	US$'000	US$'000	US$'000	%
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	**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$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, a 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 US$'000	2022 US$'000	Change 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 Scoreflex TRIO, a three-wire scoring balloon in the Japan and US markets and our Sapphire 3, a 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 loss of investment in a joint venture

Share of loss 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 annual report.

Save as disclosed in the Business Review section of this annual report 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 annual report.

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 annual report, 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.

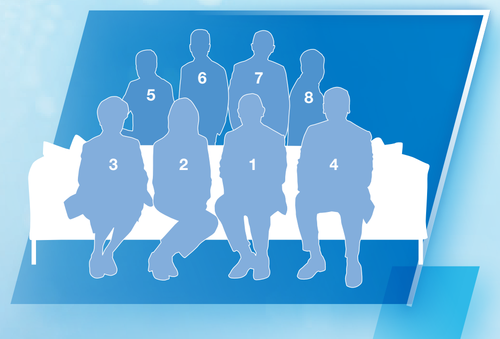
CONTINGENT LIABILITIES

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.

DIRECTORS AND SENIOR MANAGEMENT



1 **Mr. David CHIEN**
Chairman, Chief Executive Officer and Executive Director

2 **Ms. Kwai Ching Denise LAU**
Executive Director and Chief Operating Officer

3 **Dr. Lai Fan Gloria TAM**
Independent Non-executive Director

4 **Mr. Ka Keung LAU,** ***BBS, MH, JP***
Independent Non-executive Director

5 **Mr. Ting San Peter Lionel LEUNG**
Non-executive Director

6 **Mr. Wing Shing CHEN**
Executive Director, Company Secretary and Chief Financial Officer

7 **Mr. Ching Chung John CHOW**
Non-executive Director

8 **Mr. Yip Keung CHAN**
Independent Non-executive Director

DIRECTORS

Executive Directors

David CHIEN (錢永勛), aged 59, is the Chairman and Chief Executive Officer of our Company. Mr. Chien joined the Group in February 2000, has been a Director since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. Mr. Chien has been the Chief Executive Officer of our Group since November 11, 2016 and is primarily responsible for overseeing the overall strategic planning and policy execution of the Group. Mr. Chien is the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. Chien also holds directorship of our subsidiaries.

Mr. Chien has around 30 years of experience in the medical devices industry, and was the director of Cordis-Neich Limited from January 1994 to October 1997. He was a director of Tysan Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0687), from November 1997 to January 2014. Mr. Chien has been the trustee of the Chien Foundation since January 1997 and the governor of KFoundation since July 2019. Mr. Chien was elected as a member of the Board of Trustees of Chung Chi College, the Chinese University of Hong Kong, in 2020.

Mr. Chien studied at York University in Canada.

Mr. Chien is the spouse of Ms. Kwai Ching Denise LAU, an Executive Director and Chief Operating Officer of our Group.

Kwai Ching Denise LAU (劉桂禎), aged 49, has been a Director since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. She has been the Chief Operating Officer of the Group since September 14, 2020, and is primarily responsible for leading, overseeing and supervising the operation of the Group. Ms. Lau also holds directorship of our subsidiaries.

Ms. Lau has more than 24 years of legal, business operation and management experience. Ms. Lau was trained and admitted as a solicitor in Hong Kong in 1999, and was subsequently admitted to practice law in England and Wales and the state of New York in 2000 and 2001, respectively. She worked as an attorney in Paul, Weiss, Rifkind, Wharton & Garrison from 2000 to 2006 and joined Morgan Stanley in February 2006, and left as managing director in April 2015. She joined the Group as the general counsel on April 3, 2018, and has been a senior vice president since April 3, 2018.

Ms. Lau obtained her Bachelor of Laws degree from The University of Hong Kong in 1996 and obtained her Postgraduate Certificate in Laws from the same university in 1997. Ms. Lau also obtained her master's degree in international economic law from the University of Warwick in the United Kingdom in January 2001.

Ms. Lau is the spouse of Mr. David CHIEN, the Chairman, Executive Director and Chief Executive Officer of our Group.

Wing Shing CHEN (陳泳成), aged 42, has been the Director of our Company since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. Mr. Chen has been the Company Secretary of our Company since September 29, 2021, and the Chief Financial Officer of our Group since January 8, 2018. Mr. Chen also holds directorship of our subsidiaries.

Mr. Chen has around 20 years of experience in auditing, accounting and corporate finance. He joined PricewaterhouseCoopers in December 2003 in the assurance practice and left as senior manager in February 2017. Before joining our Group, Mr. Chen worked in corporate finance in property development and investment sector in the PRC. Mr. Chen joined our Group in April 2017 as the financial controller, and was later promoted as the Chief Financial Officer of our Group in January 2018.

Mr. Chen obtained his Bachelor's degree in business administration, concentrating in financial engineering from The Chinese University of Hong Kong with first class honors in December 2003. He is a certified public accountant in Hong Kong, the State of Washington and the State of Delaware of the United States. He is also a charter holder of the Chartered Financial Analyst Institute.

Non-executive Directors

Ching Chung John CHOW (周靜忠), aged 65, has been a Director of our Company since July 22, 2021 and an Executive Director since September 29, 2021, and was redesignated as a Non-executive Director on September 7, 2023.

Mr. Chow has around 39 years of experience in interventional cardiology. He worked in Cordis-Neich Limited in May 1984 and was promoted as the general manager in January 1991. Prior to joining our Group, he was appointed as the Asia Pacific regional marketing director of the Cordis franchise in Johnson & Johnson in June 1999. After his employment at Johnson & Johnson, Mr. Chow joined the Group in August 2000 and served as the head of sales and marketing for the Asia Pacific region from 2010 to 2015. Mr. Chow was appointed as the director of business development of the Group on May 17, 2006 and served as the head of business development from September 2021 to September 2023.

Mr. Chow obtained his Bachelor of Arts degree from York University in Canada in June 1980.

Ting San Peter Lionel LEUNG (梁鼎新), aged 63, was appointed as a Non-executive Director of our Company on May 23, 2023. Mr. Leung has over 36 years of experience in developing and managing projects on the Mainland China and overseas. He started his career as an assistant architect in 1985 and became a project manager in 1991. Since then, he assumed various management positions in Hong Kong listed property developers. He joined Hang Lung Properties Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00101), in January 2014 and has become their Director-Project Management since 2017.

Mr. Leung obtained a Postgraduate Diploma in Construction Project Management from The University of Hong Kong in July 1995, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada in June 1984 and June 1985, respectively. He is also a Registered Architect in Hong Kong, a member of the Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification. Mr. Leung is an executive committee member of the China Real Estate Chamber of Commerce Hong Kong and International Chapter since October 2020.

Yi ZHOU (周伊), aged 43, has been a Director of our Company since September 28, 2021. Dr. Zhou was redesignated as a Non-executive Director on September 29, 2021. Dr. Zhou is primarily responsible for providing advice on the business development of the Group. Dr. Zhou has been a director of ONM Group Ltd. from July 2021 to September 28, 2021. Dr. Zhou has around 16 years of research and working experience in the chemistry, pharmaceutical and biotechnology industries. He was an analyst in pharmaceutical industry at Shenzhen Capital Group Co., Ltd. from May 2012 to September 2017. Since October 2017, Dr. Zhou has served as the head of department of the health industry fund in Shenzhen Capital Group Co., Ltd. Dr. Zhou has been a non-executive director of Akeso, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 9926), since November 2019, and was a director of Shenzhen YHLO Biotech Co., Ltd. (深圳市亞輝龍生物科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688575), from December 2016 to December 2022.

Dr. Zhou obtained his Bachelor's degree in chemistry from Hengyang Normal University in Hunan, the PRC in June 2003, his master's degree in organic chemistry from Hunan Normal University in Hunan, the PRC in July 2007, and his Ph.D. degree in medicinal chemistry from Peking University in the PRC in June 2011.

Independent Non-executive Directors

Yip Keung CHAN (陳業強), aged 40, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board. Mr. Chan is the chairman of the audit committee of the Company and a member of the remuneration committee of the Company.

Mr. Chan has more than 18 years of experience in financial reporting, auditing, corporate finance, capital management and corporate governance. He started working in PricewaterhouseCoopers in September 2005 and was promoted as manager in October 2010. Mr. Chan was the finance manager of Mapletree Hong Kong Management Limited under Temasek of Singapore from November 2011 to April 2015, specialized in real estate investment trusts sector. He was the chief financial officer of the Pine Care Group Limited (a company previously listed on the Stock Exchange with stock code 1989 and was delisted in February 2024) from April 2015 to October 2020 and is currently the chief executive officer and executive director of the aforementioned group. He was appointed by Chinachem Group as the Director of Elderly Care Services in November 2022.

Mr. Chan obtained his Bachelor of Business Administration degree from the Chinese University of Hong Kong in 2005 and masters' degree in corporate governance from Hong Kong Polytechnic University in 2017. He is a certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountant, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.

Ka Keung LAU (樓家強), *BBS, MH, JP*, aged 48, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board. Mr. Lau is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company.

Mr. Lau has around 26 years of experience in business management. Mr. Lau held several positions in the Nameson Group from August 1999 to March 2013, including information technology manager, vice president, and executive director. From August 2015 to April 2018, Mr. Lau served as a non-executive director in Nameson Holdings Limited (南旋控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1982). Mr. Lau has served as an executive director and chief executive officer of Million Cities Holdings Limited (萬城控股有限公司) ("**Million Cities**"), a company listed on the Main Board of the Stock Exchange (stock code: 2892) since 2016, and has assumed various directorships in subsidiaries of Million Cities. Mr. Lau has been appointed as an independent non-executive director of Tianjin Development Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 882), since March 30, 2023.

Mr. Lau received his Bachelor's degree from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008. Mr. Lau has served as deputy to the 14th National People's Congress (第十四屆全國人民代表大會), national committee member of the 13th Chinese People Political Consultative Conference in the PRC (中國人民政治協商會議第十三屆全國委員會), executive committee member of the 14th Tianjin Committee of Chinese People' Political Consultative Conference (中國人民政治協商會議天津市第十四屆常務委員會) and Vice Chairman of Tianjin Federation of Industry and Commerce (天津市工商業聯合會). Mr. Lau is also the chairman of the 28th Hong Kong United Youth Association (香港青年聯會).

Lai Fan Gloria TAM (譚麗芬), aged 66, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board. Dr. Tam is a member of the audit committee and nomination committee of the Company.

Dr. Tam has around 40 years of experience in the healthcare industry. She started working as a Medical and Health Officer in the Medical and Health Department, Hong Kong Government in January 1984 and became Deputy Director of Health in July 2007. She was also the Controller of Centre for Food Safety in Hong Kong from June 2012 to June 2017. She is the founder of 3 Srs Company (仨仁一人有限公司), a public health consultancy cum investment firm, since June 2020. Dr. Tam served as an independent non-executive director of Zhaoke Ophthalmology Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6622), from April 2021 to April 2022. Dr. Tam has been an independent non-executive director of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279), since October 2021.

Dr. Tam obtained her Bachelor of Medicine and Bachelor of Surgery degrees from The University of Hong Kong in 1983 and Master of Medicine (Public Health) from the National University of Singapore in May 1993. She was elected as a Fellow of the Faculty of Public Health of the Royal College of Physicians, United Kingdom in February 2007.

SENIOR MANAGEMENT

For the biographies of Mr. David CHIEN (錢永勛), Ms. Kwai Ching Denise LAU (劉桂禎) and Mr. Wing Shing CHEN (陳泳成), please refer to the section headed “Directors and Senior Management — Directors” in this annual report.

Alain Djamel KHAIR, aged 53, has been the chief commercial officer of our Group since January 1, 2020. He is responsible for overseeing global commercial activities, steering the directions of market penetration of the Group’s products, and managing the development and the implementation of all commercial strategies of the Group’s product portfolio. He also directs and oversees our Group’s growth matrix, distribution channels and the deployment of the company sales and marketing resources. Mr. Khair also holds directorship of our subsidiaries.

Mr. Khair has around 21 years of sales and marketing experience in the medical device industry. He held several management roles including products advisor, territory sales manager, clinical specialist for Eastern Europe and Middle East at Abbott Laboratories Limited from 2003 to 2008. He joined the Group as regional product manager in January 2008 and was the vice president in sales of EMEA from May 1, 2017 to December 31, 2019.

Mr. Khair received his registered nurse qualification from the Nursing & Midwifery Council in the United Kingdom in May 2002 and obtained his Master of Business Administration degree in marketing from University of Leicester in the United Kingdom in 2013.

Robert John COTTONE JR, aged 61, has been the chief technical officer of our Group since May 13, 2019. He is responsible for overseeing the overall design, technology and product research and development and the global intellectual property strategies and protection of the Group.

Mr. Cottone has more than 34 years of experience in the medical device field. Before joining our group, Mr. Cottone worked at the Cordis Corporation from 1989 to 1996. In 1997, Mr. Cottone co-founded Orbus Medical Technologies Inc., which was a longstanding partner of our Group and was subsequently acquired by ONM BVI (under its former name, Neich Medical Limited) in 2005, and continued to work in our Group since our acquisition of Orbus Medical Technologies Inc.

Mr. Cottone obtained his Bachelor of Science degree from Florida International University in the United States in 1988.

DIRECTORS' REPORT

The Directors are pleased to present this report to the Shareholders together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in Note 16 to the consolidated financial statements. There is no significant change in the nature of Group's activities during the year ended December 31, 2023.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended December 31, 2023 and the financial position of the Group as of December 31, 2023 are set out in the consolidated financial statements on pages 62 to 148 of this annual report.

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out in the section headed "Five Years' Financial Summary" of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year ended December 31, 2023, which includes a discussion and analysis of the Group's performance using financial and operational key performance indicators and future business development are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Highlights" of this annual report. The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements.

DIRECTORS

Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors
Mr. David CHIEN
Ms. Kwai Ching Denise LAU
Mr. Wing Shing CHEN

Non-executive Directors
Mr. Ching Chung John CHOW *(redesignated on September 7, 2023)*
Mr. Ting San Peter Lionel LEUNG *(appointed on May 23, 2023)*
Dr. Yi ZHOU

Independent Non-executive Directors
Mr. Yip Keung CHAN
Mr. Ka Keung LAU *BBS, MH, JP*
Dr. Lai Fan Gloria TAM

In accordance with Article 83(3) of the articles of association of the Company (the "**Articles of Association**"), any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall be eligible for re-election.

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Ching Chung John CHOW, Mr. Yip Keung CHAN, Mr. Ka Keung LAU *BBS, MH, JP* and Dr. Lai Fan Gloria TAM shall retire from office by rotation as Directors at the AGM and, being eligible, will offer themselves for re-election as Directors at the AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the Executive Directors has entered into a service contract with our Company and the Group has issued letters of appointment to each of the Non-executive Directors and the Independent Non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term from 1 year (for Dr. Yi ZHOU, as a Non-executive Director) to 3 years (for the remaining Non-executive Directors and Independent Non-executive Directors); and (ii) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

Changes in information in relation to the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2023 interim report of the Company are set out below:

- Mr. Ching Chung John CHOW has been redesignated as a non-executive Director of the Company with effect from September 7, 2023.

- Pine Care Group Limited (a company previously listed on the Stock Exchange with stock code 1989), a company wherein Mr. Yip Keung CHAN is the chief executive officer and executive director, was delisted in February 2024.

Save as otherwise disclosed, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Period and up to the date of this annual report.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 9 to the consolidated financial statements.

EMOLUMENT POLICY

The Remuneration Committee is responsible for (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time, having regard to the Group's operating results, individual performance and comparable market practices; and (iv) reviewing and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2023.

The Company has adopted Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, the Share Award Scheme A and the Share Award Scheme B as an incentive for Directors and eligible employees. Details of the schemes are set out in the section headed "Share Incentive Schemes" in this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended December 31, 2023, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2023 or as of December 31, 2023.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in "Related Party Transactions" in Note 36 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2023 or subsisted as of December 31, 2023. No contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2023 or subsisted as of December 31, 2023.

CONNECTED TRANSACTIONS

Details of the related party transactions for the year ended December 31, 2023 are set out in Note 36 to the consolidated financial statements. None of the related party transactions constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

During the Reporting Period, the Group did not enter into any transactions which need to be disclosed as connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks

The Group's principal business activities are exposed to a variety of financial risks including but not limited to credit risk, liquidity and interest rate risk, and foreign currency risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 3 "Financial Risk Management" to the consolidated financial statements in this annual report.

Market Risks

The Group is also exposed to market risks relating to commercialization and distribution of our products. Our business depends on the distributors for the sale and distribution of our products to a certain extent, market acceptance, and the long-term relationships with our customers, and failure of which could have an adverse impact on our business prospects. Reduced pricing power and gross profit margin erosion could materially and adversely affect our business, financial condition and results of operation if we are unable to successfully launch newer, more profitable products. In addition, as our sales depend to a certain extent on the availability of governmental and private health insurance in the countries where we have operations, in the absence of sufficient medical insurance coverage for use of our products, patients may choose alternative treatment methods, and hospitals may recommend such alternative treatments, or we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, the Group is therefore exposed to the uncertainty of market share reduction due to the reasons above.

Legal Risks

From time to time, the Company may be subject to various pending or potential legal actions and proceedings, including those that arise in the ordinary course of our business, some of which may involve claims for damages that are substantial in amount. These actions and proceedings may relate to, among other things, product liability, intellectual property, distributor, commercial, and other matters. These actions and proceedings could also result in losses, including damages, fines, or penalties, any of which could be substantial, as well as criminal charges. Although such matters are inherently unpredictable, and negative outcomes or verdicts can occur, we believe that we will have significant defenses in all of them, and do not believe any of them will have a material adverse effect on our financial position. However, we could incur judgments, pay settlements, or revise our expectations regarding the outcome of any matter. Such developments, if any, could have a material adverse effect on our results of operations in the period in which applicable amounts are accrued, or on our cash flows in the period in which amounts are paid.

Sanctions Risks

The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. The Group could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities. Details of the Group's efforts on monitoring its business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the U.S., the European Union, Australia and the United Nations, and its business intention relating to customers from any such country are set out in the section headed "Internal Control and Internal Audit" in the Corporate Governance Report of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, we employed a total of 1,249 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. Please refer to the section headed "Share Incentive Schemes" in this annual report for further details.

RETIREMENT AND EMPLOYEE BENEFIT SCHEMES

Details of the retirement and employee benefit schemes of the Company are set out in Note 29 to consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, sales to the Group's five largest customers, in aggregate, represented approximately 22.2% (2022: 21.3%) of the Group's total revenue, whereas sales to the single largest customers amounted to approximately 13.2% (2022: 12.1%) of the Group's total revenue.

For the year ended December 31, 2023, purchases from the Group's five largest suppliers accounted for approximately 46.7% (2022: 48.1%) of the Group's total purchases, whereas purchases from the single largest supplier amounted to approximately 18.0% (2022: 19.3%) of the Group's total purchases.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes that employees, customers and suppliers are key to the Group's success. The Group actively maintains a good relationship with employees, customers and suppliers. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

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

As of December 31, 2023, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules were as follows:

Interests in Shares or Underlying Shares of the Company

Name of Director/ Chief Executive	Capacity	No. of Shares[1]	Number of Underlying Shares	Aggregate Interest[1]	Approximate Percentage of Shareholding Interest[5]
Mr. David CHIEN	Interest of controlled corporation	521,523,844 (L)[2]	—	521,523,844 (L)	62.99%
Ms. Kwai Ching Denise LAU	Interest of controlled corporation	521,523,844 (L)[2]	—	521,523,844 (L)	62.99%
Mr. Wing Shing CHEN	Beneficial owner	—	400,000 (L)[3]	400,000 (L)	0.048%
Mr. Ching Chung John CHOW	Beneficial owner	307,143 (L)	200,000 (L)[4]	507,143 (L)	0.06%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. David CHIEN and Ms. Kwai Ching Denise LAU holds 55% and 45% of shareholdings of HART, respectively. As such, under the SFO, each of Mr. David CHIEN and Ms. Kwai Ching Denise LAU is deemed to be interested in 521,523,844 Shares held by HART.

(3) Mr. Wing Shing CHEN is interested in 400,000 underlying Shares of the Company by virtue of the Pre-IPO Share Option Scheme of the Company. For further details, please refer to the section headed "Share Incentive Schemes" below.

(4) Mr. Ching Chung John CHOW is interested in 200,000 underlying Shares of the Company by virtue of the Pre-IPO Share Option Scheme of the Company. For further details, please refer to the section headed "Share Incentive Schemes" below.

(5) The calculations were based on the number of Shares which each Party is interested in (whether directly or indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares (i.e. 827,968,337 Shares) as at December 31, 2023.

Save as disclosed above, as of December 31, 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of December 31, 2023, so far as is known to the Directors, the following persons had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares or Underlying Shares of the Company

Name of Substantial Shareholder	Capacity	No. of Shares[1]	Approximate Percentage of Shareholding Interest[4]
HART	Beneficial owner	521,523,844 (L)[2]	62.99%
Mr. David CHIEN	Interest of controlled corporation	521,523,844 (L)[2]	62.99%
Ms. Kwai Ching Denise LAU	Interest of controlled corporation	521,523,844 (L)[2]	62.99%
Suzhou Red Earth Yeju Investment Ltd. ("**SZYJ**")	Beneficial owner	69,961,095 (L)[3]	8.45%
Suzhou Laterite Industry Poly Venture Capital Partnership (Limited Partnership)* (蘇州紅土業聚創業投資合夥企業(有限合夥)) ("**Suzhou VC**")	Interest of controlled corporation	69,961,095 (L)[3]	8.45%
Shenzhen Venture Capital Manufacturing Transformation and Upgrading Advance Materials Fund (Limited Partnership)* (深創投製造業轉型升級新材料基金(有限合夥)) ("**Shenzhen VC**")	Interest of controlled corporation	69,961,095 (L)[3]	8.45%
Shenzhen Venture Capital Laterite Private Equity Investment Fund Management (Shenzhen) Co., Ltd.* (深創投紅土私募股權投資基金管理(深圳)有限公司) ("**Shenzhen VC Fund Management**")	Interest of controlled corporation	69,961,095 (L)[3]	8.45%
Shenzhen Capital Group Co., Ltd. ("**SCGC**")	Interest of controlled corporation	96,440,655 (L)[3]	11.65%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. David CHIEN and Ms. Kwai Ching Denise LAU holds 55% and 45% of shareholdings of HART, respectively. As such, under the SFO, each of Mr. David CHIEN and Ms. Kwai Ching Denise LAU is deemed to be interested in 521,523,844 Shares held by HART.

(3) SCGC Capital Holding Company Limited ("**SCGC Capital**"), SZYJ and HTYL Investment Holdings Limited ("**HTYL**") hold 12,477,138, 69,961,095 and 14,002,422 Shares, respectively. SZYJ is wholly owned by Suzhou VC, which Shenzhen VC is the limited partner holding 99.9981% of the partnership interest and Shenzhen VC Fund Management is the general partner holding 0.0019% of the partnership interest. Shenzhen VC Fund Management is wholly owned by SCGC. Each of SCGC Capital and HTYL is controlled by SCGC. As such, under the SFO, SCGC is deemed to be interested in the Shares collectively held by SZYJ, SCGC Capital, and HTYL.

(4) The calculations were based on the number of Shares which each Party is interested in (whether directly or indirectly interested or deemed to be interested) as a percentage of the total number of issued Shares (i.e. 827,968,337 Shares) as at December 31, 2023.

Save as disclosed above, as of December 31, 2023, the Directors of the Company were not aware of any persons who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACT

During the Reporting Period, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association, the Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has maintained directors' liability insurance after Listing which provides appropriate cover for the Directors of the Company.

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 annual report, 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 allocation of Net Proceeds disclosed in the Prospectus (HK$ million)	Original percentage of total net proceeds disclosed in the Prospectus	Utilized net proceeds as of December 31, 2023 (HK$ million)	Unutilized net proceeds as of December 31, 2023 (HK$ million)	New allocation of the Unutilized Net Proceeds as of December 31, 2023 (HK$ million)	New allocation of the Unutilized Net Proceeds as of December 31, 2023 (US$ million)	New percentage of total net proceeds	Expected timetable for the use of unutilized net proceeds
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
(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.

Save as disclosed above, the Company will use the remaining proceeds for the purposes disclosed in the Prospectus. The expected timetable for utilizing the remaining proceeds is based on the best estimates of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved and adopted by ONM Group Ltd. on December 18, 2020 and was assigned to the Company on September 21, 2021. The purpose of the Pre-IPO Share Option Scheme is to enable our Group to grant options or awards to qualified persons (as determined by the sole opinion of our Board) including any director, employee, advisor and consultant of our Company or any of our associated companies as incentives, attraction, motivation or rewards by reason of their contribution or potential contribution to our Company and/or any of our associated companies. For more details of the Pre-IPO Share Option Scheme, please refer to "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

The maximum number of Shares in respect of which options or awards may be granted under the Pre-IPO Share Option Scheme shall be 40,000,000 Shares, being approximately 4.83% of the total number of Shares in issue as of the date of this annual report. There is no maximum entitlement of each participant. Pursuant to the Pre-IPO Share Option Scheme, there is no amount payable on acceptance of the option and the date of acceptance is subject to the offer document. No option or award under the Pre-IPO Share Option Scheme will be granted after the Listing Date, although provisions of the Pre-IPO Share Option Scheme will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted pursuant to the Pre-IPO Share Option Scheme on or prior to the Listing Date or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

Save as disclosed in the table below, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

2. Post-IPO Share Option Scheme

We have adopted the Post-IPO Share Option Scheme on December 5, 2022. The principal terms of the Post-IPO Share Option Scheme are set out as follows.

The total number of options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the Reporting Period was 82,776,993 Shares and 76,604,993 Shares, respectively.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group to take up options to subscribe for Shares.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) ***Maximum number of Shares***

The maximum number of Shares which may be issued in respect of all options to be granted under the Post-IPO Share Option Scheme and any other scheme of our Group shall not exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit representing 82,776,993 Shares, being approximately 10% of the total number of Shares in issue as of the date of this annual report.

(d) ***Maximum entitlement of each participant***

Where any grant of options to a participant would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in any 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital, such grant shall be subject to the relevant requirements pursuant to the Listing Rules.

(e) ***Time of acceptance and exercise of option***

An option may be accepted by a participant within 5 Business Days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme.

Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(f) ***Performance targets and vesting period***

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised. The vesting period for options shall not be less than 12 months.

(g) ***Subscription price for Shares and consideration for the option***

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

(h) Period and remaining life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted. The remaining life of the Post-IPO Share Option Scheme shall be approximately 8 years and 8 months.

3. Share Award Scheme A

We have adopted the Share Award Scheme A on March 8, 2023. The principal terms of the Share Award Scheme A are set out as follows. The awarded shares will be satisfied by existing Shares to be purchased by trustee on the market as instructed from the Board from time to time. No awards have been granted or agreed to be granted under the Share Award Scheme A since the adoption date and until the end of the Reporting Period.

(a) Purpose

The purpose of the Share Award Scheme A is to recognize the contributions by eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(b) Who may join

Eligible participants include: (i) any employee(s) of any member of our Group; (ii) any director(s) and employee(s) of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any person(s) who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its associated companies (the "**Service Providers**"), but exclude persons who are core connected persons of the Company as defined in the Listing Rules.

For the avoidance of doubt, Service Providers may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

(c) Maximum number of Shares

The maximum number of Shares which may be awarded by the Board under the Share Award Scheme A and any other scheme shall not exceed 10% of the issued share capital of the Company on the day on which the Share Award Scheme A was adopted (i.e. March 8, 2023), such 10% limit representing 82,776,993 Shares, being approximately 10% of the total number of Shares in issue as of the date of this annual report.

(d) Maximum entitlement of each participant

The maximum number of Shares which may be awarded (excluding any award lapsed in accordance with the terms of the Share Award Scheme A) to a participant under the Share Award Scheme A shall not exceed 1% of the issued share capital.

(e) Administration and operation of the Share Award Scheme A

The Share Award Scheme A shall be subject to the administration of the Board and the trustee in accordance with the rules of the Share Award Scheme A and the trust deed between the Company and the trustee in relation to the Share Award Scheme A.

Upon the establishment of a trust in accordance with the trust deed, the Board may from time to time cause to be paid money to the trust for the purchase of Shares and the Board may from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange.

(f) ***Time of acceptance***
An award may be accepted by a selected participant within 5 Business Days from the date of the offer of grant of the award.

(g) ***Consideration for the award***
A consideration, if any, as determined at the sole and absolute discretion of the Board, is payable upon acceptance of the award.

(h) ***Vesting***
The Board is entitled to impose any conditions (including but not limited to limitation and such performance target as the Board may determine from time to time), as it deems appropriate in its sole and absolute discretion with respect to the vesting of the award to the participant, and shall inform the trustee and such participant the relevant conditions of the award. Notwithstanding any other provisions of the Share Award Scheme A, subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions.

(i) ***Voting rights***
A selected participant shall have no voting rights in the awarded Shares under an award prior to the vesting date. The trustee shall abstain from exercising the voting rights in respect of any Shares held directly or indirectly by it under the trust (if any).

(j) ***Period and remaining life of the Share Award Scheme A***
The Share Award Scheme A will remain in force for a period of 10 years commencing on the date on which the Share Award Scheme A is adopted. The remaining life of the Share Award Scheme A shall be approximately 9 years.

4. Share Award Scheme B

We have adopted the Share Award Scheme B on May 16, 2023. The principal terms of the Share Award Scheme B are set out as follows. The awarded shares will be satisfied by existing Shares to be purchased by trustee on the market as instructed from the Board from time to time. No awards have been granted or agreed to be granted under the Share Award Scheme B since the adoption date and until the end of the Reporting Period.

(a) ***Purpose***
The purpose of the Share Award Scheme B is to recognize the contributions by eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(b) ***Who may join***
Eligible participants include: (i) any employee(s) of any member of our Group; (ii) any director(s) and employee(s) of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any Service Providers, who are core connected persons of the Company as defined in the Listing Rules.

For the avoidance of doubt, Service Providers may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

(c) ***Maximum number of Shares***

The maximum number of Shares which may be awarded by the Board under the Share Award Scheme B and any other scheme shall not exceed 10% of the issued share capital of the Company on the day on which the Share Award Scheme B was adopted (i.e. May 16, 2023), such 10% limit representing 82,776,993 Shares, being approximately 10% of the total number of Shares in issue as of the date of this annual report.

(d) ***Maximum entitlement of each participant***

The maximum number of Shares which may be awarded (excluding any award lapsed in accordance with the terms of the Share Award Scheme B) to a participant under the Share Award Scheme B shall not exceed 1% of the issued share capital.

(e) ***Administration and operation of the Share Award Scheme B***

The Share Award Scheme B shall be subject to the administration of the Board and the trustee in accordance with the rules of the Share Award Scheme B and the trust deed between the Company and the trustee in relation to the Share Award Scheme B.

Upon the establishment of a trust in accordance with the trust deed, the Board may from time to time cause to be paid money to the trust for the purchase of Shares and the Board may from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange.

(f) ***Time of acceptance***

An award may be accepted by a selected participant within 5 Business Days from the date of the offer of grant of the award.

(g) ***Consideration for the award***

A consideration, if any, as determined at the sole and absolute discretion of the Board, is payable upon acceptance of the award.

(h) ***Vesting***

The Board is entitled to impose any conditions (including but not limited to limitation and such performance target as the Board may determine from time to time), as it deems appropriate in its sole and absolute discretion with respect to the vesting of the award to the participant, and shall inform the trustee and such participant the relevant conditions of the award. Notwithstanding any other provisions of the Share Award Scheme B, subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions.

(i) ***Voting rights***

A selected participant shall have no voting rights in the awarded Shares under an award prior to the vesting date. The trustee shall abstain from exercising the voting rights in respect of any Shares held directly or indirectly by it under the trust (if any).

(j) ***Period and remaining life of the Share Award Scheme B***

The Share Award Scheme B will remain in force for a period of 10 years commencing on the date on which the Share Award Scheme B is adopted. The remaining life of the Share Award Scheme B shall be approximately 9 years.

The table below shows details of the movements in the number of share options granted under the Share Incentive Schemes during the Reporting Period. Please also refer to the Note 27 to the consolidated financial statements for the fair value of options at the date of grant and the accounting standard and policy adopted.

Name or category of grantees		Outstanding as of January 1, 2023	Date of grant	Granted	Exercised	Cancelled	Lapsed	Outstanding as of December 31, 2023
Pre-IPO Share Option Scheme								
Directors								
Wing Shing CHEN	Note 1	400,000	January 1, 2021	–	–	–	–	400,000
Ching Chung John CHOW	Note 1	200,000	January 1, 2021	–	–	–	–	200,000
Sub-total		**600,000**		**–**	**–**	**–**	**–**	**600,000**
Employees in aggregate								
14 employees	Note 1	2,880,000	January 1, 2021	–	–	–	–	2,880,000
79 employees and 4 former employees	Note 2	5,718,000	January 1, 2021	–	(170,000)	–	(180,000)	5,368,000
11 employees	Note 3	76,900	January 1, 2021	–	(28,400)	–	–	48,500
Sub-total		**8,674,900**		**–**	**(198,400)**[5]	**–**	**(180,000)**	**8,296,500**
Total		**9,274,900**		**–**	**(198,400)**	**–**	**(180,000)**	**8,896,500**
Post-IPO Share Option Scheme								
90 employees	Note 4	–	July 10, 2023	6,172,000	–	–	(220,000)	5,952,000
Share Awards								
No share awards had been granted under the Share Award Scheme A and the Share Award Scheme B since the adoption date and until the end of the Reporting Period.								

Notes:

(1) With vesting commencement date on January 1, 2022 and a 48-month vesting period. Options are exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter, at an exercise price of HK$5.85.

(2) With vesting commencement date on January 1, 2022 and a 48-month vesting period. Options are exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter, at an exercise price of HK$7.8.

(3) Options with exercise price of HK$3.9 with no vesting period. Options are exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter.

(4) Options with exercise price of HK$9.0 with a vesting period in four tranches: 25% of which shall be vested on the first, second, third and fourth anniversary of the date of grant, respectively. The exercise period shall be 10 years from the date of grant and the options granted shall lapse at the expiry of 10 years from the date of grant. There is no performance target attached to the options granted. The closing price of the Shares on the business day immediately before the date of grant was HK$8.7 per Share.

(5) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$8.33.

(6) The number of Shares that may be issued in respect of options granted under all share option schemes during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the year was 1.79%.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Notes 28 and 39, respectively, to the consolidated financial statements in this annual report.

Details of the Company's reserves available for distribution to the Shareholders as of December 31, 2023 are set out in Note 39 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in Note 14 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2023, the Group had bank loans of approximately US$4.2 million.

GEARING RATIO

Gearing ratio is calculated as total debt divided by total equity. Gearing ratio of the Group was approximately 0.01 times as of December 31, 2023. As of December 31, 2022, the Group has a net cash position, as there were no outstanding bank loans and other borrowings.

DIVIDEND POLICY

The Company adopted the dividend policy in relation to the declaration, payment or distribution of its profits as dividends to the Shareholders with effect from March 8, 2023. The payment of dividend is subject to compliance with applicable laws and regulations including the laws of Hong Kong and the Articles of Association. In addition, the declaration and payment of dividends may be limited by legal restrictions or financial instruments that the Group may enter into in the future.

The dividend policy sets out the factors in consideration, limitations, declaration and intervals of the payment of dividends. In recommending or declaring dividends, the Company shall take into account the following factors: (i) the Group's actual and expected financial performance; (ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans; (iii) profits available for distribution, retained earnings and distributable reserves of the Company and each of the members of the Group; (iv) the Group's liquidity position; (v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and (vi) any other factors that the Board deems appropriate and relevant. The declaration, payment and amount of final dividends shall be subject to the Board's discretion and the Shareholders' approval. The Board may also declare and pay interim dividends from time to time as appear to the Board to be justified by the profits of the Company. The Board shall review the dividend policy as appropriate from time to time.

The Company was not aware of any shareholders who had waived or agreed to waive any dividend arrangement for the year ended December 31, 2023.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

Save as disclosed in the section headed "Share Incentive Schemes" in this annual report, the Company had no outstanding convertible securities, options, warrants and similar rights during the year ended December 31, 2023 and there was no issue or grant of any convertible securities, options, warrants and similar rights during the year.

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

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save for the Share Incentive Schemes as disclosed in the section headed "Share Incentive Schemes" in this annual report, at no time during the year ended December 31, 2023 and up to the date of this annual report, was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EQUITY-LINKED AGREEMENTS

Save for the Share Incentive Schemes as disclosed in the section headed "Share Incentive Schemes" in this annual report, no equity-linked agreements were entered into by the Company during the year ended December 31, 2023, or subsisted at the end of December 31, 2023.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's Shares.

DONATION

During the year ended December 31, 2023, the Group made donations of approximately US$183,000.

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 the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company was in compliance with the relevant laws and regulations that have a significant impact on the Company.

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2023, to the best knowledge of the Directors, there was no actual or pending legal, arbitration or administrative proceedings that would have a material adverse effect on our business, results of operations, financial condition or reputation, and compliance with applicable laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS

The Group actively takes into account and incorporates sustainable development in its daily business operation decisions. It has adopted a proactive approach to ESG responsibility. Our Group upholds the core value of "Integrity, Passion, Innovation and Performance", and is also aware of the increasing concern on environment related issues, such as carbon emission amid the decarbonization initiatives worldwide. The Group has implemented the ESG Management Policy and established a ESG Working Group chaired by an Executive Director, Mr. Wing Shing CHEN, to assist the Board in fulfilling its responsibilities relating to promotion, development and implementation of ESG initiatives, policies, plans, goals and targets of the Group in accordance with all applicable laws, regulations and rules. The ESG Working Group will engage stakeholders and develop a more company-specific materiality matrix.

The Board, as supported by the ESG Working Group, has reviewed and is satisfied with the Company's ESG performance and reporting, including environmental compliance, environmental policies and performance, employment practices, product quality, corporate governance, and business conduct. For further details, please refer to the ESG Report published by the Company.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended December 31, 2023 and discussed internal control and financial reporting matters of the Group with the management and independent auditors.

The Audit Committee considered that the consolidated financial statements for the year ended December 31, 2023 is in compliance with the applicable accounting standards, the Listing Rules and all other applicable 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.

AUDITOR

PricewaterhouseCoopers, which has audited the consolidated financial statements of the Company for the year ended December 31, 2023, will retire as the auditor of the Company at the AGM, and being eligible, offer itself for re-appointment. A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

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.

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.

On behalf of the Board

Mr. David CHIEN
Chairman, Executive Director and Chief Executive Officer
Hong Kong, March 7, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended December 31, 2023.

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code and embedding best governance practices throughout the organization.

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.

THE BOARD

Roles and Responsibilities

The Board is responsible for, and has general powers for, the management and conduct of our business. 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.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times. The Board should regularly review the contribution required of a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

Board Composition

The Board structure is governed by the Articles of Association. All Directors, including the Non-executive Directors and 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 Board of the Company comprises the following Directors as of December 31, 2023:

Executive Directors
Mr. David CHIEN *(Chairman and Chief Executive Officer)*
Ms. Kwai Ching Denise LAU
Mr. Wing Shing CHEN

Non-executive Directors
Mr. Ching Chung John CHOW *(redesignated on September 7, 2023)*
Mr. Ting San Peter Lionel LEUNG *(appointed on May 23, 2023)*
Dr. Yi ZHOU

Independent Non-executive Directors
Mr. Yip Keung CHAN
Mr. Ka Keung LAU *BBS, MH, JP*
Dr. Lai Fan Gloria TAM

Biographies of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report.

Except for Mr. David CHIEN is the spouse of Ms. Kwai Ching Denise LAU, the Directors do not have financial, business, family or other material/relevant relationships with one another.

During the Reporting Period to the date of this annual report, the Board has met the requirements of the Listing Rules that the number of Independent Non-executive Directors must represent at least one-third of the Board members, and that at least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent during the Reporting Period to the date of this annual report.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles of Association. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

Each of the Executive Directors has entered into a service contract with our Company and the Group has issued letters of appointment to the Non-executive Directors and each of the Independent Non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term from 1 year (for Dr. Yi ZHOU, as a Non-executive Director) to 3 years (for the remaining Non-executive Directors and Independent Non-executive Directors); and (ii) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

In accordance with the Articles of Association, all of the Directors are subject to retirement by rotation at least once every three years and the Board has power from time to time and at any time to appoint any new Director to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

INDUCTION AND 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 they remain informed and relevant for their contribution to the Board.

Each newly appointed Director receives 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 directors' 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.

Based on the information provided by the Directors, during the Reporting Period, all Directors had participated in continuous professional development in the following manner in compliance with code provision C.1.4 of the Corporate Governance Code:

Name of Director	**Type of Training**[(1)]
Mr. David CHIEN *(Chairman and Chief Executive Officer)*	A
Ms. Kwai Ching Denise LAU	A
Mr. Wing Shing CHEN	A
Mr. Ching Chung John CHOW *(redesignated on September 7, 2023)*	A
Mr. Ting San Peter Lionel LEUNG *(appointed on May 23, 2023)*	A
Dr. Yi ZHOU	A
Mr. Yip Keung CHAN	A,B
Mr. Ka Keung LAU *BBS, MH, JP*	A,B
Dr. Lai Fan Gloria TAM	A,B

Note:

(1) A: attending trainings and/or seminars and/or conferences and/or forums and/or briefings.

B: reading materials on various topics, including corporate governance matters, directors' duties and responsibilities, Listing Rules and other relevant laws.

BOARD MEETINGS, GENERAL MEETING AND DIRECTORS' ATTENDANCE RECORD

Code provision C.5.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.

During the Reporting Period, five Board meetings and one general meeting were held. The Board's attendance in the Board Meetings and general meeting are as follows:

	Board	General Meeting
Executive Directors		
Mr. David CHIEN	5/5	1/1
Ms. Kwai Ching Denise LAU	5/5	1/1
Mr. Wing Shing CHEN	5/5	1/1
Non-executive Directors		
Mr. Ching Chung John CHOW	5/5	1/1
Mr. Ting San Peter Lionel LEUNG	4/4	NA
Dr. Yi ZHOU	5/5	1/1
Independent non-executive Directors		
Mr. Yip Keung CHAN	5/5	1/1
Mr. Ka Keung LAU *BBS, MH, JP*	5/5	1/1
Dr. Lai Fan Gloria TAM	5/5	1/1

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, a reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to enable them to make informed decisions.

The Board has reviewed and is satisfied with the implementation and effectiveness of the mechanism to ensure independent views and input are available to the Board. All Directors have full and timely access to all relevant information and the advice/services of the company secretary, with a view to ensure that Board procedures and all applicable laws and regulations are properly followed. The Board and each Director also have separate and independent access to the senior management where necessary. Each Director can seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The relevant members of the senior management team attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates is materially interested, subject to the exceptions therein.

CORPORATE GOVERNANCE FUNCTIONS

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions include: (a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements; (b) review and monitor the training and continuous professional development of the Directors and senior management; (c) develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; (d) develop and review the Company's corporate governance and practices, make recommendations and report on related issues to the Board; (e) review the Company's compliance with the corporate governance and disclosures in the Corporate Governance Report; and (f) review and monitor the Company's compliance with its whistleblowing policy.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which are available on the websites of the Stock Exchange and the Company. All or the majority of the members of the Audit Committee, the Remuneration Committee, and the Nomination Committee are Independent Non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. 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. Mr. Yip Keung CHAN holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. All members are Independent Non-executive Directors.

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.

During the Reporting Period, two meetings were held by the Audit Committee, including meetings to review the consolidated financial statements for the year ended December 31, 2022 and interim condensed consolidated financial information for the six months ended June 30, 2023 and recommended the same to the Board for approval, and discussed internal control matters of the Group with the management, to review the possible improprieties in financial reporting, internal control or matters, proposing the engagement or change of external auditor and supervising their performance. The attendance records of individual committee members are as follows:

	Number of meetings attended/held
Mr. Yip Keung CHAN *(Chairman)*	2/2
Mr. Ka Keung LAU *BBS, MH, JP*	2/2
Dr. Lai Fan Gloria TAM	2/2

The Board, as supported by the Audit Committee, as well as the report from management, reviewed the effectiveness of the risk management and internal control systems of the Group, including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The review also covered the adequacy of resources, staff qualifications and experience, training programs and budget of the issuer's accounting and financial reporting functions.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of two Independent Non-executive Directors and one Executive Director, namely, Mr. Ka Keung LAU *BBS, MH, JP*, Mr. Yip Keung CHAN and Mr. David CHIEN, with Mr. Ka Keung LAU *BBS, MH, JP* serving as the chairman.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, one meeting was held by the Remuneration Committee, including meeting to review the remuneration packages of the Directors and senior management of the Company. In consideration of the Directors' remuneration, no director is involved in deciding his/her own remuneration. There are no material matters relating to the Share Incentive Schemes which were required to be reviewed and/or approved by the Remuneration Committee during the Reporting Period. The attendance records of individual committee members are as follows:

	Number of meetings attended/held
Mr. Ka Keung LAU *BBS, MH, JP (Chairman)*	1/1
Mr. Yip Keung CHAN	1/1
Mr. David CHIEN	1/1

Details of the remuneration of the senior management (other than Directors) by band for the year ended December 31, 2023 is as follows:

	Number of employees
HK$3,000,001 to HK$3,500,000 (equivalent to approximately US$385,001—US$448,000)	1
HK$5,000,001 to HK$5,500,000 (equivalent to approximately US$641,000—US$705,000)	1

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of two Independent Non-executive Directors and one Executive Director, namely, Mr. Ka Keung LAU *BBS, MH, JP*, Dr. Lai Fan Gloria TAM and Mr. David CHIEN, with Mr. David CHIEN serving as the chairman.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) develop the criteria, process and procedures for identifying and assessing the qualifications of and evaluating candidates for directorship; (iii) identify individuals suitably qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assess the independence of independent non-executive directors of the Company on an annual basis; (v) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors; (vi) develop a policy concerning diversity of Board members; and (vii) evaluate the balance of skills, knowledge and experience on the Board.

During the Reporting Period, one meeting was held by the Nomination Committee, including meeting to review the structure, size and composition (including the skills, knowledge and experience) of the Board, assess the independence of the Independent Non-executive Directors and make recommendation to the Board on the appointment of Director, redesignation of Director and the re-election of retiring Directors at the AGM. The attendance records of individual committee members are as follows:

	Number of meetings attended/held
Mr. David CHIEN *(Chairman)*	1/1
Mr. Ka Keung LAU *BBS, MH, JP*	1/1
Dr. Lai Fan Gloria TAM	1/1

Director Nomination Policy

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the Corporate Governance Code. The Director Nomination Policy sets out the selection criteria and procedure, and the review of such policy in relation to nomination, appointment and election of Directors. The Director Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The Director Nomination Policy sets out the non-exhaustive factors in making nomination, including but not limited to:

- **Qualifications**: skills, knowledge and experience of the candidate in relation to the operations and corporate strategies of the Group;

- **Diversity**: due regard to (i) the diversity perspectives set out in the Board Diversity Policy and, (ii) any numerical targets and timelines as required under the Listing Rules, and (iii) the balance of skills and experience in board composition, in addition to the candidate's merit and the objective criteria applied against the candidate;

- **Commitment**: devotion of sufficient time to attend board meeting and to participate in induction trainings and other board associated activities;

- **Character**: character, experience and integrity, and the ability to demonstrate a standard of competence commensurate with the relevant position as a director of the Company; and

- **Independence**: satisfaction of the independence criteria set out in Rule 3.13 of the Listing Rules if the candidate is to be nominated as an independent non-executive director.

The Board also takes into consideration the benefits of a diversified Board when it selects candidates for the Board.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- the Nomination Committee will take appropriate measures to identify and evaluate a candidate if it determines that an additional director or replacement director is required;
- the Nomination Committee may propose a candidate that is recommended or offered for nomination by a Shareholder as a nominee for election to the Board; and
- the Nomination Committee may provide the Board with the candidate's personal profile for its consideration when making recommendation.

The Director Nomination Policy also sets out the procedures for the selection and appointment of Directors to fill a casual vacancy(ies) and new Directors, and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy as appropriate from time to time, to ensure its effectiveness.

DIVERSITY

Board Diversity

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

During the Reporting Period, the Company has achieved the following measurable objectives:

(1) at least one-third of the Board are holders of a Bachelor's degree or above;

(2) at least one Director is a qualified accountant;

(3) at least one Director is a physician;

(4) at least one Director has legal and/or compliance background;

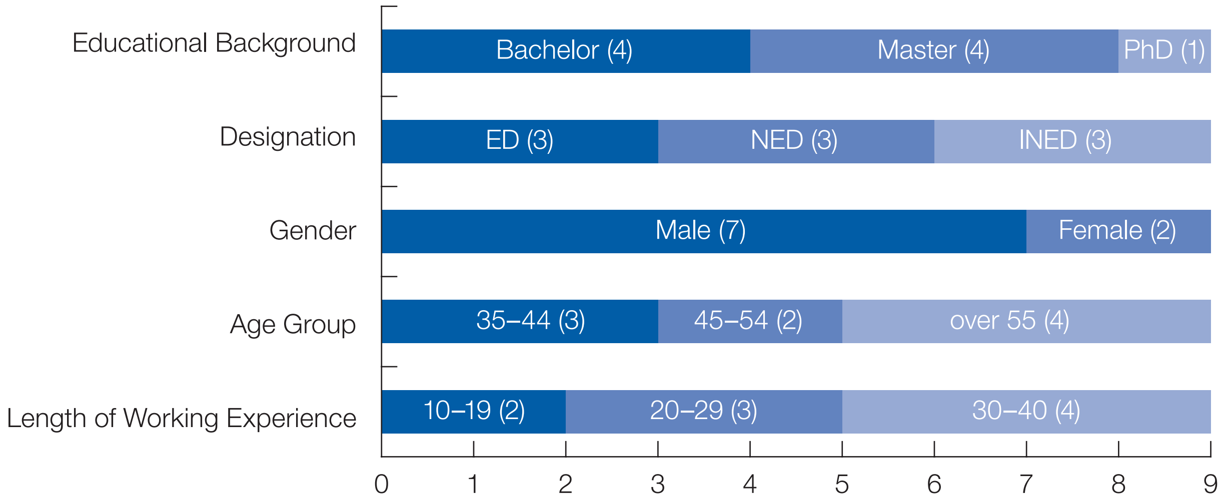
(5) at least one Director has relevant experience in medical device industry; and

(6) at least one Director has relevant experience in finance.

Therefore, the Board is of the view that our Board satisfies the Board Diversity Policy. Board appointments will continue to be made on merit and candidates will be considered against objective criteria with due regard to the benefits of diversity of the Board. The Board believes that such merit-based appointments will best enable the Company to serve its shareholders and other stakeholders going forward. The Board will give adequate consideration to the Board Diversity Policy when it identifies suitably qualified candidates to become members of the Board.

The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness. The Board, as supported by the Nomination Committee, reviewed the implementation and effectiveness of the Board Diversity Policy.

As of the date of this annual report, the Board's composition under diversified perspectives was summarized as follows:



Workforce Diversity

As of December 31, 2023, we employed 1,249 employees and the gender ratio of male and female in the workforce (including senior management) is 39:61, which demonstrated a well gender balance in our workforce. The Group expects to maintain a balanced gender ratio of male and female in the workforce in the coming year, and will not emphasis in employing personnel of a particular gender. Gender is neutral in our recruitment consideration as no position of any kind in our Group requires any capability or skill that is regarded as performed better by one gender than another.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2023.

The Board is responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

RISK MANAGEMENT

We are exposed to various risks, including operational risks and financial risks, for our operations, so risk management is important for our business. We have designed and adopted a consolidated set of risk management policies in compliance with Rule 3.21 of the Listing Rules, and the Corporate Governance Code 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. The Audit Committee, and ultimately the Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Company and reported to the Board.

Our senior management implements the risk management policies, strategies and plans set by the Board. Our senior management is responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company and supervising the implementation of our risk management policy by the relevant departments; and (iii) reporting to the Audit Committee on our material risks.

Each functional team in our Company, including the finance teams, monitors and evaluates the implementation of risk management and internal control policies and procedures on a day-to-day basis. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant teams will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report bi-annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

With respect to urgent matters which arise between scheduled Board meetings, the company secretary may also seek Board approval via telephone conference call or written Board consent. Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management and other vice presidents. At Board meetings, depending on the agenda, different team heads will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The company secretary attends all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issue and report their findings at the next Board meeting. Our Board believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures.

The Audit Committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most significant risks associated with our business operation and our management's handling of such risks, reviews our corporate risk in light of our corporate risk tolerance, and monitors and ensures the appropriate application of our risk management framework across our Company.

INTERNAL CONTROL AND INTERNAL AUDIT

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among other things, the following risk management and internal control measures:

- the establishment of the Audit Committee responsible for overseeing our financial records, internal control procedures and risk management systems;
- the appointment of Mr. Wing Shing CHEN as our company secretary to ensure the ongoing compliance of our operation with relevant laws and regulations; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

The effectiveness of the risk management and internal control systems is under review annually. The following internal control and risk management measures have been implemented to address sanctions risks of our Group:

- to further enhance our existing internal risk management functions, the Company has established a risk management committee which will oversee its risk management and internal control system, including sanctions risk exposure;
- we have put in place an enhanced sanctions policy and control system which provides for processes and control measures to identify and manage potential sanctions risk taking a risk-based approach tailored to the specific nature, size, and risk of the Group's business operations. These include the following:
    - o checking the Group counterparties, including distributors, suppliers and customers against relevant sanctions lists;
    - o obtaining ultimate beneficial owner information or negative confirmation from the Group counterparties that no sanctioned person is a material owner such that the entity could be 50% owned or controlled by the sanctioned person;
    - o including standard terms of sale in the Group distributor agreements which prohibit resale to persons or entities on relevant sanctions lists;
    - o incorporating into internal sanction screening process third-party due diligence procedures that include sanction, watch list, Specially Designated Nationals and Blocked Persons (SDN) list and politically exposed persons (PEP) checks during due diligence and through ongoing risk monitoring;
- we regularly review sanctions developments relating to countries subject to international sanctions in which the Group conducts business;
- our risk management committee will, with the assistance of our legal department, periodically review our internal control policies and procedures with respect to sanctions matters taking a risk-based approach. As and when necessary, we will retain reputable external international legal counsel with necessary expertise in international sanctions matters for recommendations and advice;
- the chief compliance officer is designated as an OFAC compliance officer who shall work with the general counsel and external legal counsel to manage any sanction risk and the chief compliance officer is responsible to promote necessary internal changes in processes and report to the Board and/or senior management to ensure compliance;
- we maintain an up-to-date program that evolves with the entire sanction environment, from OFAC sanctions to those implemented by the United States, and all employees are required to attend training periodically to understand sanctions compliance obligations, as well as how to recognize and address sanctions compliance; and
- we conduct periodic audits and reviews of our sanction screening policies, procedures, and training to ensure the Group's processes keep pace with change.

The internal control measures adopted are consistent with guidance published by OFAC regarding sanctions compliance programs, and these measures appear adequate and effective for our Group based on our products and risk assessment, to comply with applicable international sanctions laws and address sanctions risks.

Finally, we have adopted, various internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our risk management committee to assume responsibility for oversight of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

We have designated responsible personnel to monitor our ongoing compliance with relevant laws and regulations that govern our business operations, and to oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant laws and regulations on a regular basis, with a view to proactively identifying any concerns or issues relating to any potential non-compliance. We believe that we have established adequate internal procedures, systems and controls in relation to anticorruption and anti-bribery law compliance.

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The need for an internal audit department will be reviewed from time to time.

To maintain a high standard of corporate governance of the Group, the Company engaged an external professional firm (the "**Adviser**") to perform certain assessment procedures for the Group's enterprise risk assessment mechanism primarily to assist the Board and the management to assess the adequacy and effectiveness of the Group's enterprise risk management mechanism for the year ended December 31, 2023. The Adviser has reported to the Audit Committee and management the findings and areas for improvement, if any, which the same were then reported to the Board. The Board and Audit Committee are of the view that there were no material defects noted.

The Board, as supported by the Audit Committee, as well as the report from management, reviewed the effectiveness of the risk management and internal control systems of the Group, including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The annual review also covered the adequacy of resources, staff qualifications and experience, training programs and budget of the issuer's accounting and financial reporting functions. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In order to enhance the Company's system of handling and disseminating inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company also adopts and implements the Inside Information Policy which sets out the guidelines and procedures in handling and disseminating inside information in a timely manner. Certain reasonable measures have been taken to ensure that potential inside information being captured and confidentiality of such information being maintained in order to prevent a breach of a disclosure requirement in relation to the Company.

WHISTLEBLOWING POLICY

We have implemented a whistleblower system and data integrity detection and training. We also set up a whistle-blowing channel to encourage all employees, directors and executive officers to report any suspected violations promptly and intends to thoroughly investigate any good faith reports of violations. We have adopted a more detailed and comprehensive whistle-blowing policy, which aligns the whistleblowing mechanism with our corporate governance structure such that all whistleblowing reports will be directed to the risk management committee and the chairman of the Audit Committee.

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.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	**Fees Paid/ Payable** (US$'000)
Audit Services — audit fee	462
Non-audit Services(Note)	187
Total	**649**

Note: Non-audit services mainly represented internal transfer pricing compliance services and other tax compliance services.

COMPANY SECRETARY

Mr. Wing Shing CHEN is the Company Secretary of the Company and has met the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules. For the biography of Mr. Wing Shing CHEN, please refer to the section headed "Directors and Senior Management — Directors" in this annual report.

For the year ended December 31, 2023, Mr. Chen had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

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. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has adopted a shareholders communication policy on November 29, 2022 (the "**Shareholders Communication Policy**") to ensure that Shareholders' views and concerns are appropriately addressed, which will be reviewed on a regular basis to ensure its effectiveness. The Shareholders Communication Policy is available on the Company's website for public access. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered that the policy has been effective during the Reporting Period and up to the date of this annual report after taking into consideration factors such as the timeliness of information disclosure, number of information and meeting requests received and responsiveness to enquiries from the Shareholders and investment community.

The general meetings of the Company provide a forum and an important channel for communication between the Board and Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, and or, in their absence, other members of the respective committees are available to answer questions at the general meetings. The chairman of a meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll.

To promote effective communication, the Company maintains a website at https://orbusneich.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the re-election of individual Directors. 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 pursuant to the Listing Rules.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting shall be convened upon any one or more member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition.

Putting Forward Proposals at General Meeting

There is no single provision in the Articles of Association or the Cayman Islands Companies Law for Shareholders to put forward proposals at general meetings. Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Units 303 & 305, 3/F, Building 20E, Hong Kong Science Park, Shatin, N.T., Hong Kong (For the attention of the Company Secretary)

Email: pr@orbusneich.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

On February 29, 2024, the Board proposed to amend the Articles of Association for the purpose of, among others, updating and bringing the Articles of Association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from December 31, 2023, as well as other housekeeping changes. Accordingly, the Board proposed to adopt a second amended and restated articles of association in substitution for the Articles of Association subject to the approval of the Shareholders by way of a special resolution to be considered and, if thought fit, passed at the forthcoming AGM. The second amended and restated articles of association will become effective upon such approval.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://orbusneich.com).

On behalf of the Board

Mr. David CHIEN
Chairman, Executive Director and Chief Executive Officer
Hong Kong, March 7, 2024

pwc

To the Shareholders of OrbusNeich Medical Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of OrbusNeich Medical Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 62 to 148, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter identified in our audit is related to provision for inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
Refer to Note 4(b) and 23 to the consolidated financial statements. The Group held inventories of US$42.3 million as at December 31, 2023. In accordance with the Group's policy, inventories are carried at the lower of cost or net realisable value. As at December 31, 2023, the Group's inventory provision amounted to US$0.9 million. The Group is engaged in the manufacturing, trading, sales and marketing of medical devices/instruments used for the treatment of coronary and peripheral vascular disease. Management determined the level of provision for close-to-expiry and slow moving inventories based on expected future sales quantity for a specified time subsequent to the end of the reporting period. We focused on this area as the estimation of provision for inventories is inherently subject to a high degree of estimation uncertainty and involved significant management judgement on the expected future sales quantity.	Our procedures in relation to management's assessment on provision for inventories included: • Understood, evaluated and validated key controls over the provision for inventories; • Tested, on a sample basis, the accuracy of the ageing of the Group's inventories by checking to the production record; • Discussed with management on their assumptions applied to the provision for inventories and evaluated the reasonableness of such assumptions by comparing the historical sales data and actual subsequent sales after year ended; • Evaluated the outcome of prior period assessment of provision for inventories to assess the accuracy of management's estimation on the expected future sales quantity. Based on the procedures performed, we found the management's judgement used in the determination of the provision for inventories were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including management discussion and analysis prior to the date of this auditor's report. The remaining other information, including corporate information, chairman's statement, financial highlights, five years' financial summary, directors and senior management, directors' report, corporate governance report and environmental, social and governance report and the other sections to be included in the annual report, is 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 and will 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 identified above 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 remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 HKFRSs issued by the HKICPA 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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 Albert K. W. Lee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 7, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

	Note	2023 US$'000	2022 US$'000
Revenue	5	**153,865**	136,824
Cost of sales	8	**(47,367)**	(44,366)
Gross profit		**106,498**	92,458
Other income — net	6	**2,125**	915
Other gains/(losses) — net	7	**589**	(2,810)
Selling and distribution expenses	8	**(35,931)**	(32,558)
General and administrative expenses	8	**(18,909)**	(22,570)
Research and development expenses	8	**(14,379)**	(14,113)
Impairment losses on financial assets	24	**(54)**	(250)
Operating profit		**39,939**	21,072
Finance income	10	**10,666**	2,387
Finance costs	10	**(142)**	(1,469)
Finance income — net		**10,524**	918
Share of loss of investment in a joint venture	21	**(835)**	(199)
Profit before income tax		**49,628**	21,791
Income tax expense	11	**(4,555)**	(3,300)
Profit for the year attributable to owners of the Company		**45,073**	18,491
Earnings per share	13	**US cents**	US cents
Basic		**5.45**	3.17
Diluted		**5.41**	2.55

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Note	2023 US$'000	2022 US$'000
Profit for the year		**45,073**	18,491
Other comprehensive income/(loss):			
Item that will not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	29	**3**	292
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**309**	(2,786)
Other comprehensive income/(loss) for the year, net of tax		**312**	(2,494)
Total comprehensive income for the year		**45,385**	15,997

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at December 31, 2023

	Note	2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**13,011**	8,484
Right-of-use assets	15	**5,455**	4,490
Deferred income tax assets	17	**3,541**	2,834
Financial assets at fair value through profit or loss	18	**1,618**	1,767
Intangible assets	19	**9,560**	4,057
Goodwill	20	**12,959**	1,749
Interest in a joint venture	21	**13,920**	11,648
Deposits and prepayments	22	**2,117**	1,756
Total non-current assets		**62,181**	36,785
Current assets			
Inventories	23	**41,426**	29,400
Trade receivables	24	**37,966**	32,322
Deposits, prepayments and other receivables	22	**11,659**	4,328
Amounts due from a joint venture	36	**640**	39
Amounts due from non-controlling interests	36	**46**	—
Tax recoverable		**447**	248
Financial assets at fair value through profit or loss	18	**—**	18,792
Cash and bank balances	25	**255,779**	229,146
Total current assets		**347,963**	314,275
Total assets		**410,144**	351,060
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	26	**414**	414
Other reserves	28	**446,693**	445,971
Accumulated losses	28	**(78,707)**	(123,819)
		368,400	322,566
Non-controlling interests		**1,018**	—
Total equity		**369,418**	322,566

	Note	2023 US$'000	2022 US$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	1,356	2,349
Retirement benefit obligations	29	2,779	2,333
Deferred income tax liabilities	17	967	—
Total non-current liabilities		5,102	4,682
Current liabilities			
Trade payables	30	4,815	4,065
Bank borrowing	32	4,235	—
Accruals and other payables	31	15,704	15,939
Financial liabilities at fair value through profit or loss	34	4,975	—
Amount due to a joint venture	36	194	157
Current income tax liabilities		3,831	1,972
Lease liabilities	15	1,870	1,679
Total current liabilities		35,624	23,812
Total liabilities		40,726	28,494
Total equity and liabilities		410,144	351,060

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 62 to 148 were approved by the Board of Directors on March 7, 2024 and were signed on its behalf by:

David CHIEN
Director

Wing Shing CHEN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Share capital US$'000	Other reserves US$'000 (Note 28)	Accumulated losses US$'000 (Note 28)	Sub-total US$'000	Non-controlling interest US$'000 (Note 28)	Total US$'000
At January 1, 2023	414	445,971	(123,819)	322,566	—	322,566
Profit for the year	—	—	45,073	45,073	—	45,073
Other comprehensive income:						
— Remeasurements of post-employment benefit obligations	—	—	3	3	—	3
— Currency translation differences	—	309	—	309	—	309
Total other comprehensive income, net of tax	—	309	3	312	—	312
Total comprehensive income	—	309	45,076	45,385	—	45,385
Transactions with owners:						
— Employee share option scheme: value of employee services	—	1,080	—	1,080	—	1,080
— Forfeiture of share options	—	(32)	32	—	—	—
— Exercise of share options	—	184	—	184	—	184
— Acquisition of shares by the Trustee of the share award scheme (Note 28 (d))	—	(815)	—	(815)	—	(815)
— Non-controlling interest on acquisition of a subsidiary (Note 34)	—	—	—	—	1,018	1,018
— Transfer from statutory reserve	—	(4)	4	—	—	—
Total transactions with owners	—	413	36	449	1,018	1,467
At December 31, 2023	414	446,693	(78,707)	368,400	1,018	369,418

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Share capital US$'000	Other reserves US$'000 (Note 28)	Accumulated losses US$'000 (Note 28)	Total US$'000
At January 1, 2022	288	325,509	(142,685)	183,112
Profit for the year	—	—	18,491	18,491
Other comprehensive income/(loss):				
— Remeasurements of post-employment benefit obligations	—	—	292	292
— Currency translation differences	—	(2,786)	—	(2,786)
Total other comprehensive income/(loss), net of tax	—	(2,786)	292	(2,494)
Total comprehensive (loss)/income	—	(2,786)	18,783	15,997
Transactions with owners:				
— Shares issued in the Initial Public Offerings ("IPO")	27	61,610	—	61,637
— Share issuance costs	—	(3,911)	—	(3,911)
— Share designation from Preferred Shares to ordinary shares upon listing	99	(99)	—	—
— Reclassification from financial liabilities to equity for Series A Preferred Shares (Note 28(b))	—	65,047	—	65,047
— Employee share option scheme: value of employee services	—	684	—	684
— Forfeiture of share options	—	(83)	83	—
Total transactions with owners	126	123,248	83	123,457
At December 31, 2022	414	445,971	(123,819)	322,566

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	Note	2023 US$'000	2022 US$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	26,628	25,407
Income tax paid		(3,813)	(1,977)
Income tax refunded		217	1
Net cash inflow from operating activities		23,032	23,431
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,602)	(2,898)
Proceeds from disposals of property, plant and equipment	33(b)	490	122
Purchase of intangible assets		(398)	(437)
Additions of right-of-use assets		(1,479)	—
Advance to a joint venture		(3,107)	(3,959)
Increase in short-term bank deposits		(55,027)	(142,500)
Purchase of financial assets at fair value through profit or loss		(297)	(20,334)
Proceeds from disposals of financial assets at fair value through profit or loss	33(c)	20,665	40
Acquisition of subsidiaries, net of cash acquired	34(b)	(13,191)	—
Interest received		5,631	650
Net cash outflow from investing activities		(52,315)	(169,316)
Cash flows from financing activities			
Proceeds from issuance of new shares	26	—	61,637
Interest paid		(137)	(132)
Principal elements of lease payments	33(e)	(1,839)	(1,423)
Proceeds from bank borrowings	33(e)	4,235	5,000
Repayment of bank borrowings	33(e)	—	(5,000)
Payment for listing expenses		(744)	(2,638)
Repurchase of shares for share award scheme	28(d)	(815)	—
Proceeds from exercise of share options		184	—
Net cash inflow from financing activities		884	57,444
Net decrease in cash and cash equivalents		(28,399)	(88,441)
Cash and cash equivalents at beginning of year		86,646	175,886
Effects of exchange rate changes on cash and cash equivalents		5	(799)
Cash and cash equivalents at end of year	25	58,252	86,646
Analysis of cash and cash equivalents			
Cash and bank balances		255,779	229,146
Less: Short-term bank deposits		(197,527)	(142,500)
Cash and cash equivalents at end of year	25	58,252	86,646

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 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.

2.1.2 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 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HK$"), Renminbi ("RMB"), Japanese Yen ("JPY") and Euro ("EUR"). 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.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. Management has also set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

The table below summarizes the changes in the Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The analysis has been determined assuming that the general depreciation trend in foreign exchange rates against functional currency in respective countries had occurred at the balance sheet date and that all other variables remain constant.

		As at December 31, 2023		As at December 31, 2022	
Functional currency	Foreign currency	**Hypothetical appreciation/ (depreciation) in foreign exchange rate**	**(Negative)/ positive effect on profit or loss US$'000**	Hypothetical appreciation/ (depreciation) in foreign exchange rate	(Negative)/ positive effect on profit or loss US$'000
US$	RMB	**+/- 5%**	**5/(5)**	+/- 5%	(168)/168
JPY	US$	**+/- 5%**	**(1,030)/1,030**	+/- 5%	(1,018)/1,018
EUR	US$	**+/- 5%**	**47/(47)**	+/- 5%	6/(6)

For HK$, since it is pegged to the US$, the directors consider that the Group does not have any material foreign exchange exposure arising from HK$.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from lease liabilities and bank borrowing.

Lease liabilities and bank borrowing were obtained at fixed rates, therefore, the directors are of the opinion that the interest rate risk exposure is low.

Bank deposits at variable rates expose the Group to cash flow interest rate risk. The Group manages its interest rate risk by performing regular reviews and continually monitoring its interest rate exposures. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The directors are of the opinion that as at December 31, 2023 and 2022, any reasonable changes in interest rates on bank deposits would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk arising from bank deposits.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which mainly comprise cash and bank deposits, trade receivables, deposits and other receivables and amounts due from a joint venture with a maximum exposure equal to the carrying amounts of these instruments.

Credit risk is managed on a group basis, except for credit risk relating to trade receivable balances which are managed by each local entity. For each trade receivables, each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

(i) Credit risk of cash and bank deposits

The credit risk arises from cash at banks and deposits with banks are monitored closely by management of the Group. The majority of the Group's bank balances and deposits are placed in banks and financial institutions which are independently rated with high credit ratings assigned by international credit-rating agencies. Management does not expect any losses from non-performance by these banks and financial institutions as they have no recent history of default.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade receivables

For external receivables, the Group has policies in place to assess the credit worthiness of customers to ensure that sales of products are made to customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' ageing to minimize its exposure to credit risk. As at December 31, 2023, the Group has concentration of credit risk given that the top 5 customers accounted for 17% (2022: 24%) of the total trade receivables. The extent of credit risk relating to the Group's trade receivables is disclosed in Note 24.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, the Group categorizes its trade receivables based on customer accounts and shared credit risk characteristics.

All customers of the Group are assessed collectively using a provision matrix. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group also considered the forward-looking information on macroeconomic factors including gross domestic product.

For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance.

The loss allowance provision for trade receivables from third parties as at December 31, 2023 and 2022 are as follows:

	Current US$'000	Past due by 1 to 90 days US$'000	Past due by 91 to 180 days US$'000	Past due by over 180 days US$'000	Total US$'000
At December 31, 2023					
Gross carrying amount	**33,238**	**4,133**	**518**	**757**	**38,646**
Expected loss rate	**0.06%**	**1.04%**	**22.34%**	**66.27%**	
Loss allowance	**19**	**43**	**116**	**502**	**680**
At December 31, 2022					
Gross carrying amount	29,686	2,097	409	1,872	34,064
Expected loss rate	0.02%	0.67%	2.44%	91.40%	
Loss allowance	7	14	10	1,711	1,742

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of other financial assets at amortized cost

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the financial year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;

- actual or expected significant changes in the operating results of the third party; and

- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

A default on a financial asset is when the counterparty fails to make contractual payments/ repayable demanded.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

The credit risk of the Group's other financial assets at amortized cost, which comprises deposits and other receivables, amounts due from a joint venture and amounts due from non-controlling interests arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument. The credit quality has been assessed with reference to historical information and forward-looking information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors of the Company are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the deposits and other receivables, amounts due from a joint venture and amounts due from non-controlling interests is assessed to be insignificant and no provision was made as at December 31, 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements — for example, currency restrictions.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
At December 31, 2023			
Trade payables	**4,815**	**—**	**—**
Accruals and other payables	**13,532**	**—**	**—**
Lease liabilities	**1,870**	**751**	**605**
Interest payable on lease liabilities	**82**	**32**	**10**
Amount due to a joint venture	**194**	**—**	**—**
Bank borrowing and interest payable	**4,377**	**—**	**—**
	24,870	**783**	**615**
At December 31, 2022			
Trade payables	4,065	—	—
Accruals and other payables	13,467	—	—
Lease liabilities	1,679	1,358	991
Interest payable on lease liabilities	89	41	18
Amount due to a joint venture	157	—	—
	19,457	1,399	1,009

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk 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 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. This ratio is calculated as total liabilities divided by total assets.

The Group's total liabilities and total assets positions and liability to asset ratio as follows:

	2023	2022
Total liabilities (US$'000)	**40,726**	28,494
Total assets (US$'000)	**410,144**	351,060
Liability to asset ratio	**9.9%**	8.1%

The liability to asset ratio was increased from 8.1% as at December 31, 2022 to 9.9% as at December 31, 2023 mainly due to addition of bank borrowing of US$4,235,000 and consideration payable for acquisition of subsidiaries of US$5,445,000.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2023 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- **Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in Level 1.

- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at, December 31, 2023 and 2022:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2023				
Financial asset				
Financial asset at fair value through profit or loss				
— Life insurance policies	–	–	1,618	1,618
Financial liabilities				
Financial liability at fair value through other comprehensive income				
— Retirement benefit obligations	–	–	2,779	2,779
Financial liability at fair value through profit or loss				
— Contingent considerations	–	–	4,975	4,975
	–	–	7,754	7,754

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2022				
Financial assets				
Financial assets at fair value through profit or loss				
— Life insurance policies	–	–	1,767	1,767
— The Commodity Linked Fixed Rate Note	–	18,792	–	18,792
	–	18,792	1,767	20,559
Financial liability				
Financial liability at fair value through other comprehensive income				
— Retirement benefit obligations	–	–	2,333	2,333

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presented the changes in level 2 and 3 items included in financial assets at fair value through profit or loss during the year:

	2023 US$'000	2022 US$'000
Beginning of year	**20,559**	2,041
Addition	**297**	20,334
Disposal	**(20,660)**	(47)
Interest income	**560**	—
Fair value change	**971**	(1,479)
Currency translation differences	**(109)**	(290)
At end of year	**1,618**	20,559

The change in Level 3 instruments of retirement benefit obligations are presented in Note 29.

There were no transfers between levels during the year.

(a) Financial instrument in Level 2

The fair value of the Commodity Linked Fixed Rate Note that is not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in Level 2. Level 2 instrument of the Group's asset included the Commodity Linked Fixed Rate Note measured at fair value through profit or loss.

(b) Financial instrument in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Life insurance policies under the Group's financial assets at fair value through profit or loss were included in Level 3. The fair value of the financial assets at fair value through profit or loss is determined based on investment portion of the cash surrender value which is not an observable input.

Contingent consideration

The fair value of the contingent consideration recognized as financial liability at fair value through profit or loss is based on the audited financial statements of the acquiree for the year ended December 31, 2023 which is not an observable input as at transaction date.

Life insurance policies

A subsidiary in Japan entered into life insurance policies with an insurance company to insure the employees of the subsidiary and the subsidiary is the holder and beneficiary of these policies.

The subsidiary is required to pay monthly insurance premiums determined by the insurance company. The subsidiary may request a surrender to the policy at any time, such as upon employee resignation or retirement, and receive cash based on the cash surrender value of the policies at the date of surrender.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) Financial instrument in Level 3 (continued)

Life insurance policies (continued)

An independent valuation of the Group's financial assets at fair value through profit or loss was performed by a qualified valuer to determine the fair value of the life insurance policies as at December 31, 2023 and 2022. These valuation results are then reported to the senior management of the Group for discussions in relation to the valuation processes and the reasonableness of valuation results. The fair value gains or losses are included in "Other gains/(losses) — net".

The valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These inputs include:

Discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Mortality rate	Based on the life table revised in 2022 and 2023 published by the Ministry of Health, Labor and Welfare of Japan
Employee turnover rate	Based on a three year historical rate of the subsidiary in Japan
Surrender rate	Based on figures published by the insurance company

There were no changes to the valuation techniques during the years ended December 31, 2023 and 2022.

		Range of unobservable inputs	
Description	Unobservable inputs	**2023**	2022
Life insurance policies	Discount rate	**0.0%–1.8%**	0.0%–1.7%

The sensitivity of the life insurance policies to changes in the assumption is:

		Impact on the valuation of the life insurance policies	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
At December 31, 2023 **Discount rate**	**0.5%**	**Decrease by 9.2%**	**Increase by 10.2%**
At December 31, 2022 Discount rate	0.5%	Decrease by 7.3%	Increase by 8.0%

The sensitivity of other unobservable inputs is not expected to have significant impact on the fair value of financial assets at fair value through profit or loss as at December 31, 2023 and 2022.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(b) Provision for inventories

The Group's management reviews the condition of inventories at each reporting date and makes provision for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(c) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expense in future periods.

The Group's intangible assets included capitalized development costs and customer relationship. Management determines the estimated useful lives and related amortization charges for the capitalized development costs with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. For customer relationship arising from business combination, management determines the estimated useful life and related amortization charges based on historical attrition rates of customers. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortization expense in future periods.

(d) Impairment of property, plant and equipment, intangible assets and interest in a joint venture

Property, plant and equipment, intangible assets and interest in a joint venture are reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculation. The value-in-use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates. Management believes that any reasonably foreseeable change in any of the above key elements in the value-in-use calculation would not result in material additional impairment charges.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(e) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits.

Significant judgement is required in determining the capitalization of development costs. Development costs that are recognized as assets are amortized on the straight-line basis to reflect the pattern in which the related economic benefits are recognized. Development costs that do not meet the above criteria are expensed as incurred.

The research and development costs which do not meet these criteria and recognized in the consolidated statement of profit or loss are determined based on estimated budgeted costs, known services received and progress report from the service vendors. If the actual research and development expenses were different from the estimate, this would have an impact on the research and development expenses recognized in the following reporting period. The Group regularly reviews and revises the estimation of the amounts of the research and development costs recognized in the consolidated statement of profit or loss as the project progresses. Management regularly reviews the progress of the projects and the corresponding cost budgets.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(g) Fair value of financial assets at fair value through profit or loss

The Group's subsidiary in Japan entered into life insurance policies with an insurance company to insure the employees of a subsidiary. These life insurance policies allow the subsidiary to request a surrender to the policy at any time, such as upon employee resignation or retirement, and receive cashback based on the cash surrender value of the policies at the date of surrender. The fair value of these insurance contracts is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Group held the Commodity Linked Fixed Rate Note recognized as financial assets measured at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair value of the Commodity Linked Fixed Rate Note is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that mainly based on market conditions existing at the end of each reporting period.

Details of the assumptions and judgments used by the Group to determine the fair value of financial assets are disclosed in Note 3.3.

5 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.

5 REVENUE AND SEGMENT INFORMATION (continued)

The revenue recognized during the year are as follows:

	2023 US$'000	2022 US$'000
Sales of goods — at point in time	**153,865**	136,824

Geographical information

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

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

5 REVENUE AND SEGMENT INFORMATION (continued)

Geographical information (continued)

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

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

Information about major customers

The revenue from external parties is derived from numerous external customers and the revenue reported to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The major customer which contributed more than 10% of total revenue of the Group for the year ended December 31, 2023 is listed as below:

	2023 US$'000	2022 US$'000
Customer A	**20,238**	16,607

Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue is recognized when, or as, the control of the goods is transferred to the customer.

The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognized as follows:

(a) Sales of goods

The Group manufactures and sells medical instruments in vascular therapies. Revenue from sales are recognized when control of the products has transferred to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. There are two major channels of sales: (i) Distributor sales and (ii) Direct sales.

(i) Distributor sales

Revenue are recognized at point in time when control has been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Majority of such revenue are recognized when the products are dispatched from the Group's warehouse. Revenue from these sales is recognized based on the price specified in the contract.

5 REVENUE AND SEGMENT INFORMATION (continued)

Accounting policies of revenue recognition (continued)

(a) Sales of goods (continued)

(ii) Direct sales

Direct sales represents consignment sales of goods to private and public hospitals. Revenue are recognized at point in time when control has been transferred to customers, that is, at the time when the customer has actually consumed the goods.

6 OTHER INCOME — NET

	2023 US$'000	2022 US$'000
Government grants (Note)	**1,854**	757
Others	**271**	158
	2,125	915

Note: Government grants mainly comprise subsidies received from the Government of the Hong Kong Special Administrative Region and various local governments in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

Deferred and presentation of government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized within "Other income — net" in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are recognized as deferred income in consolidated statement of profit or loss on a systematic basis over the useful life of the asset.

7 OTHER GAINS/(LOSSES) — NET

	2023 US$'000	2022 US$'000
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 (Note 18)	**5**	(7)
Fair value changes in financial assets at fair value through profit or loss (Note 18)	**971**	(1,479)
Gain on lease modification	**14**	2
Others	**10**	9
	589	(2,810)

8 EXPENSES BY NATURE

	2023 US$'000	2022 US$'000
Cost of inventories recognized as expense (including write-down of inventories to net realizable value)	**27,290**	24,318
Employee benefit expenses (Note 9)	**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
	116,586	113,607

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2023 US$'000	2022 US$'000
Salaries, wages and allowances	**43,604**	41,709
Pension costs — defined contribution plans (Note (a))	**5,934**	5,358
Pension costs — defined benefit plans (Note 29)	**279**	285
Share options granted to directors and employees	**1,080**	684
Other staff benefits	**2,401**	2,549
	53,298	50,585

(a) Pension costs — defined contribution plans

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contributions schemes.

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2023

Name	Fees US$'000	Salaries US$'000	Discretionary bonuses US$'000	Allowance and benefits in kind US$'000	Employer's contribution to a retirement benefit scheme US$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Group US$'000	Total US$'000
Executive directors							
Mr. David CHIEN (Note (i), (ii))	–	808	202	–	2	–	1,012
Ms. Kwai Ching Denise LAU (Note (ii))	–	485	202	13	2	–	702
Mr. Wing Shing CHEN (Note (ii))	–	372	155	22	2	18	569
Mr. Ching Chung John CHOW (Note (iv))	–	168	–	7	9	9	193
Non-executive directors							
Dr. Yi ZHOU	–	–	–	–	–	–	–
Mr. Ting San Peter Lionel LEUNG (Note (iii))	19	–	–	–	–	–	19
Mr. Ching Chung John CHOW (Note (iv))	10	–	–	–	–	–	10
Independent non-executive directors							
Mr. Yip Keung CHAN	31	–	–	–	–	–	31
Mr. Ka Keung LAU	31	–	–	–	–	–	31
Dr. Lai Fan Gloria TAM	31	–	–	–	–	–	31
	122	1,833	559	42	15	27	2,598

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (continued)

(b) Directors' and chief executive's emoluments (continued)

For the year ended December 31, 2022

Name	Fees US$'000	Salaries US$'000	Discretionary bonuses US$'000	Allowance and benefits in kind US$'000	Employer's contribution to a retirement benefit scheme US$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Group US$'000	Total US$'000
Executive directors							
Mr. David CHIEN (Note (i), (ii))	–	769	449	–	2	–	1,220
Ms. Kwai Ching Denise LAU (Note (ii))	–	462	269	–	2	–	733
Mr. Wing Shing CHEN (Note (ii))	–	354	383	20	2	29	788
Mr. Ching Chung John CHOW (Note (ii))	–	235	–	8	17	15	275
Non-executive director							
Dr. Yi ZHOU	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yip Keung CHAN (Note (v))	1	–	–	–	–	–	1
Mr. Ka Keung LAU (Note (v))	1	–	–	–	–	–	1
Dr. Lai Fan Gloria TAM (Note (v))	1	–	–	–	–	–	1
	3	1,820	1,101	28	23	44	3,019

Notes:

(i) Mr. David CHIEN is the Chief Executive Officer of the Company.

(ii) Also identified as the chief executive of the Company.

(iii) Mr. Ting San Peter Lionel LEUNG is appointed as non-executive director of the Company on May 23, 2023.

(iv) Mr. Ching Chung John CHOW has retired from the Group of all executive roles and has been re-designated as a non-executive director with effect from September 7, 2023.

(v) Mr. Yip Keung CHAN, Mr. Ka Keung LAU and Dr. Lai Fan Gloria TAM were appointed as the Company's independent non-executive directors on November 29, 2022.

The remuneration shown above represented remuneration received from the Group by these directors in their capacity as employees to the Group and no directors waived any emolument during the year ended December 31, 2023 (2022: Nil).

No emoluments were paid by the Group to the directors as an inducement to join the Company or the Group, or as compensation for loss of office during the year ended December 31, 2023 (2022: Nil).

(c) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended December 31, 2023 (2022: None).

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION) (continued)

(d) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2023, no consideration was provided to or receivable by third parties for making available directors' services (2022: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended December 31, 2023 (2022: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of year or at any time during the year ended December 31, 2023 (2022: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2022: three) directors, whose emoluments were reflected in Note 9(b). The emoluments paid to the remaining three (2022: two) individuals, respectively, are as follows:

	2023 US$'000	2022 US$'000
Basic salaries, bonuses, housing allowances, other allowances, share options and others	**1,679**	1,500
Discretionary bonus	**229**	37
Contribution to pension scheme	**61**	14
	1,969	1,551

The emoluments of above individuals are within the following bands:

	2023	2022
HK$2,500,001–HK$3,000,000 (equivalent to US$320,514–US$384,615)	**–**	–
HK$4,000,001–HK$4,500,000 (equivalent to US$512,822–US$576,923)	**–**	–
HK$4,500,001–HK$5,000,000 (equivalent to US$576,924–US$641,026)	**1**	–
HK$5,000,001–HK$5,500,000 (equivalent to US$641,027–US$705,128)	**1**	1
HK$5,500,001–HK$6,000,000 (equivalent to US$705,129–US$769,231)	**1**	–
HK$7,000,001–HK$7,500,000 (equivalent to US$897,437–US$961,539)	**–**	1
	3	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year (2022: Nil).

10 FINANCE INCOME — NET

	2023 US$'000	2022 US$'000
Finance income:		
— Interest income from bank deposits	**10,106**	2,387
— Interest income from financial assets at fair value through profit or loss	**560**	—
	10,666	2,387
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)
	(142)	(1,469)
Finance income — net	**10,524**	918

Accounting policies of finance income and cost

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

11 INCOME TAX EXPENSE

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

11 INCOME TAX EXPENSE (continued)

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 Netherlands subsidiaries.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profit of the consolidated entities as follows:

	2023 US$'000	2022 US$'000
Profit before income tax	**49,628**	21,791
Tax calculated at domestic tax rates applicable to profit in the respective countries/regions	**6,528**	4,607
Income not subject to tax	**(1,215)**	(1,131)
Expenses not deductible for tax purposes	**552**	902
Effect of unrecognized temporary differences	**204**	498
Effect of unrecognized tax losses	**8**	576
Utilization of previously unrecognized tax losses	**(1,658)**	(2,202)
Under-provision in prior year	**136**	50
Income tax expense	**4,555**	3,300

11 INCOME TAX EXPENSE (continued)

Accounting policies of current income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

12 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$82,979,000 (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.

13 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 (US$'000)	**45,073**	18,491
Weighted average number of ordinary shares in issue (thousand shares)	**827,767**	583,086
Basic earnings per share (US cents)	**5.45**	3.17

Upon initial public offering completed on December 23, 2022, the Company issued new shares and converted 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, which were accounted for time apportion basis.

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.

13 EARNINGS PER SHARE (continued)

(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 (Note 27) that are potential ordinary shares (2022: share options and convertible redeemable preferred shares that are 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 (US$'000)	**45,073**	18,491
Adjustment for convertible redeemable preferred shares (US$'000)	**–**	1,336
Adjusted profit attributable to owners of the Company (US$'000)	**45,073**	19,827
Weighted average number of ordinary shares in issue (thousand shares)	**827,767**	583,086
Adjustments for:		
Weighted average number of convertible redeemable preferred shares (thousand shares)	**–**	191,398
Weighted average number of share options (thousand shares)	**5,195**	1,905
Adjusted weighted average number of ordinary shares (thousand shares)	**832,962**	776,389
Diluted earnings per share (US cents)	**5.41**	2.55

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Computer equipment US$'000	Construction-in-progress US$'000	Total US$'000
At January 1, 2023								
Cost	5,227	4,044	17,702	1,767	418	2,203	396	31,757
Accumulated depreciation	(4,622)	(3,404)	(11,730)	(1,293)	(367)	(1,857)	–	(23,273)
Net book amount	605	640	5,972	474	51	346	396	8,484
Year ended December 31, 2023								
Opening net book amount	605	640	5,972	474	51	346	396	8,484
Additions	34	599	56	451	–	159	4,484	5,783
Acquisition of subsidiaries	386	–	34	343	127	195	–	1,085
Transfer	–	93	1,273	7	70	8	(1,451)	–
Disposals	–	–	(81)	(462)	–	(1)	–	(544)
Depreciation	(18)	(290)	(975)	(349)	(25)	(133)	–	(1,790)
Currency translation differences	–	(4)	(4)	3	(1)	(1)	–	(7)
Closing net book amount	1,007	1,038	6,275	467	222	573	3,429	13,011
At December 31, 2023								
Cost	5,647	4,743	18,662	1,186	613	2,526	3,429	36,806
Accumulated depreciation	(4,640)	(3,705)	(12,387)	(719)	(391)	(1,953)	–	(23,795)
Net book amount	1,007	1,038	6,275	467	222	573	3,429	13,011

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Computer equipment US$'000	Construction-in-progress US$'000	Total US$'000
At January 1, 2022								
Cost	5,227	4,123	17,240	2,084	393	2,176	26	31,269
Accumulated depreciation	(4,525)	(3,309)	(11,326)	(1,059)	(358)	(1,818)	–	(22,395)
Net book amount	702	814	5,914	1,025	35	358	26	8,874
Year ended December 31, 2022								
Opening net book amount	702	814	5,914	1,025	35	358	26	8,874
Additions	–	79	584	287	33	146	889	2,018
Transfer	–	–	519	–	–	–	(519)	–
Disposals	–	–	(56)	(95)	–	–	–	(151)
Depreciation	(97)	(218)	(954)	(390)	(16)	(144)	–	(1,819)
Written off	–	(25)	–	(316)	–	–	–	(341)
Currency translation differences	–	(10)	(35)	(37)	(1)	(14)	–	(97)
Closing net book amount	605	640	5,972	474	51	346	396	8,484
At December 31, 2022								
Cost	5,227	4,044	17,702	1,767	418	2,203	396	31,757
Accumulated depreciation	(4,622)	(3,404)	(11,730)	(1,293)	(367)	(1,857)	–	(23,273)
Net book amount	605	640	5,972	474	51	346	396	8,484

Depreciation expenses have been charged in the following categories in the consolidated statement of profit or loss:

	2023 US$'000	2022 US$'000
Cost of sales	**708**	670
Selling and distribution expenses	**75**	77
General and administrative expenses	**633**	674
Research and development expenses	**374**	398
	1,790	1,819

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation methods and useful lives

Buildings comprise mainly factories and offices. Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of 10 years or the lease term
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	4 to 10 years
Motor vehicles	3 to 5 years
Computer equipment	3 to 5 years

Construction-in-progress represents plant and machinery, leasehold improvements, furniture, fixtures and equipment, motor vehicles and computer equipment on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 40.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses) — net" in the consolidated statement of profit or loss.

15 LEASES

(a) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2023 US$'000	2022 US$'000
Right-of-use assets		
Buildings	2,917	3,696
Land use rights	2,383	703
Motor vehicles	79	16
Office equipment	76	75
	5,455	4,490
Lease liabilities		
Current	1,870	1,679
Non-current	1,356	2,349
	3,226	4,028

Additions to the right-of-use assets during the year ended December 31, 2023 were approximately US$2,468,000 (2022: US$849,000).

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2023 US$'000	2022 US$'000
Depreciation charge of right-of-use assets		
Buildings	1,773	1,474
Land use rights	26	26
Motor vehicles	8	25
Office equipment	24	23
	1,831	1,548
Short-term lease expense in respect of office premises	923	990
Interest expense (included in finance costs)	130	116
Gain on lease modification	14	2

The total cash outflow for leases for the year ended December 31, 2023 was US$2,892,000 (2022: US$2,529,000).

15 LEASES (continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases office premises, warehouses, office equipment and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options as described in (d) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also obtained the land use right through lease contract with local government in the PRC with 50 years term.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

15 LEASES (continued)

(c) The Group's leasing activities and how these are accounted for (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations.

16 SUBSIDIARIES

The following is a list of the principal subsidiaries as at December 31, 2023:

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group 2023	Ownership interest held by the Group 2022	Principal activities and place of operation
Indirectly owned					
OrbusNeich Medical B.V.	The Netherlands, July 13, 2006, limited liability company	EUR18,000	100%	100%	Manufacturing of medical devices/ instruments, the Netherlands
OrbusNeich Medical Company Limited (業聚醫療有限公司)	Hong Kong, February 23, 1998, limited liability company	HK$2	100%	100%	Trading, sales and marketing of medical devices/instruments, Hong Kong
OrbusNeich Medical Sdn. Bhd.	Malaysia, December 23, 2004, limited liability company	Malaysian Ringgit 2,500	100%	100%	Trading of medical devices/instruments, Malaysia
OrbusNeich Medical K.K.	Japan, September 13, 2001, limited liability company	JPY90,000,000	100%	100%	Trading, sales and marketing of medical devices/instruments, Japan
Orbus International B.V.	The Netherlands, March 10, 1999, limited liability company	EUR45,320,279	100%	100%	Trading, sales and marketing of medical devices/instruments, the Netherlands
OrbusNeich (Switzerland) AG	Switzerland, January 3, 2018, limited liability company	CHF100,000	100%	100%	Trading, sales and marketing of medical devices/instruments, Switzerland
OrbusNeich Medical Pte. Ltd.	Singapore, August 16, 1995, limited liability company	Singaporean Dollar 2	100%	100%	Trading, sales and marketing of medical devices/instruments, Singapore
OrbusNeich Medical Trading, Inc.	The United States of America (the "USA"), September 14, 2017, limited liability company	US$1	100%	100%	Research and development of medical devices/ instruments, USA

16 SUBSIDIARIES (continued)

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group 2023	2022	Principal activities and place of operation
Indirectly owned					
OrbusNeich Medical, Sociedad Limitada	Spain, July 2, 2016, limited liability company	EUR3,000	100%	100%	Trading, sales and marketing of medical devices/instruments, Spain
OrbusNeich Medical GmbH	Germany, December 1, 2007, limited liability company	EUR25,000	100%	100%	Trading, sales and marketing of medical devices/instruments, Germany
OrbusNeich Medical (Shenzhen) Company Limited (業聚醫療器械(深圳)有限公司)	People's Republic of China (the "PRC"), May 29, 2000, Wholly foreign owned enterprises	US$5,000,000	100%	100%	Manufacturing of medical devices/ instruments, the PRC
OrbusNeich Medical, Inc.	USA, July 28, 1999, limited liability company	US$193,090	100%	100%	Research and development of medical devices/ instruments, USA
OrbusNeich Medical Technology (Beijing) Company Limited (業聚醫療技術(北京)有限公司)	The PRC, July 8, 2021, limited liability company	RMB1,000,000	100%	100%	Research and development of medical devices/ instruments, the PRC
PT Revass Utama Medika ("PT Revass")	Indonesia, September 30, 2010, limited liability company	IDR62,500,000,000	84%	N/A	Trading, sales and marketing of medical devices/instruments, Indonesia
SJ Medicare Co., Ltd. ("SJ Medicare")	Korea, May 7, 2014, limited liability company	KRW50,000,000	100%	N/A	Trading, sales and marketing of medical devices/instruments, Korea
eucatech AG ("eucatech")	Germany, June 20, 1997, limited liability company	EUR50,000	100%	N/A	Manufacturing of medical devices/ instruments, Germany

17 DEFERRED INCOME TAX

The analysis of deferred income tax are as follows:

	2023 US$'000	2022 US$'000
Deferred income tax assets	**3,541**	2,834
Deferred income tax liabilities	**(967)**	—
	2,574	2,834

The movements on the net deferred income tax account are as follows:

	2023 US$'000	2022 US$'000
Beginning of year	**2,834**	2,859
Acquisition of subsidiaries	**(921)**	—
Credited/(charged) to the consolidated statement of profit or loss (Note 11)	**659**	(24)
Exchange difference	**2**	(1)
End of year	**2,574**	2,834

The movements in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Others US$'000	Lease liabilities US$'000	Pension obligation US$'000	Tax losses US$'000	Total US$'000
At January 1, 2022	2,776	290	—	83	3,149
(Charged)/credited to the consolidated statement of profit or loss	(133)	(30)	—	109	(54)
Exchange difference	—	—	—	(1)	(1)
At December 31, 2022 and January 1, 2023	**2,643**	**260**	**—**	**191**	**3,094**
Acquisition of subsidiaries	**—**	**1**	**73**	**—**	**74**
Credited/(charged) to the consolidated statement of profit or loss	**779**	**(32)**	**—**	**(160)**	**587**
Exchange difference	**—**	**2**	**—**	**1**	**3**
At December 31, 2023	**3,422**	**231**	**73**	**32**	**3,758**

17 DEFERRED INCOME TAX (continued)

The movements in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Customer relationship US$'000	Property, plant and equipment US$'000	Right-of-use assets US$'000	Total US$'000
At January 1, 2022	–	–	290	290
Charged to the consolidated statement of profit or loss	–	–	(30)	(30)
At December 31, 2022 and January 1, 2023	**–**	**–**	**260**	**260**
Acquisition of subsidiaries	**972**	**23**	**–**	**995**
Credited to the consolidated statement of profit or loss	**(4)**	**–**	**(68)**	**(72)**
Exchange difference	**–**	**–**	**1**	**1**
At December 31, 2023	**968**	**23**	**193**	**1,184**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$17,589,000 (2022: US$19,732,000) in respect of losses amounting to approximately US$78,947,000 (2022: US$85,506,000) at December 31, 2023.

The unrecognized estimated tax losses are analyzed by years from expiring as follows:

	2023 US$'000	2022 US$'000
With no expiry date	**2,309**	3,883
Within 1 year	**7**	2,237
2 to 5 years	**2,641**	4,993
6 to 10 years	**24,013**	16,673
11 to 21 years	**49,977**	57,720
	78,947	85,506

17 DEFERRED INCOME TAX (continued)

As at December 31, 2023, the Group had deductible temporary differences of approximately US$13,761,000 (2022: US$13,434,000) mainly arising from research and development tax credit, retirement benefit obligations and decelerated depreciation allowance. No deferred tax assets has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available again which the deductible temporary differences can be utilized.

Deferred income tax liabilities of approximately US$7,939,000 (2022: US$7,118,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary. Such amounts are permanently reinvested. Unremitted earnings totalled US$79,387,000 (2022: US$71,178,000) at December 31, 2023.

Accounting policies of deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss include the following:

	2023 US$'000	2022 US$'000
Life insurance policies	**1,618**	1,767
The Commodity Linked Fixed Rate Note	**—**	18,792
Total	**1,618**	20,559

During the year ended December 31, 2022, the Company acquired a commodity linked fixed rate note (the "Commodity Linked Fixed Rate Note"), which was issued by a reputable international investment bank. It was classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The accounting policy of the Commodity Linked Fixed Rate Note is disclosed in Note 40.7.

Amounts recognized in profit or loss

The following gains/(losses) were recognized in the consolidated statement of profit or loss:

	2023 US$'000	2022 US$'000
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)

Fair value measurements

For information about the methods and assumptions used in determining fair value, please refer to Note 3.3.

19 INTANGIBLE ASSETS

	Capitalized development costs US$'000	Customer relationship US$'000	Computer software US$'000	License US$'000	Total US$'000
Year ended December 31, 2023					
Opening net book amount	**3,186**	**871**	**—**	**—**	**4,057**
Additions	**397**	**—**	**—**	**1,298**	**1,695**
Acquisitions of subsidiaries	**—**	**4,399**	**32**	**—**	**4,431**
Amortization charge	**(432)**	**(152)**	**—**	**—**	**(584)**
Exchange difference	**(39)**	**—**	**—**	**—**	**(39)**
Closing net book amount	**3,112**	**5,118**	**32**	**1,298**	**9,560**
At December 31, 2023					
Cost	**4,367**	**5,575**	**32**	**1,298**	**11,272**
Accumulated amortization	**(1,255)**	**(457)**	**—**	**—**	**(1,712)**
Closing net book amount	**3,112**	**5,118**	**32**	**1,298**	**9,560**
Year ended December 31, 2022					
Opening net book amount	3,265	1,002	—	—	4,267
Additions	437	—	—	—	437
Amortization charge	(384)	(131)	—	—	(515)
Exchange difference	(132)	—	—	—	(132)
Closing net book amount	3,186	871	—	—	4,057
At December 31, 2022					
Cost	4,022	1,176	—	—	5,198
Accumulated amortization	(836)	(305)	—	—	(1,141)
Closing net book amount	3,186	871	—	—	4,057

Amortization expenses have been charged in the following categories in the consolidated statement of profit or loss:

	2023 US$'000	2022 US$'000
Selling and distribution expenses	**152**	131
Research and development expenses	**432**	384
	584	515

19 INTANGIBLE ASSETS (continued)

Amortization methods and useful lives

Intangible assets comprise (i) expenditure on product development activities; (ii) customer relationship; (iii) computer software and (iv) license.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have finite useful lives and are carried at costs less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Capitalized development costs	10 years
Customer relationships	8–10 years
Computer software	4 years
License	10 years

20 GOODWILL

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to business and geographical segments.

A summary of the goodwill allocation to each CGU is presented below:

	2023 **US$'000**	2022 US$'000
Net carrying amount		
OrbusNeich (Switzerland) AG	**1,749**	1,749
PT Revass	**7,128**	—
SJ Medicare	**1,773**	—
eucatech	**2,309**	—
	12,959	1,749

Impairment tests for goodwill arising from OrbusNeich (Switzerland) AG

The recoverable amounts of the CGUs relating to OrbusNeich (Switzerland) AG are determined based on value-in-use calculation. The calculation uses cash flow projections prepared based on financial budgets approved by the management covering a period of three years. Cash flows beyond the budget period is extrapolated using an estimated growth rate which does not exceed the long-term average growth rate in which the CGU operates.

20 GOODWILL (continued)

Impairment tests for goodwill arising from OrbusNeich (Switzerland) AG (continued)

The key parameters used for value-in-use calculations are as follows:

	2023	2022
Revenue growth rate	13.0% to 16.3%	15.9% to 16.9%
Gross margin	30.9%	34.0%
Profit margin	9.2% to 12.1%	10.3% to 13.8%
Terminal growth rate	1.7%	1.5%
Pre-tax discount rate	26.0%	27.3%

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development.

As at December 31, 2023, the recoverable amount calculated based on the value-in-use calculation exceeded the carrying amount of the CGU by approximately US$253,000 (2022: US$436,000). The directors of the Company performed sensitivity analysis based on the key assumptions and considered that a reasonable possible changes on the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

With all other variables held constant, the management estimates the headroom would drop to zero as at December 31, 2023 and 2022, with any one of the following parameters:

	2023	2022
Revenue growth rate	Decrease to 11.7% to 15.0%	Decrease to 13.0% to 13.6%
Gross margin	Decrease to 30.1%	Decrease to 32.2%
Profit margin	Decrease to 8.6% to 11.4%	Decrease to 9.2% to 12.3%
Pre-tax discount rate	Increase to 30.3%	Increase to 35.9%

As at December 31, 2023 and 2022, the management is not aware of any significant adverse changes on the development of the Group, which indicates that the carrying amount of the CGU exceeds the recoverable amount.

Impairment tests for goodwill arising from PT Revass, SJ Medicare and eucatech

Management has undertaken impairment assessment to the goodwill arising from acquisitions of PT Revass, SJ Medicare and eucatech at year ended December 31, 2023. Since the acquisitions took place close to the year end date and management is not aware of any indicator of impairment, it was considered that no impairment should be recognized to the associated goodwill in view of the fact that there was no significant adverse changes of the financial performance and development of PT Revass, SJ Medicare and eucatech since acquisition date. No sensitivity analysis for the associated goodwill impairment is disclosed as in the opinion of management that it will not provide useful and meaningful information to the financial statement users.

20 GOODWILL (continued)

Accounting policies of goodwill

Goodwill arising on the acquisition of subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

In accordance with the Group's accounting policies, goodwill is tested for impairment at least on an annual basis at each year end.

21 INTEREST IN A JOINT VENTURE

	2023 US$'000	2022 US$'000
Share of net assets:		
Beginning of year	**4,645**	4,844
Share of loss of a joint venture	**(835)**	(199)
End of year	**3,810**	4,645
Advance to a joint venture (Note)	**10,110**	7,003
	13,920	11,648

Note: As at December 31, 2023 and 2022, management classified such amount due from joint venture as part of the Group's net investment in such joint venture.

The advance to a joint venture was non-trade in nature, unsecured, interest free and would not be demanded for repayment within 12 months from the end of the reporting period. The carrying amount approximate their fair values and are denominated in US$.

Nature of investment in a joint venture:

Name	Registered capital	Place of incorporation	Principal activities	Percentage of interest held 2023	Percentage of interest held 2022
OrbusNeich P+F Company Limited	US$50,000	The BVI	Investment holding	**50%**	50%

21 INTEREST IN A JOINT VENTURE (continued)

OrbusNeich P+F Company Limited and its subsidiaries are principally engaged in the manufacturing and distribution of heart valve products.

Set out below are the summarized financial information of the joint venture, which is accounted for using the equity method.

Summarized consolidated balance sheet

	2023 US$'000	2022 US$'000
Current assets	**1,440**	1,850
Non-current assets	**12,278**	9,936
Current liabilities	**(11,196)**	(7,595)
Net assets	**2,522**	4,191
Reconciliation to carrying amount:		
Net assets	**2,522**	4,191
Group's interest	**50%**	50%
Group's share of net assets	**1,261**	2,096
Goodwill	**2,549**	2,549
Carrying amount	**3,810**	4,645

Summarized consolidated statement of comprehensive income

	2023 US$'000	2022 US$'000
Revenue	**556**	474
Loss for the year	**(1,671)**	(399)
Other comprehensive income	**—**	—
Total comprehensive loss	**(1,671)**	(399)

Commitment in respect of the joint venture:

	2023 US$'000	2022 US$'000
Commitment to providing funding to a joint venture	**5,031**	4,917

There are no contingent liabilities relating to the Group's interest in the joint venture.

21 INTEREST IN A JOINT VENTURE (continued)

Accounting policies of joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be joint venture. Joint venture is accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from a joint venture are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 40.6.

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 US$'000	2022 US$'000
Deposits	1,306	977
Prepayments	5,163	2,961
Other receivables	7,307	2,146
	13,776	6,084
Less non-current portion:		
Deposits	(872)	(524)
Prepayments for property, plant and equipment	(1,041)	(1,028)
Prepayments for intangible assets	(204)	(204)
	(2,117)	(1,756)
Current portion	11,659	4,328

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Deposits, prepayments and other receivables are denominated in the following currencies:

	2023 US$'000	2022 US$'000
JPY	**325**	296
US$	**8,940**	3,059
RMB	**1,151**	1,113
EUR	**1,007**	761
HK$	**842**	656
Indonesia Rupiah ("IDR")	**843**	—
CHF	**413**	72
Other currencies	**255**	127
	13,776	6,084

The carrying amounts of deposits and other receivables approximate their fair values.

The deposits and other receivables do not contain impaired assets.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the deposits and other receivables. The Group does not hold any collateral as security.

Accounting policies of other receivables

Other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the others receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

23 INVENTORIES

	2023 US$'000	2022 US$'000
Raw materials	**21,443**	15,076
Work in progress	**3,115**	3,229
Finished goods	**17,771**	12,188
Inventories — gross	**42,329**	30,493
Less: Provision for inventories (Note)	**(903)**	(1,093)
	41,426	29,400

Note:

The cost of inventories recognized as expense and provision for inventories included in 'cost of sales' for the year ended December 31, 2023 amounting to approximately US$26,833,000 (2022: US$23,417,000) and US$457,000 (2022: US$901,000), respectively.

23 INVENTORIES (continued)

Accounting policies of inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

24 TRADE RECEIVABLES

	2023 US$'000	2022 US$'000
Trade receivables (Note)	**38,646**	34,064
Loss allowance	**(680)**	(1,742)
Trade receivables, net	**37,966**	32,322

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 US$'000	2022 US$'000
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
	38,646	34,064

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

	2023 US$'000	2022 US$'000
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)
End of year	**680**	1,742

24 TRADE RECEIVABLES (continued)

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 US$'000	2022 US$'000
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
	37,966	32,322

Accounting policies of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 to 180 days and therefore are all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies and exposure to credit risk.

25 CASH AND BANK BALANCES

	2023 US$'000	2022 US$'000
Cash at banks and on hand	**58,252**	86,646
Short-term bank deposits (Note)	**197,527**	142,500
	255,779	229,146

Note: Short-term bank deposits were deposits with original maturities over three months and less than one year and denominated in US$.

25 CASH AND BANK BALANCES (continued)

Cash at banks and on hand include the following:

	2023 US$'000	2022 US$'000
Cash and bank balances	**56,726**	85,364
Time deposits with original maturity of less than three months	**1,526**	1,282
	58,252	86,646

Cash and bank balances are denominated in the following currencies:

	2023 US$'000	2022 US$'000
JPY	**7,647**	4,644
US$	**229,417**	183,912
RMB	**8,083**	517
EUR	**4,643**	6,993
HK$	**1,242**	29,451
Other currencies	**4,747**	3,629
	255,779	229,146

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at December 31, 2023, the Group held RMB denominated cash and bank balances totalling approximately US$8,017,000 (2022: US$414,000) which were kept in the PRC, the conversion and remittance of which are subject to these rules and regulations.

Interest rates of short-term bank deposits (2022: short-term bank deposits and pledged bank deposit) ranged from 3.2% to 6.3% per annum (2022: 0.5% to 5.2% per annum) for the year ended December 31, 2023.

The carrying amounts of cash and cash equivalents and short-term bank deposits approximate their fair values.

Accounting policies of cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits with original maturities more than three months are included within "Cash and bank balances" in the consolidated balance sheet.

26 SHARE CAPITAL

	Number of shares	Share capital US$'000
Authorized:		
At January 1, 2022	6,000,000,000	600
Share consolidation (Note (a))	(4,800,000,000)	—
At December 31, 2022 and 2023	1,200,000,000	600
Represented by:		
Ordinary shares	1,200,000,000	600
At December 31, 2022 and 2023	1,200,000,000	600
Issued and fully paid:		
At January 1, 2022	2,884,499,621	288
Share redesignation from Preferred Shares (Note (a))	981,185,067	99
Share consolidation (Note (a))	(3,092,547,751)	—
Share issued in the IPO (Note (b))	54,633,000	27
At December 31, 2022	827,769,937	414
Shares issued under share option scheme	198,400	—*
At December 31, 2023	827,968,337	414

* The amount is less than US$1,000.

Notes:

(a) Pursuant to shareholders' resolution passed on December 5, 2022, the shareholders of the Company resolved that all the Preferred Shares be redesignated and reclassified as ordinary shares on a 1:1 basis, with effect immediately upon listing of December 23, 2022. Following such share redesignation, every five shares with par value of US$0.0001 each in the Company's issued and unissued share capital were consolidated into one share of the corresponding class with par value of US$0.0005 each. As a result, the authorized share capital of the Company became US$600,000 divided into 1,200,000,000 shares of US$0.0005 each, and the issued share capital of the Company was divided from 3,865,684,688 shares to 773,136,937 shares.

(b) On December 23, 2022, the Company's shares have been listed on the HKSE by issuing 54,633,000 ordinary shares at a price of HK$8.8 per share for cash, before related issuance expenses, of approximately HK$480,770,000 (equivalent to approximately US$61,637,000). Accordingly, 54,633,000 ordinary shares with par value of US$0.0005 each are issued and US$27,000 was credited to share capital, and remaining amounts, after netting of listing expenses directly attributable to the issue of new shares amounting to US$3,911,000, was credited to share premium.

(c) Details of shares held for the share award schemes is set out in Note 27(b).

27 SHARE-BASED PAYMENTS

(a) Share option schemes

2021 share option scheme

OrbusNeich Medical Group Limited ("ONM Group Ltd."), a subsidiary of the Company, set up a share incentive plan: 2020 share option scheme on January 1, 2021 in which the directors and selected employees of the Group are eligible to purchase the ordinary shares of ONM Group Ltd.

On September 28, 2021, due to the reorganization, the Company renamed the amended scheme as 2021 share option scheme, in which the directors and selected employees of the Group are eligible to purchase the ordinary shares of the Company, instead of ONM Group Ltd.

The share option scheme will remain in force for 10 years and will be expired on January 1, 2031. Outstanding share options under the scheme remain valid and exercisable starting 10 years from the grant date. The exercise price of the granted options and vesting condition are determined by the board of directors of the Company and stated in the agreement for such grant. The options are vested over periods of one to four years from the grant date and the exercise price of each option ranged from US$0.1 to US$0.2 (approximately HK$0.78 to HK$1.56).

During the year ended December 31, 2022, 49,814,500 share options with average exercise price of US$0.18 (approximately HK$1.40) per share option were issued.

Pursuant to shareholders' resolution passed on December 5, 2022, the shareholders of the Company resolved that following the share redesignation in Note 26(a), every five shares with par value of US$0.0001 each in the Company's issued and unissued share capital were consolidated into one share of the corresponding class with par value of US$0.0005 each. As a result, the share options outstanding at the end of the year have been consolidated from 46,374,500 shares to 9,274,900 shares and the exercise prices have been revised accordingly.

During the year ended December 31, 2023, 198,400 share options of 2021 share option scheme were exercised (2022: Nil).

Post IPO share option scheme

On July 10, 2023, the Company set up a share incentive plan: Post-IPO Share Option Scheme in which the directors and selected employees of the Group are eligible to purchase the ordinary shares of the Company.

The share option scheme will remain in force for 10 years and will be expired on July 10, 2033. Outstanding shares options under the scheme remain valid and exercisable starting 10 years from the grant date. The exercise price of the granted options and vesting condition are determined by the board of directors of the Company and stated in the agreement for such grant. The options re vested over periods of one to four years from the grant date and the exercise price of each option is HK$9.00.

During the year ended December 31, 2023, 6,172,000 share options with exercise price of HK$9.00 per share option were issued.

During the year ended December 31, 2023, no share options of Post IPO share option scheme were exercised.

27 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

Movements in the number of share options outstanding during the year are as follows:

	2021 share option scheme Number of shares	Post IPO share option scheme Number of shares
At January 1, 2022	49,814,500	—
Forfeited during the year	(3,440,000)	—
Share consolidation	(37,099,600)	—
At December 31, 2022	**9,274,900**	**—**
Addition during the year	**—**	**6,172,000**
Exercised during the year	**(198,400)**	**—**
Forfeited during the year	**(180,000)**	**(220,000)**
At December 31, 2023	**8,896,500**	**5,952,000**

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share option 2023	Options 2023	Exercise price in HK$ per share option 2022	Options 2022
2031	**3.90**	**48,500**	3.90	76,900
2031	**5.85**	**3,480,000**	5.85	3,630,000
2031	**7.80**	**5,368,000**	7.80	5,568,000
2033	**9.00**	**5,952,000**	9.00	—
		14,848,500		9,274,900

During the year ended December 31, 2023, 6,172,000 share options were granted (2022: Nil).

The weighted average fair value of options granted during the year ended December 31, 2023 determined using the Polynomial option price model was HK$3.75 per option. The significant input into the model were exercise price of HK$9.00, spot price of the Company of HK$8.57 per share, expected volatility of 44.07% based on the historical volatilities of the comparable companies, 0% expected dividend yield, an expected option life of 10 years and risk-free rate of 4.07%. See Note 9 for the total expense recognized in the consolidated statement of profit or loss for share options granted to directors and selected employees.

27 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes

On March, 8 2023 and May 16, 2023, the board of directors approved to adopt share award schemes. Under the schemes, the Company may grant shares of the Company to certain selected participants at specified consideration.

Pursuant to the scheme rules, existing issued shares will be purchased by the trustee of the schemes (the "Trustee") from the market out of funds provided by the Company in accordance with the scheme rules.

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.

As at December 31, 2023, no share award was granted (2022: Nil) to selected participants and 945,500 shares (2022: Nil) were held by the Trustee under the schemes.

Movements in the shares held for the share award schemes are as follows:

	Share Award Scheme A		Share Award Scheme B		Total	
	Number of shares	US$'000	Number of shares	US$'000	Number of shares	US$'000
At January 1 2022, December 31, 2022 and January 1, 2023	—	—	—	—	—	—
Purchase of shares by the Trust	476,500	411	469,000	404	945,500	815
At December 31, 2023	476,500	411	469,000	404	945,500	815

28 OTHER RESERVES AND ACCUMULATED LOSSES

	Other reserve US$'000 (Note (c))	Share premium US$'000	Currency translation reserve US$'000	Statutory reserve US$'000 (Note (a))	Share-based compensation reserve US$'000	Treasury shares reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2023	178,699	277,710	(17,486)	2,503	4,545	–	(123,819)	322,152	–	322,152
Profit for the year	–	–	–	–	–	–	45,073	45,073	–	45,073
Other comprehensive income:										
– Remeasurements of post-employment benefit obligations	–	–	–	–	–	–	3	3	–	3
– Currency translation differences	–	–	309	–	–	–	–	309	–	309
Total other comprehensive income, net of tax	–	–	309	–	–	–	3	312	–	312
Total comprehensive income	–	–	309	–	–	–	45,076	45,385	–	45,385
Transactions with owners:										
– Employee share option scheme: value of employee services	–	–	–	–	1,080	–	–	1,080	–	1,080
– Exercise of share options	–	232	–	–	(48)	–	–	184	–	184
– Forfeiture of share options	–	–	–	–	(32)	–	32	–	–	–
– Acquisition of shares by the Trustee of the share awards scheme (Note (d))	–	–	–	–	–	(815)	–	(815)	–	(815)
– Non-controlling interests on acquisition of a subsidiary (Note 34)	–	–	–	–	–	–	–	–	1,018	1,018
– Transfer from statutory reserve	–	–	–	(4)	–	–	4	–	–	–
Total transactions with owners	–	232	–	(4)	1,000	(815)	36	449	1,018	1,467
At December 31, 2023	178,699	277,942	(17,177)	2,499	5,545	(815)	(78,707)	367,986	1,018	369,004

28 OTHER RESERVES AND ACCUMULATED LOSSES (continued)

	Other reserve US$'000 (Note (c))	Share premium US$'000	Currency translation reserve US$'000	Statutory reserve US$'000 (Note (a))	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2022	333,762	–	(14,700)	2,503	3,944	(142,685)	182,824
Profit for the year	–	–	–	–	–	18,491	18,491
Other comprehensive income/(loss):							
– Remeasurements of post-employment benefit obligations	–	–	–	–	–	292	292
– Currency translation differences	–	–	(2,786)	–	–	–	(2,786)
Total other comprehensive income/(loss), net of tax	–	–	(2,786)	–	–	292	(2,494)
Total comprehensive (loss)/income	–	–	(2,786)	–	–	18,783	15,997
Transactions with owners:							
– Share issued in the IPO (Note 26(b))	–	61,610	–	–	–	–	61,610
– Share issuance costs (Note 26(b))	–	(3,911)	–	–	–	–	(3,911)
– Share redesignation from Preferred Shares to ordinary shares upon listing (Note 26(a))	(220,110)	220,011	–	–	–	–	(99)
– Reclassification from financial liabilities to equity for Series A Preferred Shares (Note (b))	65,047	–	–	–	–	–	65,047
– Employee share option scheme: value of employee services	–	–	–	–	684	–	684
– Forfeiture of share options	–	–	–	–	(83)	83	–
Total transactions with owners	(155,063)	277,710	–	–	601	83	123,331
At December 31, 2022	178,699	277,710	(17,486)	2,503	4,545	(123,819)	322,152

28 OTHER RESERVES AND ACCUMULATED LOSSES (continued)

Notes:

(a) Statutory reserve is non-distributable and the transfers of these funds are in accordance with law and regulations in the PRC. The subsidiary established in the PRC is required to make appropriations to certain statutory reserves from profit for the year after offsetting accumulated losses from prior years and before any profit distribution to equity holders. The percentages to be appropriated to different statutory reserves are determined according to the relevant regulations in the PRC or at the discretion of the directors of the subsidiary. Such statutory reserves can only be used to offset accumulated losses, to increase capital, or for special bonus or collective welfare of employees. These statutory reserves cannot be distributed to equity holders of the subsidiary.

(b) During the year ended December 31, 2022, upon the fulfilment of condition attached in the Series A shares subscription agreement, the conversion adjustment right granted to the holders of series A Preferred Shares ("Series A Preferred Shares") are terminated and therefore all the activities that may cause adjustment to the conversion ratio of the Series A Preferred Shares are within the control of the Company. As such, the Series A Preferred Shares amounting to US$65,047,000 were reclassified from liability to equity and accounted for as other reserve.

(c) As at December 31, 2023, other reserves included a waived balance due by OrbusNeich Medical Group Limited, amounting to US$187,828,000, net with deemed distribution of US$8,841,000 and share swap of US$288,000 during the reorganization in 2021.

(d) 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 Company, at a total cost of approximately US$815,000.

29 RETIREMENT BENEFIT OBLIGATIONS

The amounts recognized in the consolidated balance sheet are determined as follows:

	2023 **US$'000**	2022 US$'000
Present value of unfunded obligations:		
Accrued severance liabilities (Note (a))	**90**	—
Defined benefit retirement plans (Note (b))	**2,689**	2,333
	2,779	2,333

Notes:

(a) Employee in Korea with more than one year of service is entitled to receive a lump-sum severance payment upon retirement, based on the length of service and the standard payment rate.

(b) The defined benefit retirement plan of the subsidiary in Japan is an unfunded pension plans for full-time employees upon retirement or resignation. The subsidiary in Indonesia recognized unfunded employee benefits liability in accordance with the prevailing labour laws in Indonesia. The level of benefits provided depends on the employees' length of service. The defined benefit retirement plans are measured at present values which are determined with reference to the valuation performed by independent qualified professional valuers. The valuations were carried out by projected unit credit method.

29 RETIREMENT BENEFIT OBLIGATIONS (continued)

The movements in the defined benefit obligations during the year are as follows:

	Present value of obligations	
	2023 US$'000	2022 US$'000
Beginning of year	**2,333**	2,755
Current service cost	**268**	285
Interest expense	**11**	1
	279	286
Remeasurements:		
— Loss from change in financial assumptions	**36**	93
— Experience gain	**(39)**	(385)
	(3)	(292)
Acquisition of a subsidiary	**332**	—
Currency translation differences	**(127)**	(389)
Payments from plans	**(125)**	(27)
At end of year	**2,689**	2,333

The significant actuarial assumptions were as follows:

	2023		2022
	Japan	**Indonesia**	Japan
Discount rate (per annum)	**0.95%**	**7.0%**	0.77%
Turnover rate (average)	**9.12%**	**10.78%**	12.79%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the territory.

29 RETIREMENT BENEFIT OBLIGATIONS (continued)

The sensitivity of the defined benefit obligations to changes in the assumption is:

			Impact on the valuation of the defined benefit obligations	
		Change in assumption	**Increase in assumption**	**Decrease in assumption**
At December 31, 2023				
Discount rate	Japan	**0.5%**	**Decrease by 4.9%**	**Increase by 5.3%**
	Indonesia	**1.0%**	**Decrease by 8.6%**	**Increase by 10.6%**
At December 31, 2022				
Discount rate	Japan	0.5%	Decrease by 4.3%	Increase by 4.6%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The sensitivity of other unobservable inputs are not expected to have significant impact on the defined benefit obligation as at December 31, 2023 and 2022.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected contributions to the defined benefit scheme by the Group for the twelve months ending December 31, 2024 are approximately US$126,000.

For the year ended December 31, 2023, the weighted average duration of the defined benefit obligations are 10.7 years and 26.5 years for subsidiaries in Japan and Indonesia respectively (2022: 8.0 years in Japan). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At December 31, 2023				
Defined benefit obligations	**115**	**156**	**359**	**2,629**
At December 31, 2022				
Defined benefit obligation	184	157	541	1,622

29 RETIREMENT BENEFIT OBLIGATIONS (continued)

Accounting policies on retirement benefit obligations

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Past-service costs are recognized immediately in consolidated statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in accumulated losses in the consolidated statement of changes in equity and in the consolidated balance sheet.

30 TRADE PAYABLES

	2023 US$'000	2022 US$'000
Trade payables	**4,815**	4,065

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 US$'000	2022 US$'000
0 to 30 days	**3,833**	3,392
31 to 60 days	**370**	288
61 to 90 days	**274**	191
Over 90 days	**338**	194
	4,815	4,065

Trade payables are denominated in the following currencies:

	2023 US$'000	2022 US$'000
US$	**3,214**	3,322
RMB	**1,318**	399
EUR	**233**	311
Other currencies	**50**	33
	4,815	4,065

30 TRADE PAYABLES (continued)

Accounting policies of trade payables

The amount represents liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

31 ACCRUALS AND OTHER PAYABLES

	2023 US$'000	2022 US$'000
Accrued expenses	11,612	11,200
Accrued listing expenses	—	3,206
Consideration payable of acquisition of a subsidiary	470	—
Other payables	3,622	1,533
	15,704	15,939

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	2023 US$'000	2022 US$'000
JPY	1,805	1,754
US$	1,365	1,897
RMB	4,345	5,397
EUR	4,185	2,257
HK$	2,050	3,995
IDR	675	—
Other currencies	1,279	639
	15,704	15,939

Accounting policies of other payables

Other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

32 BANK BORROWING

	2023 US$'000	2022 US$'000
Current		
Short-term bank borrowing — unsecured	**4,235**	—

The weighted average effective interest rate of short-term bank borrowing facilities was 3.45% per annum (2022: 2.75% per annum) for the year ended December 31, 2023. The short-term bank borrowing carries fixed interest rate at 3.45% as at December 31, 2023.

The Group has the following undrawn borrowing facilities at the end of the year:

	2023 US$'000	2022 US$'000
Total available facilities	52,612	45,000
Less: utilized facilities	(4,245)	—
Total undrawn facilities	48,367	45,000

As at December 31, 2023, the Group has available and undrawn banking facilities amounted to US$48,367,000. Among the available and undrawn facilities, US$45,000,000 were secured by the corporate guarantee given by the Company.

As at December 31, 2022, the Group has available and undrawn banking facilities from two financial institutions amounting to US$15,000,000 and US$30,000,000, respectively. Both facilities were secured by the corporate guarantee given by the Company. The US$30,000,000 banking facility was additionally secured by the personal guarantee given by the Controlling Shareholders and corporate guarantee given by OrbusNeich Medical Group Limited, a wholly owned subsidiary of the Company. The guarantees were released during the year ended December 31, 2023.

The carrying amount of the Group's short-term bank borrowing approximates its fair value and is denominated in RMB.

Accounting policies of borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	2023 US$'000	2022 US$'000
Profit before income tax	**49,628**	21,791
Adjustments for:		
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
Losses on disposals of property, plant and equipment	**54**	29
Write-off of property, plant and equipment	**—**	341
Gain on lease modification	**(14)**	(2)
(Gains)/losses on disposals of financial assets at fair value through profit or loss	**(5)**	7
Net unrealized foreign exchange losses	**404**	1,227
(Reversal of)/provision for inventories	**(457)**	901
Impairment losses on financial assets	**54**	250
Current service cost — retirement benefits obligations	**279**	285
Share options granted to directors and employees	**1,080**	684
Fair value changes in financial assets at fair value through profit or loss	**(971)**	1,479
Interest income	**(10,666)**	(2,387)
Interest expense	**142**	1,469
Share of loss of investment in a joint venture	**835**	199
	44,568	30,155
Changes in working capital:		
Increase in inventories	**(6,838)**	(2,503)
Increase in trade receivables	**(1,743)**	(7,568)
Increase in deposits, prepayments and other receivables	**(2,319)**	(429)
(Decrease)/increase in trade payables	**(2,741)**	1,914
(Decrease)/increase in accruals and other payables	**(3,610)**	3,736
Decrease in retirement benefit obligations	**(125)**	(27)
Increase in amounts due from a joint venture	**(601)**	(28)
Increase in amount due to a joint venture	**37**	157
Cash generated from operations	**26,628**	25,407

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant, and equipment comprise:

	2023 US$'000	2022 US$'000
Net book amount (Note 14)	**544**	151
Losses on disposals of property, plant and equipment (Note 7)	**(54)**	(29)
Proceeds from disposals of property, plant and equipment	**490**	122

(c) In the consolidated statement of cash flows, proceeds from disposals of financial assets at fair value through profit or loss comprise:

	2023 US$'000	2022 US$'000
Net book amount	**20,660**	47
Gains/(losses) on disposals of financial assets at fair value through profit or loss (Note 7)	**5**	(7)
Proceeds from disposals of financial assets at fair value through profit or loss	**20,665**	40

(d) Significant non-cash transactions

There was modifications to the lease for office premises and office equipment. The Group recognized right-of-use assets of US$26,000 (2022: US$700,000) and lease liabilities of US$12,000 (2022: US$698,000), respectively, which represents a significant non-cash transaction.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(e) Analysis of changes in financing activities during the year:

	Liabilities from financing activities		
	Bank borrowing US$'000	Convertible redeemable preferred shares US$'000	Lease liabilities US$'000
At January 1, 2022	–	63,711	3,982
Lease addition	–	–	849
Cash inflow from financing activities	5,000	–	–
Cash outflow from financing activities	(5,000)	–	(1,423)
Accrued interest	11	1,336	116
Interest paid	(11)	–	(116)
Foreign exchange adjustments	–	–	(78)
Other non-cash movements	–	(65,047)	698
At December 31, 2022	–	–	4,028
At January 1, 2023	**–**	**–**	**4,028**
Lease addition	**–**	**–**	**989**
Cash inflow from financing activities	**4,235**	**–**	**–**
Cash outflow from financing activities	**–**	**–**	**(1,839)**
Accrued interest	**4**	**–**	**130**
Interest paid	**–**	**–**	**(130)**
Foreign exchange adjustments	**–**	**–**	**19**
Acquisition of a subsidiary	**–**	**–**	**17**
Other non-cash movements	**(4)**	**–**	**12**
At December 31, 2023	**4,235**	**–**	**3,226**

34 BUSINESS COMBINATION

(a) Summary of acquisition

During the year ended 31 December 2023, the Group entered into the following transactions:

(i) On December 28, 2023, the Company acquired 84% of the issued share capital of PT Revass, a current exclusive distributor of the Group's medical devices in Indonesia. In light of the significant market potential for medical devices in Indonesia and the recent government policies in support of medical devices industry in Indonesia, the acquisition would enable the Group to further expand and develop its sales capability in Indonesia with direct sales force by leveraging on PT Revass's experience and expertise.

(ii) On October 31, 2023, the Company acquired 100% of the issued share capital of SJ Medicare, a current exclusive distributor of the Group's medical devices in Korea. In light of the significant market potential for medical devices in Korea, the acquisition would enable the Group to further expand and develop its sales capability in Korea with direct sales force by leveraging on SJ Medicare's experience and expertise.

34 BUSINESS COMBINATION (continued)

(a) Summary of acquisition (continued)

(iii) On December 8, 2023, the Company acquired 100% of the issued share capital of eucatech, a medical devices manufacturer in Germany. In light of the significant market potential for medical devices in Germany, the acquisition would enable the Group to further expand and develop its sales and manufacturing capability in Germany.

Details of the purchase consideration and goodwill were as follows:

	PT Revass US$'000	SJ Medicare US$'000	eucatech US$'000
Purchase consideration			
Cash consideration	10,080	2,550	2,691
Consideration payable	—	470	—
Contingent consideration	4,975	—	—
Total purchase consideration	15,055	3,020	2,691

The assets and liabilities recognized as a result of the acquisition are as follows:

	Note	PT Revass US$'000	SJ Medicare US$'000	eucatech US$'000
Cash and cash equivalents		1,601	231	—
Trade receivables	(i)	3,982	303	—
Deposits, prepayments and other receivables		1,195	153	—
Inventories		4,513	62	—
Property, plant and equipment		708	—	377
Deferred tax assets		51	—	—
Intangible assets		3,325	1,101	5
Right-of-use assets		307	—	—
Trade and other payables		(5,505)	(271)	—
Income tax liabilities		(157)	—	—
Retirement benefits obligations		(332)	(86)	—
Deferred tax liabilities		(726)	(246)	—
Lease liabilities		(17)	—	—
Total identifiable assets acquired		8,945	1,247	382
Less: non-controlling interests	(ii)	(1,018)	—	—
Add: goodwill	(iii)	7,128	1,773	2,309
Total consideration		15,055	3,020	2,691

34 BUSINESS COMBINATION (continued)

(a) Summary of acquisition (continued)

Notes:

(i) Acquired receivables

For the acquisition of PT Revass, the fair value of acquired trade receivables is US$3,982,000. The gross contractual amount for trade receivables due is US$4,179,000, with a loss allowance of US$197,000 recognised on acquisition. For the acquisition of SJ Medicare, the fair value of acquired trade receivables is US$303,000. The gross contractual amount for trade receivables due is US$307,000, with a loss allowance of US$4,000 recognised on acquisition.

(ii) Accounting policy choice for non-controlling interests

The Group recognized non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The decision was made on an acquisition-by-acquisition basis. For the non-controlling interests in the Group, the Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 40.4 for the Group's accounting policies for business combination.

(iii) Goodwill

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

(iv) Revenue and profit contribution

PT Revass contributed revenue of US$564,000 and net profit of US$50,000 to the Group for the period from December 28, 2023 to December 31, 2023. SJ Medicare contributed revenue of US$237,000 and net loss of US$26,000 to the Group for the period from October 31, 2023 to December 31, 2023. eucatech contributed revenue of US$Nil and net loss of US$122,000 to the Group for the period from December 8, 2023 to December 31, 2023.

If the acquisition had occurred on January 1, 2023, consolidated pro-forma revenue and profit for the year ended December 31, 2023 would have been US$166,325,000 and US$43,758,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2023 together with the consequential tax effects.

(v) Customer relationship

The customer relationship recognized in intangible assets with a useful life of 10 years and assessed with a fair value of US$4,399,000, using multi-period excess earnings method based on financial budgets covering a ten-year period approved by senior management of the Company. The following describes each key assumption on which management has based its projections:

- Attrition rate from 12.5% to 12.8% with reference to the changes in number of customers in the past; and
- Discount rates ranging from 22.1% to 24.0% are used with reference to the current market data for comparable companies in the relevant industry.

34 BUSINESS COMBINATION (continued)

(a) Summary of acquisition (continued)

Notes: (continued)

(vi) Deferred income tax liability

The deferred income tax liability relating to the fair value of customer relationship amounted to US$972,000, calculated at the Indonesia corporate income tax rate and Korea corporate income tax rate.

(b) Purchase consideration — cash outflow

Net cash outflow arising from acquisition during the year ended December 31, 2023

	US$'000
Total fair value of cash consideration	20,766
Less: Cash consideration payable as at December 31, 2023	(5,445)
Less: Unpaid capital of non-controlling shareholders (Note)	(298)
Cash consideration paid in the year	15,023
Less: Cash balances acquired	(1,832)
Net outflow of cash — investing activities	13,191

Note: Pursuant to sales and purchase agreement dated December 27, 2023, unpaid capital of PT Revass by the then shareholders (now referring as 'non-controlling shareholders') amounted to US$298,000. Such amount is to be deducted from the fair value of cash consideration.

35 COMMITMENTS

Capital expenditures contracted for at the end of the year but not yet incurred are as follows:

	2023 US$'000	2022 US$'000
Contracted but not provided for:		
Property, plant and equipment	4,464	460

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following companies are related parties of the Group that had balances and/or transactions with the Group.

Name of related parties	Relationship with the Company
OrbusNeich P+F Company Limited	A joint venture
OrbusNeich P&F (Hong Kong) Company Limited	A subsidiary of the joint venture
OrbusNeich P&F MedTech (Shenzhen) Company Limited	A subsidiary of the joint venture
Muhammad Zidni Ilma	Non-controlling shareholder of a subsidiary
Andriatno Martono	Non-controlling shareholder of a subsidiary
Bachder	Non-controlling shareholder of a subsidiary

The following is a summary of the significant related party transactions with, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions in addition to the related party information shown elsewhere in the consolidated financial statements.

(a) Transactions with related parties

	2023 US$'000	2022 US$'000
Service fee received from a joint venture: — OrbusNeich P&F (Hong Kong) Company Limited (Note)	**169**	144
Agency and annual license fee income received from a joint venture: — OrbusNeich P&F (Hong Kong) Company Limited (Note)	**74**	76
Disposal of machinery to a joint venture — OrbusNeich P&F MedTech (Shenzhen) Company Limited	**54**	—
Sales of raw materials to a joint venture — OrbusNeich P&F MedTech (Shenzhen) Company Limited	**5**	—

Note: The transactions were carried out at rate mutually-agreed between the related parties involved in the transactions and the Group.

36 RELATED PARTY TRANSACTIONS (continued)

(b) Year-end balances with related parties

	2023 US$'000	2022 US$'000
Amounts due from a joint venture		
— OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	—	1
— OrbusNeich P&F (Hong Kong) Company Limited (Note (ii))	640	38
	640	39
Amounts due from non-controlling interests		
— Muhammad Zidni Ilma (Note (iii))	8	—
— Andriatno Martono (Note (iii))	30	—
— Bachder (Note (iii))	8	—
	46	—
Advance to a joint venture		
— OrbusNeich P+F Company Limited (Note 21)	10,110	7,003
Amount due to a joint venture		
— OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	(194)	(157)

Notes:

(i) The amount due from/to a joint venture was trade in nature, unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values and are denominated in US$, Singapore dollar and Malaysia Ringgit.

(ii) The amount due from a joint venture was non-trade in nature, unsecured, interest-free and repayable on demand. The carrying amount approximate its fair value and is denominated in US$.

(iii) The amounts due from non-controlling interests were non-trade in nature, unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values and are denominated in IDR.

36 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

Key management includes the directors and certain member of the management. The compensation paid or payable to key management for employee services is shown below:

	2023 US$'000	2022 US$'000
Salaries, wages and allowances	**5,318**	5,999
Share-based payment expense	**106**	148
Pension costs — defined contribution plans	**142**	61
Pension costs — defined benefit plans	**8**	9
	5,574	6,217

The share-based payments provided to the key management personnel consist of options which are equity settled. Refer to Note 27 for details of the share option schemes.

(d) As at December 31, 2023, the Group has two available and undrawn banking facilities amounted to US$15,000,000 and US$30,000,000, respectively, which were secured by the corporate guarantee given by the Company.

As at December 31, 2022, the Group has available and undrawn banking facilities from two financial institutions amounting to US$15,000,000 and US$30,000,000, respectively. Both facilities were secured by the corporate guarantee given by the Company. The US$30,000,000 banking facility was additionally secured by the personal guarantee given by the Controlling Shareholders and corporate guarantee given by OrbusNeich Medical Group Limited, a wholly owned subsidiary of the Company. The guarantees were released during the year ended December 31, 2023.

37 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2023 US$'000	2022 US$'000
Financial assets		
Financial assets at fair value through profit or loss	**1,618**	20,559
Financial assets at amortized cost		
— Trade receivables	**37,966**	32,322
— Deposits and other receivables	**8,613**	3,123
— Advance to a joint venture	**10,110**	7,003
— Amounts due from a joint venture	**640**	39
— Amounts due from non-controlling interests	**46**	—
— Cash and bank balances	**255,779**	229,146
	313,154	271,633
	314,772	292,192
Financial liabilities		
Financial liability at fair value through other comprehensive income		
— Retirement benefit obligations	**2,779**	2,333
Financial liability at fair value through profit or loss	**4,975**	—
Financial liabilities at amortized cost		
— Trade payables	**4,815**	4,065
— Accruals and other payables	**13,532**	13,467
— Lease liabilities	**3,226**	4,028
— Amount due to a joint venture	**194**	157
— Bank borrowings	**4,235**	—
	26,002	21,717
	33,756	24,050

38 SUBSEQUENT EVENTS

No material subsequent events were noted as of the date of this consolidated financial statements.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		2023 US$'000	2022 US$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		**30,616**	30,867
Total non-current asset		**30,616**	30,867
Current assets			
Prepayments and other receivables		**5,592**	1,523
Amounts due from subsidiaries		**70,923**	92,253
Financial assets at fair value through profit or loss		**—**	18,792
Cash and bank balances		**199,807**	156,319
Total current assets		**276,322**	268,887
Total assets		**306,938**	299,754
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**414**	414
Other reserves	Note	**308,706**	308,288
Accumulated losses	Note	**(2,822)**	(12,425)
Total equity		**306,298**	296,277
LIABILITIES			
Current liabilities			
Accruals and other payables		**640**	3,477
Total current liabilities		**640**	3,477
Total liabilities		**640**	3,477
Total equity and liabilities		**306,938**	299,754

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note:

	Other reserves US$'000	Treasury shares reserve US$'000	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2022	183,701	—	1,339	(5,606)	179,434
Loss for the year	—	—	—	(6,819)	(6,819)
Transactions with owners:					
— Share issued in the IPO	61,610	—	—	—	61,610
— Share issuance costs (Note 26(e))	(3,911)	—	—	—	(3,911)
— Share redesignation from Preferred Shares to ordinary shares upon listing	(99)	—	—	—	(99)
— Reclassification from financial liabilities to equity for Series A Preferred Shares (Note 28(c))	65,047	—	—	—	65,047
— Employee share option scheme: value of employee services	—	—	684	—	684
— Forfeiture of share options	—	—	(83)	—	(83)
	122,647	—	601	—	123,248
At December 31, 2022	306,348	—	1,940	(12,425)	295,863
At January 1, 2023	**306,348**	**—**	**1,940**	**(12,425)**	**295,863**
Profit for the year	**—**	**—**	**—**	**9,603**	**9,603**
Transactions with owners:					
— Employee share option scheme: value of employee services	**—**	**—**	**1,080**	**—**	**1,080**
— Forfeiture of share options	**—**	**—**	**(32)**	**—**	**(32)**
— Exercise of share options	**233**	**—**	**(48)**	**—**	**185**
— Acquisition of shares by the Trustee of the share award scheme	**—**	**(815)**	**—**	**—**	**(815)**
	233	**(815)**	**1,000**	**—**	**418**
At December 31, 2023	**306,581**	**(815)**	**2,940**	**(2,822)**	**305,884**

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

40.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 40.4).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

40.2 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 40.6.

40.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.3 Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

40.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.4 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

40.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other gains/(losses) — net".

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss.

40.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.7 Financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented within "Other gains/(losses) — net".

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss ("FVPL"). A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized in profit or loss and presented within "Other gains/(losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized as "Other gains/(losses) — net" in the consolidated statement of profit or loss as applicable. Impairment losses and reversal of impairment losses on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. For the other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

40.9 Share capital and shares held for the share award schemes

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares held by the share award trust are disclosed as treasury shares and deducted from the equity.

40.10 Convertible redeemable preferred shares ("Preferred Shares")

Preferred Shares issued by the Group are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering.

Derivatives embedded in Preferred Shares are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives which meet the above separation criteria (such as the conversion option in Preferred Shares) are separately accounted for at fair value, with changes in fair value recognized in the consolidated statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

40.11 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.11 Employee benefits (continued)

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(e) *Long service payment scheme in Hong Kong*

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism.

By following the Guidance, the Company has reattributed the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.12 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled share-based compensation plans under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized in the consolidated statement of profit or loss with a corresponding increase in the reserve under equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the estimate of the number of these share options that are expected to become vested is revised based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) *Share-based payment transactions among Group entities*

The grant of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate the expenditures expected to be required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

40.14 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury share.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary share, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

40.15 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognized as an asset and amortized on the straight-line basis to reflect the pattern in which the related economic benefits are recognized. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

40.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorized for issue, are disclosed as a non-adjusting event and are not recognized as liability at the end of the reporting period.

40.17 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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
"associate"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Business Days"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"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 "our 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)
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and in this context, refers to a group consisting of HART, Mr. David CHIEN and Ms. Kwai Ching Denise LAU
"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
"HART"	Harmony Tree Limited, a company incorporated in the BVI on September 11, 2020 and one of our Controlling Shareholders
"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 Date"	December 23, 2022, being the date from which the Shares are listed and dealings in the Shares are first permitted to take place 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 annual report 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 and 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)
"Nomination Committee"	the nomination committee of the Board
"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 BVI"	OrbusNeich Medical Company Limited, a company incorporated with limited liability in the BVI on January 5, 2000, formerly known as Multi-Well Development Limited and Neich Medical Company Limited
"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
“PT Revass”	PT Revass Utama Medika, a company incorporated with limited liability in the Republic of Indonesia on September 30, 2010, an indirect non-wholly owned subsidiary of the Company
“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
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the one-year period from January 1, 2023 to December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“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 Incentive Schemes”	the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Share Award Scheme A and the Share Award Scheme B
“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)
“sq.m”	square meters
“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