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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2216

2021
Interim Report

CONTENTS

CORPORATE INFORMATION

COMPANY NAME

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

DIRECTORS

Executive Director

Mr. Guowei Zhan
Mr. Hong Xu

Non-executive Directors

Mr. Michael Yi Wei Zhao
Mr. Zhenjun Zi
Mr. Ao Zhang

Independent Non-executive Directors

Dr. Pok Man Kam *(Chairman)*
Professor Joseph Wan Yee Lau
Dr. Jian Ji

AUDIT COMMITTEE

Dr. Pok Man Kam *(Chairman)*
Professor Joseph Wan Yee Lau
Dr. Jian Ji

NOMINATION COMMITTEE

Mr. Michael Yi Wei Zhao *(Chairman)*
Professor Joseph Wan Yee Lau
Dr. Jian Ji

REMUNERATION COMMITTEE

Dr. Jian Ji *(Chairman)*
Mr. Michael Yi Wei Zhao
Dr. Pok Man Kam

JOINT COMPANY SECRETARIES

Mr. Wen Hao Wang
Ms. Jeanie Lau

AUTHORIZED REPRESENTATIVES

Mr. Michael Yi Wei Zhao
Ms. Jeanie Lau

AUDITOR

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Registered Public Interest Entity Auditor
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STOCK CODE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

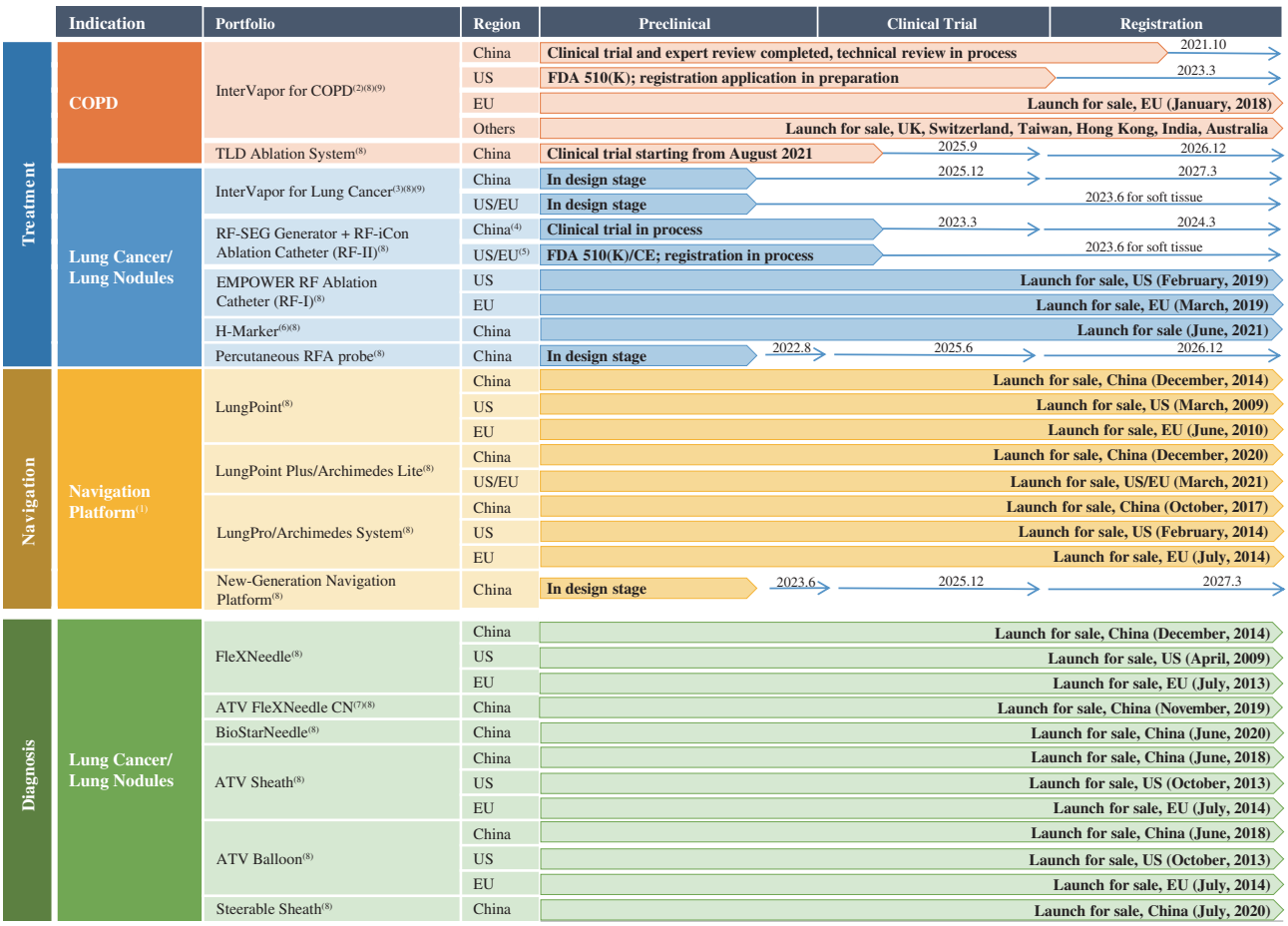
Founded in 2012, we are a pioneer medical device company in the field of interventional pulmonology, providing innovative lung solutions in China and globally. Leveraging our whole lung access navigation technology and encompassing navigation, diagnoses and treatment, our integrated interventional pulmonology platform addresses the pain points of the existing diagnosis and treatment paradigms and significant unmet medical needs for lung diseases by improving the diagnosis and treatment effects of lung cancer and chronic obstructive pulmonary disease ("COPD").

As of June 30, 2021, we had 17 products and major product candidates under various development stages. Our core products are the InterVapor system ("InterVapor") and RF Generator + RF Ablation Catheter ("RF-II"). InterVapor is the world's first and only thermal vapor energy ablation system to treat lung diseases including COPD and lung cancer. RF-II is a radiofrequency ablation system used in conjunction with a disposable lung radiofrequency ablation catheter and the only radiofrequency ablation system that specifically targets lung cancer.

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

OUR PRODUCTS AND PRODUCT PIPELINE

Set out below are the development status of our products and major product candidates on our three-in-one pulmonology platform:



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

2. The expert review by NMPA has been completed and technical review is currently in process.

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

4. The first-in-man clinical trial has been completed with a registration clinical trial currently in process.

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

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

7. The version of FleXNeedle manufactured in China.

8. Our in-house developed products refer to products that we have developed as the sponsor of their clinical trials.

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

CORE PRODUCT

InterVapor

InterVapor is the world's first and only thermal vapor energy ablation system to treat lung diseases including COPD and lung cancer. It is a therapeutic device that delivers thermal vapor bronchoscopically to the lung to achieve targeted ablation.

We first initiated the pre-clinical R&D for InterVapor in September 2010, and commenced our first trial in West China Hospital, the PRC in November 2017 and in BTVA Registry in April 2018. With our seamless effort in research and development, in 2018, InterVapor was accredited with an EC certificate (CE 678945) from the BSI Group, The Netherlands B.V. and was subsequently classified as a Class II medical device in the European Economic Area.

Based on our InterVapor system, we have developed InterVapor for COPD and InterVapor for lung cancer targeting COPD treatment and lung cancer treatment, respectively.

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

- InterVapor for lung cancer is designed for lung cancer treatment through continuous release of thermal vapor energy into the lung. It is designed to ablate lung lesions with a surrounding margin by the application of heated water vapor to the bronchus of the lung region targeted for treatment and can sufficiently cover the lesion area with low dose of energy.

MANAGEMENT DISCUSSION AND ANALYSIS

The clinical history of InterVapor up to June 30, 2021 (1) the STEP-UP trial, (2) the NEXT-STEP trial, (3) the VAPORIZE trial, (4) the West China Hospital trial and (5) the BTVA Registry study. We have completed the patient enrollment and follow-up visits for the NEXT-STEP trial by June 2020, and its formal study report has been completed by September 2021. We have also completed the clinical study report for the VAPORIZE trial in July 2021 to explore the use of InterVapor to a new indication (lung cancer). The result shows that no major procedure-related complications occurred and the findings demonstrate bronchoscopic thermal vapor ablation of lung tumors is feasible and well tolerated. For the BTVA Registry Study, we have completed site initiation for 20 sites, with 17 sites currently enrolling patients and a total of 194 treatment procedures completed for 124 patients. Preliminary results supported favorable risk profile for patients with severe heterogeneous emphysema, and the study is planned to carry out five-year follow-up visits to the enrolled patients and expected to be completed by 2027. We currently expect to complete the patient enrollment by the end of 2021.

We expect NMPA to complete the technical review of InterVapor for COPD by the end of September 2021. We are also in the process of preparing the FDA 510k clearance of InterVapor for COPD in the United States and registration of the product in South Korea and Hong Kong.

RF-II

RF-II is a radiofrequency ablation system used in conjunction with a disposable lung radiofrequency ablation catheter, which acts on lung tumors via a bronchoscope to perform ablation to the lung tumors. It is currently the only RFA system that specifically focuses on lung cancer treatment globally. RF-II is classified as a Class III medical device in China and Class II medical device in EU and the U.S..

We have completed the first-in-man clinical trial in December 2020 with a registration clinical trial currently in progress in China. In addition, we are preparing the application for the FDA 510k clearance of RF-II, which is expected to be submitted in November 2022. During the Reporting Period, we had communicated with NMPA on RF-II's R&D work, especially on clinical trial registration in May 2021, with a follow-up meeting in August 2021. In terms of our future goal, we plan to promote RF-II through participation in academic conferences to showcase its benefits and utility. We will also collaborate with key opinions leaders to host regular training sessions with doctors to further explain the underlying technology. RF-II is expected to complete commercialization within seven years since we initiated the R&D process.

THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO ULTIMATELY DEVELOP AND MARKET INTERVAPOR AND RF-II SUCCESSFULLY.

OUR OTHER PRODUCTS AND PRODUCT CANDIDATES

RF-I

RF-I adopts a flexible design and can be used conveniently. It demonstrates excellent performance in soft tissue ablation in the ablation testing. Similar to RF-II, RF-I composes of ablation catheter. The indication of which includes soft tissues of the lungs.

MANAGEMENT DISCUSSION AND ANALYSIS

H-Marker

H-Marker is a self-developed pulmonary surgery marker that is used to mark the location of the lung nodule to achieve precise positioning during surgical pneumonectomy. When used, it is temporarily implanted into the lung through the airway and removed afterwards by surgery. Compared with the operation process of other existing positioning tools, H-Marker is simpler, more reliable and less likely to damage blood vessels with its self-expanding characteristics and spindle shape.

During the Reporting Period, we have completed the patient enrollment and all follow-up visits for a prospective, multi-center, single group clinical study of our H-Marker to evaluate the safety and effectiveness of H-Marker in the localization of pulmonary nodules. A total of 76 eligible subjects enrolled in the trial. We have received the designation of H-Marker as a Class II "innovative medical device", which is eligible for expedited approval, by Zhejiang MPA (浙江省藥品監督管理局) in October 2020 and obtained the Zhejiang MPA approval in June 2021.

LungPoint, LungPoint Plus/Archimedes Lite and the Archimedes System

As the world's only provider of transbronchial whole lung augmented reality navigation technology, we currently have three marketed navigation products, including LungPoint, LungPoint Plus (known as "Archimedes Lite" outside Asia) and LungPro (known as "Archimedes" outside China).

- LungPoint, or LungPoint® Virtual Bronchoscopic Navigation, is a computer-assisted image-based navigation software system which, along with a set of biopsy tools, provides doctors with real-time path navigation within the airways and further localization guidance to a targeted area of interest in the lung for lung biopsy and other procedures. LungPoint was approved for marketing and commercial use in the U.S. by the FDA in 2009, the EU by the BSI in 2011, and the PRC by the NMPA in 2014. LungPoint is classified as Class II medical device by the FDA, as Class IIa medical device in the EU, and as Class III medical device by the NMPA.

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

- The LungPoint ATV System, also known as LungPro in China or the Archimedes System outside China (the "Archimedes System"), is an upgraded product based on the LungPoint VBN system. The Archimedes System takes the application of the VBN technology to the next level by adopting a novel approach to enable precise navigation and localize peripheral lesions away from or adjacent to the airway. The Archimedes System was approved for marketing and commercial use in the U.S. by the FDA in 2014, the EU by the BSI in 2014, and the PRC by the NMPA in 2017. The Archimedes System is classified as Class II medical device by the FDA, as Class IIa medical device in the EU, and as Class III medical device by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURING

During the Reporting Period, we carried out our manufacturing activities at our production centers based in Hangzhou, China and San Jose, the U.S. where we manufacture navigation products and InterVapor in the U.S. and certain consumables in China. The production center in Hangzhou, China occupies an aggregate of gross floor area of approximately 3,122 sq.m. and the production center in San Jose, the U.S., occupies an aggregate area of approximately 863 sq.m..

Manufacturing of our therapeutic products and product candidates

Historically, early navigation products were developed by our U.S. team and we have mainly manufactured our navigation products in the U.S.. In order to leverage the labor and material cost advantages in China over the U.S., we are in the process of moving the manufacturing process of our products gradually to China. Starting from June 2021, we have begun to manufacture our H-Marker in our Hangzhou facility. We are also preparing our Hangzhou facility for the manufacturing of our other therapeutic products, including the InterVapor products. Subject to CE Marking certification, we anticipate such manufacturing in the second half of 2021 and expect to completely move the manufacturing process to China after obtaining the regulatory approval in the middle of 2022.

Manufacturing of our navigation systems

Our navigation systems, including our LungPoint, LungPoint Plus and Archimedes System, are manufactured in our San Jose, California facility in the U.S. This facility is ISO13485 compliant and Broncus Medical is the manufacturer of record in US 510(k) clearance and European CE Marked LungPoint products. We have completed localization R&D verification and product trial installation of LungPoint in China and expect to submit the registration application with NMPA after we obtain the model inspection report by the end of 2021 to further complete the localization of the manufacturing process. The localization of the Archimedes System manufacturing started in June 2021 with design verification in progress. The model inspection is expected to be initiated in November 2021.

Manufacturing of our diagnosis medical consumables and product candidates

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

R&D ACTIVITIES

We focus on developing innovative technologies and products for navigation, diagnosis and treatment of pulmonary diseases. We have a proven track record of developing and commercializing interventional pulmonology medical devices. To strengthen our R&D capabilities, we adopt an efficient R&D model that combines international technologies with local R&D cost advantage to support our intellectual property portfolio and product iterations.

We are engaged in ongoing R&D activities to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety, reliability, and to expand the applications of our products as appropriate. As of the date of this Interim Report, we had 12 product candidates in various stages of development.

MANAGEMENT DISCUSSION AND ANALYSIS

The expenditure on the R&D activities of InterVapor and RF-II primarily consisted of:

- clinical trials of InterVapor on lung cancer in China and U.S. or the EU;
- clinical trials of RF-II and its research and development in China;
- construction of InterVapor R&D laboratory and investment in the R&D equipment used for InterVapor;
- post-marketing studies in China, U.S., EU and other countries; and
- registration in China, U.S and other countries

During the Reporting Period, the Group incurred approximately US$2.67 million (unaudited) on the R&D activities of InterVapor and RF-II.

SALES AND MARKETING

Currently, we primarily sell and market our interventional pulmonary products in the U.S., Europe and Asia. As our current products and product candidates receive more marketing approval or CE Marking certification, we expect to generate more sales globally.

We adopt both direct sales and sales through distributors arrangement. During the Reporting Period, we sell products, including the Archimedes System, LungPoint and InterVapor both directly to hospitals and through distributors. In line with market practice, we sell a significant portion of our Archimedes System and LungPoint to distributors who resell our products to hospitals. The following table sets forth the number of hospitals to which we sold products directly for the period indicated.

	For the six months ended June 30,	
	2021	2020
Direct sales to hospitals	**50**	23
• Europe	**25**	11
• USA	**16**	8
• PRC (Mainland)	**4**	1
• Others	**5**	3

MANAGEMENT DISCUSSION AND ANALYSIS

The following table set forth the number of distributors for the period indicated.

	For the six months ended June 30,	
	2021	2020
Distributors	**34**	29
• China	**16**	11
• Europe	**5**	5
• Asia (excluding China) and other regions	**13**	13

For the six months ended June 30, 2021, our revenue generated from distributors and direct sales accounted for approximately US$1.7 million (unaudited) and US$1.2 million (unaudited), respectively, compared to US$0.6 million (unaudited) and US$0.2 million (unaudited) in the corresponding period last year.

INTELLECTUAL PROPERTY

As of June 30, 2021, we obtained 476 patents and patent applications which consisted of 96 issued patents (including pending announcements) and 239 patent applications in China and 95 issued patents and 46 patent applications overseas including key markets such as the U.S. and the EU. Among the patents obtained, 132 and 60 of them are related to InterVapor and RF-II, respectively.

MAJOR GOVERNMENT R&D GRANTS, FUNDING, SUBSIDIES AND TAX PREFERENCE

During the Reporting Period, the Company received government grants totaling US$1.2 million. In April 2020, the Group's two subsidiaries in the U.S. received loans in the amount of approximately US$1.1 million under the Paycheck Protection Program ("PPP") administered by the Small Business Administration. The program is part of the *Coronavirus Aid, Relief, and Economic Security Act* enacted by the United States Congress on March 27, 2020 in response to the COVID-19 pandemic. The Group received the notices of PPP forgiveness payment from the Small Business Administration regarding the approval of its application for forgiveness of US$311,000 and US$787,000 in principal and associated interest in March and May 2021, respectively, which were recognised as government grants. The remaining government grants mainly represent incentives received from the local governments for the purpose of compensation for expenditure arising from research activities and clinical trial activities and awards for new product development and expenditure incurred on certain projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND PROSPECTS

Facing the global prevalence of COPD and lung cancer that has been propelled by aging population, air pollution and smoking habit, we see a huge market need for minimally invasive solutions to treat lung diseases. There was a COPD-affected population of 219.2 million globally and 105.3 million in China in 2020, respectively, and such population is expected to increase to 258.4 million globally and 109.6 million in China by 2025, respectively. We plan to expand our sales network by providing more doctor training and patient education, promoting equipment installations and deepening our penetration in hospitals. With our proprietary Bronchoscopic Trans-Parenchymal Nodule Access technology, we plan to promote the awareness of our navigation platform as an indispensable tool for interventional pulmonology diagnosis and treatment among hospitals, doctors and patients.

By leveraging our more established experience in sales and marketing of LungPoint and the Archimedes System, we plan to expand our sales of LungPoint Plus and other medical consumables in China and accelerate the NMPA's and other markets' regulatory approval or CE Marking certification process for InterVapor for COPD.

We plan to expand our R&D team globally to ensure continuous technology and product innovation and enrich our intellectual property portfolio mapping across existing and future technologies with precise market positioning. We plan to increase spending on artificial intelligence and machine learning to accumulate large sets of clinical data and cases in the application of diagnosis and treatment procedures guided by our navigation systems.

Looking into the second half of 2021 and the year of 2022, we plan to evaluate the use of BTVA for the treatment of emphysema with middle and/or lower lobe predominance, for which no existing data are available. We plan to conduct a prospective, multi-center, randomized controlled study under the title of *Bronchoscopic Lung Volume Reduction using the InterVapor System for the Treatment of Emphysema with Middle and/or Lower Lobe Predominance – Expanding InterVapor Trial* in March 2022, and aim to complete the trial in 2023. We also plan to conduct a prospective, multi-center, single blind, randomized controlled study under the title of *Targeted Segmental Vapor Ablation Treatment of Emphysema with Upper Lobe Predominance: A randomized controlled trial of InterVapor® in France*, which is planned to commence in March 2022 and is expected to be completed in 2023. In addition, we plan to carry out a series of clinical studies for InterVapor with a focus on lung cancer indication and certain post-market clinical studies in a few other regions. Clinical trials are expected to be conducted in China and Europe between 2022 and 2024 for lung cancer indications. Our planned post-market clinical studies include studies to be conducted in China between 2021 and 2023 and in India between 2021 and 2028.

COVID-19

During the COVID-19 outbreak, we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials, particularly at the beginning of the COVID-19 pandemic mainly due to the government policy and precautionary measures taken by the hospitals. As normal business resumes in the second quarter of 2020, our clinical activities fully resumed since the third quarter of 2020. Since we conduct business and engage in preclinical studies and clinical trials in China, our clinical trial progress in the first quarter of 2021 has exceeded that of the corresponding period last year. Despite the recurred delta variant of COVID-19 in several provinces across China in late July 2021, as at the date of this Interim Report, all other operations of the Company have been conducted as normal so far.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Six months ended June 30, 2021 compared to six months ended June 30, 2020

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Revenue	**2,853**	833
Cost of sales	**(650)**	(278)
Other income and gains	**2,308**	227
Selling and distribution expenses	**(5,638)**	(2,964)
Administrative expenses	**(11,927)**	(2,613)
Impairment losses on financial assets, net	**(35)**	(9)
Research and development costs	**(7,755)**	(4,448)
Other expenses	**(123)**	–
Finance costs	**(110)**	(312)
Changes in fair value of convertible redeemable preferred shares	**(22,040)**	(5,544)
Income tax expense	**(1)**	(1)
Loss for the period	**(43,118)**	(15,109)
Other comprehensive income	**97**	96
Total comprehensive loss for the period	**(43,021)**	(15,013)

Revenue

For the Reporting Period, the revenue of the Group was US$2.9 million, representing an increase of 242.5% compared with US$0.8 million in the corresponding period last year, mainly due to significant increase in the sale of medical devices and consumables during the Reporting Period.

Other Income and gains

For the Reporting Period, the total other income and gains were approximately US$2.3 million, representing an increase of 916.7% compared with approximately US$0.2 million in the corresponding period last year.

Our other income consist primarily of government grants, compensation from a license agreement, bank interest income and interest income from non-current receivables. Total other income was approximately US$2.3 million for the six months ended June 30, 2021, representing an increase of approximately US$2.1 million from the six months ended June 30, 2020, mainly due to (i) an increase of government grants as two subsidiaries of the Group in the United States received loans of a total US$1.1 million under the PPP administered by the Small Business Administration in April 2020; and (ii) compensation from a license agreement amounting to US$1.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Our total gains consist primarily of gain on disposal of items of property, plant and equipment, gain on termination of leases and foreign exchange gains. Total gains was approximately US$34,000 for the six months ended June 30, 2021, representing a slight decrease of approximately US$6,000 from the six months ended June 30, 2020.

R&D expenses

Our R&D costs mainly consists of staff costs for our research and development employees, depreciation and amortization, raw material costs, technical service fees, clinical trial expenses, travel and business related expenses and share awards.

Our technical service fees refer to the service fees we paid to our third-party service providers for complementary services needed for product development, including development of low-value consumables, product testing and other services. Clinical trial expenses include expenses incurred for conducting clinical trials, including payment to CROs and hospitals in relation to our clinical trials.

For the six months ended June 30, 2021 and 2020, we incurred R&D costs of approximately US$7.8 million and US$4.4 million, respectively, representing an increase of 74.3%. The increase in our R&D costs was mainly due to (i) increased staff cost from US$2.0 million for the six months ended June 30, 2020 to US$3.0 million for the six months ended June 30, 2021 due to the expansion of our R&D team; (ii) increased cost of raw materials from US$0.3 million for the six months ended June 30, 2020 to US$0.6 million for the six months ended June 30, 2021, as a result of an increase in the R&D material purchases with the accelerated expansion of our R&D activities during the first six months of 2021; (iii) increased clinical trial fees from US$0.2 million for the six months ended June 30, 2020 to US$0.5 million for the six months ended June 30, 2021.

Selling and distribution expenses

For the six months ended June 30, 2021 and 2020, our selling and distribution expenses were US$5.6 million and US$3.0 million, respectively, representing an increase of 90.2%. The increase in our selling and distribution expenses was mainly due to (i) our increased marketing and advertising expenses from US$0.2 million for the six months ended June 30, 2020 to US$0.9 million for the six months ended June 30, 2021, as a result of the increase in marketing activities in China in 2021 as the impacts of COVID-19 have eased in China since 2021, (ii) our increased staff costs from US$2.1 million for the six months ended June 30, 2020 to US$2.8 million for the six months ended June 30, 2021 due to the expansion of our sales team, and (iii) our increased travel expenses from US$0.3 million for the six months ended June 30, 2020 to US$0.5 million for the six months ended June 30, 2021 due to more business trip for sales and marketing activities resulting from the recovery from the COVID-19 and the needs for additional employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

For the six months ended June 30, 2021 and 2020, our total administrative expenses were approximately US$11.9 million and US$2.6 million, respectively. The increase was mainly due to (i) our increased Global Offering related professional service fees from nil for the six months ended June 30, 2020 to US$2.5 million for the six months ended June 30, 2021 as a result of the costs incurred for the Global Offering, and (ii) our increased non-Global Offering related professional service fees from US$0.4 million for the six months ended June 30, 2020 to US$0.8 million for the six months ended June 30, 2021 as a result of the costs incurred for our Series D financing. For further details of the Series D financing, please refer to the "History, Reorganization and Corporate Structure" section of the Company's prospectus dated September 13, 2021 (the "Prospectus").

Liquidity and capital resources

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

As at June 30, 2021, our cash and bank balances totalled US$37.6 million, as compared to US$18.8 million as at December 31, 2020. The increase was mainly due to the completion of the Series D financing. For further details of the Series D financing, please refer to "History, Reorganization and Corporate Structure" section of the Prospectus.

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

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Net cash flows used in operating activities	**(14,348)**	(6,934)
Net cash flows used in investing activities	**(1,372)**	(74)
Net cash flows from financing activities	**34,484**	7,914
Net increase in cash and cash equivalents	**18,764**	906
Cash and cash equivalents at the beginning of the period	**18,788**	3,085
Effect of foreign exchange rate changes, net	**65**	(21)
Cash and cash equivalents at the end of the period	**37,617**	3,970
Analysis of balances of cash and cash equivalents	**37,617**	3,970
Cash and cash equivalents as stated in the statement of financial position	**37,617**	3,970

As at June 30, 2021, cash and cash equivalents were mainly denominated in United States dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Borrowings and Gearing

As at June 30, 2021, the Group's outstanding borrowings of US$15,000 (December 31, 2020: US$4.2 million) were denominated in USD. The Group's overdraft facilities amounting to US$80,000 and US$80,000, of which US$15,000 and US$25,000 had been utilized as at June 30, 2021 and December 31, 2020, respectively, were secured by the pledge of certain of the Group's time deposits amounting to US$25,000 and US$25,000, respectively.

The Group monitored capital using gearing ratio. As at June 30, 2021 and December 31, 2020, the Group's gearing ratio (total debt (including bank and other borrowings and lease liabilities) as a percentage of total equity as of the end of the period) were negative values.

Foreign Exchange Risk

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

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

Contingent Liabilities

As of June 30, 2021, the Group did not have any significant contingent liabilities.

Charge on Assets

As of June 30, 2021, save as disclosed in this Interim Report, the Group did not pledge any group assets.

NON-IFRS MEASURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Loss for the period	**(43,118)**	(15,109)
Add:		
Change in fair value of convertible redeemable preferred shares	**22,040**	5,544
Share awards[(1)]	**8,347**	347
Listing expenses	**2,464**	0
Adjusted net loss for the period (unaudited)[(2)]	**(10,267)**	(9,218)

Notes:

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

(2) We consider changes in fair value of convertible redeemable preferred shares, share awards and listing expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the changes in fair value of convertible redeemable preferred shares, share awards and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from year to year.

SHARE CAPITAL

On January 23, 2021, our Shareholders passed a special resolution to re-designate 6,068,134 unissued Shares of par value US$0.0001 each into 6,068,134 Series D Preferred Shares (as defined in the Prospectus) of par value US$0.0001 each. On January 25, 2021, 6,068,134 Series D Preferred Shares were all allotted to below Shareholders in the following manner:

- 5,309,619 Series D Preferred Shares to Elegant Holding Limited;
- 303,406 Series D Preferred Shares to Strong Leap Holdings Limited;
- 303,406 Series D Preferred Shares to Valliance Emerging Opportunities Limited Partnership Fund; and
- 151,703 Series D Preferred Shares to Emerging Markets Healthcare Partner LLC.

MANAGEMENT DISCUSSION AND ANALYSIS

Uptake Medical, Broncus Medical Inc. ("Broncus Medical") and Broncus China Holding Corporation ("Broncus China Holding") cancelled all the share options and/or RSUs in each of these subsidiaries in exchange for options and/or RSUs in the Company. On May 9, 2021, our Company adopted the Equity Incentive Plans. For details, please refer to the section headed "Equity Incentive Plans" in this Interim Report.

Our Company purchased shareholdings from the minority shareholders of Broncus Medical so that Broncus Medical became a wholly-owned subsidiary of our Company. On March 11, 2021, Broncus China Holding passed written board resolutions to repurchase all of the shares held by DNA-Broncus Management Co-Investment Ltd. in Broncus China Holding. The Company has approved the allotment and issuance as fully paid and non-assessable of the following number of Shares to the shareholders of DNA-Broncus Management Co-Investment Ltd. or their respective designated affiliates as shown in the table below.

Name of Shareholder	Number of Shares
St. Christopher Investment Ltd.	971,635
Xin Nuo Tong Investments Limited	971,635
Dinova Healthcare Holding Corporation	475,256
Wise Seed Limited	749,849
Total	3,168,375

On May 12, 2021, our Company issued Shares to the following Shareholders as part of the reorganization of the Company:

- 971,635 Shares to St. Christopher Investment Ltd.;
- 971,635 Shares to Xin Nuo Tong Investments Limited;
- 749,849 Shares to Wise Seed Limited; and
- 475,256 Shares to Dinova Healthcare Holding Corporation

On September 7, 2021, our Company allotted 9,877,197 Shares to the Trustee under the RSU Scheme.

On September 7, 2021, the Company's shareholders resolved that each share of USD0.0001 in the then authorized and issued share capital of the Company be sub-divided into four ordinary shares of USD0.000025 each (the "Share Subdivision") such that immediately following the Share Subdivision, (i) the authorized share capital of the Company is USD50,000 divided into 2,000,000,000 ordinary shares of USD0.000025 each; and (ii) the issued share capital of the Company shall consist of 436,261,784 ordinary shares of USD0.000025 each. For further details of the Share Subdivision, please refer to the sections headed "Share Capital – Authorized and Issued Share Capital", "History, Reorganization and Corporate Structure – Pre-IPO Investments" and "History, Reorganization and Corporate Structure – Reorganization – 5. Share Subdivision" in the Prospectus.

Save as disclosed above, there was no change in the share capital of the Company during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

No dividend was paid or declared by the Company for the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2021.

LOSS PER SHARE

The basic and diluted loss per share are US$0.19 for the six months ended June 30, 2021 (June 30, 2020: US$0.07).

The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	**42,724**	14,879

	Number of shares For the six months ended June 30,	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period	**228,049,860**(1)	223,778,680(1)

Note:

(1) Represent the adjusted number of Shares taking into consideration of the subsequent implemented Share Subdivision.

CAPITAL COMMITMENT

Particulars of capital commitments of the Group as at June 30, 2021 are set out in note 17 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES AND JOINT VENTURES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries or associates or joint ventures of the Company.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2021, there were no significant investments held by the Company.

OTHER INFORMATION

UPDATES ON INFORMATION OF DIRECTORS

There was no change in the Board and the information of Directors since the Listing Date of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ITS ASSOCIATED CORPORATIONS

The Shares were not listed on the Stock Exchange as at June 30, 2021. Accordingly, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Company as at June 30, 2021. As at the date of this Interim Report, to the best knowledge of the Directors, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Capacity/ Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1] %
Guowei Zhan[2][5]	Interest in controlled corporation	Long position	2,999,396	0.57
Michael Yi Wei Zhao[3][5]	Interest in controlled corporation	Long position	12,985,088	2.47
Zhenjun Zi ("Mr. Zi")[4][5]	Interest in controlled corporation	Long position	118,581,744	22.57

Notes:

(1) The calculation is based on the total number of 525,616,784 Shares in issue.

(2) Mr. Guowei Zhan holds approximately 63.37% interest in Wise Seed Limited, which will beneficially hold 2,999,396 Shares. Accordingly, Mr. Zhan is deemed to be interested in the Shares held by Wise Seed Limited.

(3) St. Christopher Investment Limited is wholly owned by Mr. Zhao. Dinova Healthcare Holding Corporation is owned as to approximately 83.54% by St. Christopher Investment Limited, which is wholly owned by Mr. Zhao. Accordingly, Mr. Zhao is deemed to be interested in the total number of Shares held by each of St. Christopher Investment Limited and Dinova Healthcare Holding Corporation, which will beneficially hold 11,084,064 and 1,901,024 Shares respectively.

(4) Mr. Zi is deemed to be interested in the total number of Shares held by each of Broncus Biomedical Limited, Dinova Healthcare (Hong Kong) Co., Limited, BRS Biomedical Limited, Dinova Healthcare Delta Fund (USD) L.P., Xin Nuo Tong Investment Limited, Dinova Venture Partners GP III, L.P. and Dinova Venture Partners GP IV, L.P., which will beneficially hold 43,741,976, 33,112,752, 14,643,588, 12,861,524, 9,125,828, 3,460,008 and 1,636,068 Shares respectively.

(5) In addition, as at the date of this Interim Report, Mr. Guowei Zhan, Mr. Michael Yi Wei Zhao, Mr. Zi and Mr. Hong Xu have vested 1,789,200 Shares, 4,320,000 Shares, 2,160,000 Shares and 1,505,912 Shares, respectively, which were granted to them pursuant to the RSU Scheme and have not been transferred to them as the Company has not received the payment of consideration from the grantees as of the date of this Interim Report. As such, Mr. Guowei Zhan, Mr. Michael Yi Wei Zhao, Mr. Zi and Mr. Hong Xu, are in aggregate, interested in 4,788,596 Shares, 17,305,088 Shares, 120,741,744 Shares and 1,505,912 Shares, respectively.

Save as disclosed above, as at the date of this Interim Report, none of the Directors or the chief executive of the Company had or was deemed to have any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the date of this Interim Report, to the best knowledge of the Directors, the following persons will have interest and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Long position/ short position	Number of Shares Interested in the Company	Approximate percentage of shareholding in the Company (Assuming the over-allotment option is not exercised)[1] %
QM12 Limited ("QM12")[2]	Beneficial interest	Long position	81,412,808	15.49
Qiming Venture Partners IV, L.P.[2]	Interest in controlled corporation	Long position	81,412,808	15.49
Qiming GP IV, L.P.[2]	Interest in controlled corporation	Long position	81,412,808	15.49
Qiming Corporate GP IV, Ltd[2]	Interest in controlled corporation	Long position	81,412,808	15.49
Zhenjun Zi[3]	Interest in controlled corporation	Long position	118,581,744	22.57
Broncus Biomedical Limited ("BBL")[4]	Beneficial interest	Long position	43,741,976	8.32
Dinova Healthcare Gamma Fund (USD) L.P.[4]	Interest in controlled corporation	Long position	43,741,976	8.32
Dinova Venture Partners GP III, L.P.[4]	Beneficial interest	Long position	3,460,008	0.66
	Interest in controlled corporation	Long position	43,741,976	8.32
Dinova Capital Limited[4]	Interest in controlled corporation	Long position	47,201,984	8.98
Xin Nuo Tong Investment Limited[5]	Beneficial interest	Long position	9,125,828	1.74
	Interest in controlled corporation	Long position	14,497,592	2.76
Dinova Healthcare (Hong Kong) Co., Limited[6]	Beneficial interest	Long position	33,112,752	6.30
Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)) ("Zhejiang Dinova")[6]	Interest in controlled corporation	Long position	33,112,752	6.30
Zhejiang Denuo Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥))[6]	Interest in controlled corporation	Long position	33,112,752	6.30
Hangzhou Denuo Commercial Information Consulting Co., Ltd. (杭州德諾商務資訊諮詢有限公司)[6]	Interest in controlled corporation	Long position	33,112,752	6.30
Computershare Hong Kong Trustees Limited[7]	Beneficial interest	Long position	39,508,788	7.52

OTHER INFORMATION

Notes:

(1) The number of Shares held assuming that all of the Preferred Shares have been converted into the Shares on an one:one basis.

(2) For the purpose of the SFO, Qiming Venture Partners IV, L.P. (as a 96.94% shareholder of QM12), Qiming GP IV, L.P. (as the general partner of Qiming Venture Partners IV, L.P.) and Qiming Corporate GP IV, Ltd (as the general partner of Qiming GP IV, L.P.) are deemed to be interested in the Shares held by QM12.

(3) For the purpose of the SFO, Mr. Zi is deemed to be interested in 118,581,744 Shares through the below entities he controls:

- Broncus Biomedical Limited (please see Note 4 below for details).
- Dinova Healthcare (Hong Kong) Co., Limited (please see Note 6 below for details).
- BRS Biomedical Limited, because it is wholly owned by Dinova Venture Partners LP II, L.P. whose general partner is Dinova Venture Partners GP II, L.P.. Dinova Venture Partners Limited, the general partner of Dinova Venture Partners GP II, L.P., is owned by Mr. Zi as to one third. Hence, Mr. Zi is deemed to be interested in the Shares held by BRS Biomedical Limited.
- Dinova Healthcare Delta Fund (USD) L.P., because Xin Nuo Tong Investment Limited is deemed to be interested in the Shares held by Dinova Healthcare Delta Fund (USD) L.P. (please see Note 5 below for details), and that Mr. Zi is the sole shareholder of Xin Nuo Tong Investment Limited. Hence, Mr. Zi is deemed to be interested in the Shares held by Dinova Healthcare Delta Fund (USD) L.P..
- Xin Nuo Tong Investment Limited (please see Notes 4 and 5 below for details).
- Dinova Venture Partners GP III, L.P. (please see Note 4 below for details).
- Dinova Venture Partners GP IV, L.P., because Xin Nuo Tong Investment Limited is deemed to be interested in the Shares held by Dinova Venture Partners GP IV, L.P. (please see Note 5 below for details), and that Mr. Zi is the sole shareholder of Xin Nuo Tong Investment Limited. Hence, Mr. Zi is deemed to be interested in the Shares held by Dinova Venture Partners GP IV, L.P..

In addition, as at the date of this Interim Report, Mr. Zi vested 2,160,000 Shares which were granted to him pursuant to the RSU Scheme and have not been transferred to him as the Company has not received the payment of consideration from Mr. Zi as of the date of this Interim Report. As such, Mr. Zi is in aggregate, interested in 120,741,744 Shares.

(4) For the purpose of the SFO, Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of BBL), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Healthcare Gamma Fund (USD) L.P.), Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited and as a limited partner holding approximately 33.33% interest in Dinova Venture Partners GP III, L.P.) are deemed to be interested in the Shares held by BBL. For the purpose of the SFO, Xin Nuo Tong Investment Limited and Dinova Capital Limited are deemed to be interested in the Shares held by Dinova Venture Partners GP III, L.P..

(5) Xin Nuo Tong Investment Limited is a 40% shareholder of Dinova Venture Capital Limited, which is the general partner of Dinova Venture Partners GP IV L.P., and Dinova Venture Partners GP IV L.P. is the general partner of Dinova Healthcare Delta Fund (USD) L.P.. In addition, Xin Nuo Tong Investment Limited is also a limited partner holding 39.95% of Dinova Venture Partners GP IV L.P.. For the purpose of the SFO, Xin Nuo Tong Investment Limited is also deemed to be interested in the Shares held by Dinova Venture Partners GP IV L.P. and Dinova Healthcare Delta Fund (USD) L.P..

(6) Dinova Healthcare (Hong Kong) Co., Limited, a company incorporated under the laws of Hong Kong and is wholly owned by Zhejiang Dinova. For the purpose of the SFO, Zhejiang Denuo Capital Management L.P. (浙江德諾資本管理合夥企業（有限合夥)) (as the general partner of Zhejiang Dinova), Hangzhou Denuo Commercial Information Consulting Co., Ltd. (杭州德諾商務資訊諮詢有限公司) (as the general partner of Zhejiang Denuo Capital Management L.P.), Mr. Zi (as a limited partner holding 39.60% interest of Zhejiang Denuo Capital Management L.P. and holds 40% interest in Hangzhou Denuo Commercial Information Consulting Co., Ltd.) are deemed to be interested in the Shares held by Dinova Healthcare (Hong Kong) Co., Limited.

(7) Computershare Hong Kong Trustees Limited, being the Trustee, holds those Shares on trust for grantees under the RSU Scheme.

OTHER INFORMATION

Save as disclosed above and to the best knowledge of the Directors, as at the date of this Interim Report, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interest required to be kept by the Company under section 336 of the SFO.

EQUITY INCENTIVE PLANS

1. Share Option Plan

On May 9, 2021, the Company adopted the Share Option Plan, which will automatically terminate on the expiration of the 10 year period measured from the date the Share Option Plan is adopted by the Board. After which, no options under the Share Option Plan may be granted.

The Share Option Plan shall be subject to the administration of the Board or one or more committees appointed by the Board. An option will be allocated and granted subject to the performance criteria as set forth at the sole discretion of the Board and the provisions in the Share Option Plan. Each option may contain additional terms and conditions as the Board deems appropriate subject to the terms of the Share Option Plan. Each option shall be exercisable at such time or times, during such period and for such number of Shares as shall be determined by the Board, subject to the special requirements of the Share Option Plan, and set forth in the documents evidencing the option. Pursuant to the Share Option Plan, the total number of Shares shall not exceed 3,170,566 Shares (subject to any adjustment for share subdivisions or other dilutive issuances).

As of June 30, 2021, the Company granted share options to 31 grantees, including a member of the senior management and 30 other employees (including former employees) of the Group, who were granted options to subscribe for 719,276 Shares and 2,213,093 Shares, respectively.

Name of grantee	Position held within the Group	Exercise Price[1]	Date of Grant	Vesting Period[2]	Outstanding as of January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting period	Lapsed during the Reporting Period	Outstanding as of June 30, 2021[3]
Senior Management										
Todd A. Cornell	President of Broncus Medical and Uptake Medical	US$0.6918 – 3.2715	May 7, 2021	4 years	NA	719,276	–	–	–	719,276
Employees other than Directors and Senior Management		US$0.6918 – 3.2715	May 7, 2021	3 – 4 years	NA	2,213,093	–	–	–	2,213,093

Notes:

(1) The Share Option Plan was adopted to inherit and replace all the equity incentive plans adopted by Broncus Medical Inc., Uptake Medical Technology Inc. and Broncus China Holding Corporation from the year of 2012 to 2019 (the "Previous Plans"), which lead the variance of the exercise prices.

OTHER INFORMATION

(2) The commencement of the vesting period is subject to the issuance of the vesting notice by the Company to the grantee. Once the grantee receives the vesting notice, the vesting period would start from the commencement date as stipulated in the grant notice issued pursuant to the Previous Plans.

(3) Refers to the outstanding share options before the Share Subdivision.

(4) For the fair value of options granted, please refer to note 16 of Notes to Interim Condensed Consolidated Financial Information.

2. RSU Scheme

On May 9, 2021, the Company adopted the RSU Scheme, and amended and restated by the Board on July 5, 2021. The RSU Scheme shall be valid and effective for a period of 10 years commencing on the date on which the RSU Scheme become unconditional, after which no awards will be granted but the provisions of the RSU Scheme shall in all respects remain in full force.

The RSU Scheme is established to reward employees or consultants for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company. The Board will select participants to receive restricted share units ("RSU") under the RSU Scheme at its discretion.

The Company may grant RSUs to any employees, officer, Directors (whether executive or non-executive) or consultants of the Company or any of its subsidiary and other independent advisors who provide bona fide services to the Company or any of its subsidiary. Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each award which may be determined at the sole and absolute discretion of the Board from time to time, the RSUs granted to a grantee in an award shall be vested subject to such vesting schedule as set out in the relevant notice of grant, and within reasonable time after the vesting criteria and conditions have been fulfilled, satisfied or waived, the Board will send a vesting notice to each of the relevant grantee. Shares underlying the RSUs in respect of an award granted pursuant to the RSU Scheme shall not carry voting rights unless and until the award has vested and such Shares are actually transferred to the grantee (or its designee), subject to the registration of the grantee (or such other person as may be designated by the grantee) as the holder thereof. The Trustee will hold Shares underlying the Awards granted to Grantees pending the vesting of the Awards. The Trustee shall subscribe for new Shares or purchase existing Shares.

The maximum number of Shares in respect of which RSUs may be granted under the RSU Scheme when aggregated with the maximum number of Shares in respect of which options or awards may be granted under any other share-based incentive scheme shall not exceed 10% of the issued capital of the same class of the Company as of the effective date of the RSU Scheme (or of the refreshment of the 10% limit).

The grant and vesting of any RSUs, which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.07 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the Scheme, including the date of grant, number of Shares involved and the vesting period, and comply with Chapter 14A of the Listing Rules.

OTHER INFORMATION

The following table summarizes the Group's RSU Scheme movement granted to our Directors and senior management during the Reporting Period:

	Number of RSUs				
	Michael Yi Wei Zhao	Zhenjun Zi (訾振軍)	Guowei Zhan (湛國威)	Hong Xu (徐宏)	Mr. Zhenhua LI (李振華)
As at January 1, 2021	0	0	0	0	0
Granted/Replacement during the Reporting Period	1,080,000	540,000	447,300	376,478	298,200
Forfeited during the Reporting Period	–	–	–	–	–
Lapsed during the Reporting Period	–	–	–	–	–
As at June 30, 2021	1,080,000	540,000	447,300	376,478	298,200

Notes:

(1) The shares have not been transferred to grantees as the Company has not received the payment of consideration from the grantees as of the date of this Interim Report. The above grantees and the Company have agreed that the trustee will transfer the Shares underlying the RSUs to the grantees and the grantees will pay the payment of consideration accordingly after the Listing subject to the Listing Rules (where applicable) or by any other applicable laws relating to dealing in the Shares.

(2) Refers to the RSUs granted before the Share Subdivision.

For further details of the Share Option Plan and the RSU Scheme, please refer to the section headed "Statutory and General Information – D. Equity Incentive Plans" in Appendix IV to the Prospectus.

GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on September 24, 2021. The net proceeds from the Global Offering amounted to HK$1,552.4 million (assuming the over-allotment option is not exercised), which will be applied for the following purposes:

- approximately 29.0% will be used to fund going and planned R&D and commercial launches of InterVapor;
- approximately 21.0% will be used to fund ongoing and planned R&D and commercial launches of RF-II;
- approximately 18.5% will be used for our other products and product candidates;
- approximately 9.2% will be used for our continued product line expansion of our manufacturing facilities, mainly including the construction of assembly workshops, weaving workshops, purification workshops and other production workshops, investment in production equipment;
- approximately 13.2% will be used for our continued expansion of product portfolio through potential acquisition; and
- approximately 9.2% will be used for our working capital and other general corporate purposes.

OTHER INFORMATION

As at the date of this Interim Report, the Company has not used any of the proceeds. The Company intends to apply such net proceeds in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

	Approximate % of total net proceeds (%)	**Planned use of actual net proceeds** HKD' million	**Utilized net proceeds up to June 30, 2021** HKD' million	**Proceeds unused** HKD' million	**Expected timeline for utilizing the remaining balance of net proceeds from the Global Offering**
Development and commercialisation of InterVapor	29.0%	449.6	–	449.6	Expected to be fully utilized by 2030
Development and commercialisation of RF-II	21.0%	325.3	–	325.3	Expected to be fully utilized by 2030
Development and commercialisation of other products	18.5%	287.4	–	287.4	Expected to be fully utilized by 2030
Continued product line expansion	9.2%	143.0	–	143.0	Expected to be fully utilized by 2026
Continued expansion of product portfolio	13.2%	204.3	–	204.3	Expected to be fully utilized by 2026
Working capital and other general corporate purposes	9.1%	143.0	–	143.0	Expected to be fully utilized by 2026
Total	100.0%	1,552.4	–	1,552.4	

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at the date of this Interim Report as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

As the shares of the Company were not listed on the Stock Exchange during the six months ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

OTHER INFORMATION

MATERIAL LEGAL MATTERS

Except for the Global Offering mentioned above, as at the date of this Interim Report, there were no material events after the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date and up to the date of this Interim Report, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this Interim Report.

AUDIT COMMITTEE

The Audit Committee of our Company consists of three independent non-executive directors, namely, Dr. Pok Man Kam, Professor Joseph Wan Yee Lau and Dr. Jian Ji. Dr. Pok Man Kam, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The accounting information given in this Interim Report has not been audited or reviewed by the Company's external auditor. The Group's interim results for the six months ended June 30, 2021 have been reviewed by all members of the Audit Committee. Based on such a review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 245 as at June 30, 2021. The following table shows a breakdown of our employees by function as of June 30, 2021:

Function	**Number**
Production Development (R&D, clinical trial, registration, intellectual property)	108
Manufacturing and Quality Control	27
Sales and Marketing	88
General[(1)]	22
Total	245

Note:

(1) General includes human resource department, finance department, legal department and others.

OTHER INFORMATION

For the six months ended June 30, 2021, the staff cost (including Directors' remuneration in the form of salaries and other benefits and share award expenses) was approximately US$15.8 million (unaudited) as compared to US$6.0 million (unaudited) for the six months ended June 30, 2020.

Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

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

The Group has also adopted a Share Option Plan and a RSU Scheme. Please refer to the sections headed "Equity Incentive Plans" in this Interim Report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30

	Notes	2021 (Unaudited) USD'000	2020 (Unaudited) USD'000
REVENUE	*4*	**2,853**	833
Cost of sales		**(650)**	(278)
Gross profit		**2,203**	555
Other income and gains	*4*	**2,308**	227
Selling and distribution expenses		**(5,638)**	(2,964)
Administrative expenses		**(11,927)**	(2,613)
Impairment losses on financial assets, net	*5*	**(35)**	(9)
Research and development costs		**(7,755)**	(4,448)
Other expenses		**(123)**	–
Finance costs		**(110)**	(312)
Changes in fair value of convertible redeemable preferred shares	*14*	**(22,040)**	(5,544)
LOSS BEFORE TAX	*5*	**(43,117)**	(15,108)
Income tax expense	*6*	**(1)**	(1)
LOSS FOR THE PERIOD		**(43,118)**	(15,109)
Attributable to:			
Owners of the parent		**(42,724)**	(14,879)
Non-controlling interests		**(394)**	(230)
		(43,118)	(15,109)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (USD)	*8*	**(0.19)**	(0.07)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30

	2021 (Unaudited) USD'000	2020 (Unaudited) USD'000
LOSS FOR THE PERIOD	**(43,118)**	(15,109)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**97**	96
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**97**	96
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(43,021)**	(15,013)
Attributable to:		
Owners of the parent	**(42,630)**	(14,790)
Non-controlling interests	**(391)**	(223)
	(43,021)	(15,013)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,726**	2,473
Intangible assets	*9*	**7,640**	8,258
Right-of-use assets		**1,940**	1,984
Finance lease receivables		**97**	97
Prepayments, other receivables and other assets		**260**	170
Pledged deposits		**213**	213
Total non-current assets		**12,876**	13,195
CURRENT ASSETS			
Inventories		**4,491**	3,051
Finance lease receivables		**22**	23
Trade receivables	*10*	**1,860**	2,936
Prepayments, other receivables and other assets		**2,861**	1,852
Due from a related party	*18(c)*	**–**	7
Pledged deposits		**25**	25
Cash and cash equivalents		**37,617**	18,788
Total current assets		**46,876**	26,682
CURRENT LIABILITIES			
Trade payables	*11*	**92**	357
Lease liabilities		**599**	512
Other payables and accruals	*12*	**6,308**	9,133
Interest-bearing bank and other borrowings	*13*	**15**	3,730
Contract liabilities		**462**	495
Total current liabilities		**7,476**	14,227
NET CURRENT ASSETS		**39,400**	12,455
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,276**	25,650

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,276**	25,650
NON-CURRENT LIABILITIES			
Lease liabilities		**1,336**	1,419
Contract liabilities		**42**	77
Interest-bearing bank and other borrowings	*13*	**–**	458
Convertible redeemable preferred shares	*14*	**208,177**	146,137
Total non-current liabilities		**209,555**	148,091
Net liabilities		**(157,279)**	(122,441)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**6**	6
Reserves		**(157,285)**	(120,519)
		(157,279)	(120,513)
Non-controlling interests		**–**	(1,928)
Total equity		**(157,279)**	(122,441)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	Attributable to owners of the parent							
	Share capital USD'000	Other reserve* USD'000	Share option reserve* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
At January 1, 2021 (audited)	6	46,280	6,287	(146)	(172,940)	(120,513)	(1,928)	(122,441)
Loss for the period	–	–	–	–	(42,724)	(42,724)	(394)	(43,118)
Exchange differences on translation of foreign operations	–	–	–	94	–	94	3	97
Total comprehensive loss for the period	–	–	–	94	(42,724)	(42,630)	(391)	(43,021)
Acquisition of non-controlling interests	–	(2,472)	–	–	–	(2,472)	2,311	(161)
Equity-settled share option arrangements	–	–	8,336	–	–	8,336	8	8,344
At June 30, 2021 (unaudited)	6	43,808	14,623	(52)	(215,664)	(157,279)	–	(157,279)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Attributable to owners of the parent							
	Share capital USD'000	Other reserve USD'000	Share option reserve USD'000	Exchange fluctuation reserve USD'000	Accumulated losses USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
At January 1, 2020 (audited)	6	46,449	5,757	127	(124,703)	(72,364)	(1,516)	(73,880)
Loss for the period	–	–	–	–	(14,879)	(14,879)	(230)	(15,109)
Exchange differences on translation of foreign operations	–	–	–	89	–	89	7	96
Total comprehensive loss for the period	–	–	–	89	(14,879)	(14,790)	(223)	(15,013)
Capital injection from the exercise of equity-settled share options in a subsidiary	–	–	–	–	–	–	7	7
Equity-settled share option arrangements	–	–	343	–	–	343	8	351
At June 30, 2020 (unaudited)	6	46,449	6,100	216	(139,582)	(86,811)	(1,724)	(88,535)

* These reserve accounts comprise the consolidated reserves of USD(157,285,000) in the interim condensed consolidated statement of financial position as at June 30, 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30

	Notes	2021 (Unaudited) USD'000	2020 (Unaudited) USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(43,117)**	(15,108)
Adjustments for:			
Finance costs		**110**	312
Bank interest income	*4*	**(24)**	(1)
Interest income from non-current receivables	*4*	**(14)**	(38)
Gain on disposal of items of property, plant and equipment	*4*	**(16)**	–
Depreciation of property, plant and equipment	*5*	**352**	139
Depreciation of right-of-use assets	*5*	**325**	350
Amortisation of intangible assets	*5*	**625**	622
COVID-19-related rent concessions from lessors		**–**	(15)
Gain on termination of leases	*4*	**(18)**	–
Impairment of trade receivables, net	*5*	**35**	9
Equity-settled share option expenses	*16*	**8,347**	347
Changes in fair value of convertible redeemable preferred shares	*5*	**22,040**	5,544
Government grants from forgiveness of interest-bearing bank loans and associated interest expenses		**(1,108)**	–
Foreign exchange differences, net	*5*	**38**	(40)
		(12,425)	(7,879)
Increase in inventories		**(1,440)**	(398)
Decrease in trade receivables		**1,052**	2,209
Increase in prepayments, other receivables and other assets		**(529)**	(85)
Decrease in an amount due from a director		**–**	11
Decrease/(increase) in an amount due from a related party		**7**	(7)
(Decrease)/increase in trade payables		**(265)**	71
Decrease in other payables and accruals		**(703)**	(876)
(Decrease)/increase in contract liabilities		**(68)**	20
Cash used in operations		**(14,371)**	(6,934)
Interest received		**24**	1
Income tax paid		**(1)**	(1)
Net cash flows used in operating activities		**(14,348)**	(6,934)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30

	Notes	2021 (Unaudited) USD'000	2020 (Unaudited) USD'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,409)**	(74)
Proceeds from disposal of items of property, plant and equipment		**44**	–
Purchases of intangible assets		**(7)**	–
Loans to related parties	*18(a)*	**–**	(294)
Repayment by related parties		**–**	294
Net cash flows used in investing activities		**(1,372)**	(74)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible redeemable preferred shares		**39,000**	–
New bank and other borrowings		**109**	12,531
Repayment of bank and other borrowings		**(3,209)**	(5,744)
Loans from related parties	*18(a)*	**–**	3,788
Acquisition of non-controlling interests		**(161)**	–
Repayment of loans from related parties		**–**	(2,149)
Principal portion of lease payments		**(260)**	(278)
Payment for deferred listing expenses		**(705)**	–
Capital injection from the exercise of equity-settled share options in a subsidiary		**–**	7
Interest paid		**(290)**	(241)
Net cash flows from financing activities		**34,484**	7,914
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,764**	906
Cash and cash equivalents at beginning of period		**18,788**	3,085
Effect of foreign exchange rate changes, net		**65**	(21)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**37,617**	3,970
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**37,617**	3,970

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on April 30, 2012. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since September 24, 2021.

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group as set out in the accountants' report in appendix I to the Company's Prospectus.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for convertible redeemable preferred shares which have been measured at fair value. The interim condensed consolidated financial information is presented in United States dollar ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

The Group had net deficit in assets of approximately USD157,279,000 as at June 30, 2021. Taking into account cash and cash equivalents on hand and operating and financing cash flows, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the interim condensed consolidated financial information has been prepared on a going concern basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Mainland China	**662**	2
European Union	**1,032**	234
USA	**379**	104
Other countries/regions	**780**	493
	2,853	833

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

(b) Non-current assets

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
USA	**7,770**	8,415
Mainland China	**4,528**	4,340
European Union	**26**	31
Other countries/regions	**6**	9
Total	**12,330**	12,795

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the six months ended June 30, 2021 and 2020 is set out below:

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Customer A	**531**	N/A*
Customer B	**N/A***	215
Customer C	**N/A***	210

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Revenue from contracts with customers		
Sale of medical devices and consumables	**2,627**	614
Provision of services	**216**	207
Revenue from other sources		
Gross rental income	**10**	12
	2,853	833

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Geographical markets		
Mainland China	**662**	2
European Union	**1,032**	234
USA	**369**	92
Other countries/regions	**780**	493
	2,843	821
Timing of revenue recognition		
Goods transferred at a point in time	**2,627**	614
Services transferred over time	**216**	207
	2,843	821

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (Continued)

An analysis of other income and gains is as follows:

	For the six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
	USD'000	USD'000
Other income		
Government grants *(Note (a))*	**1,236**	148
Compensation from a licence agreement	**1,000**	–
Bank interest income	**24**	1
Interest income from non-current receivables	**14**	38
	2,274	187
Gains		
Gain on disposal of items of property, plant and equipment	**16**	–
Gain on termination of leases	**18**	–
Foreign exchange gains, net	**–**	40
	34	40
	2,308	227

Note:

(a) In April 2020, the Group's two subsidiaries in the United States received loans of total USD1,098,000 under the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA"). The PPP is a part of the *Coronavirus Aid, Relief, and Economic Security Act* enacted by the United States Congress on March 27, 2020 in response to the COVID-19 pandemic. The repayment of these loans, including interest, will be forgiven if the above mentioned received loans comply with the forgiveness requirement of the PPP loan program, which should be approved by SBA. The Group submitted applications for the forgiveness of the PPP loans in December 2020 and they were pending for approvals as of December 31, 2020. As such, the total USD1,098,000 was recognised as debt and included in "Interest-bearing bank and other borrowings" as of December 31, 2020. Further details are disclosed in note 13 to the interim condensed consolidated financial information. The Group received the notices of PPP forgiveness payment from the SBA regarding the approval of its application for forgiveness of USD311,000 and USD787,000 in principal and associated interest in March and May 2021, respectively, which were recognised as government grants.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. LOSS BEFORE TAX

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

	Note	For the six months ended June 30, 2021 (unaudited) USD'000	2020 (unaudited) USD'000
Cost of inventories sales		**608**	230
Cost of services provided		**42**	48
Research and development costs		**7,755**	4,448
Impairment of trade receivables, net		**35**	9
Depreciation of property, plant and equipment		**352**	139
Depreciation of right-of-use assets		**325**	350
Amortisation of intangible assets		**625**	622
Changes in fair value of convertible redeemable preferred shares		**22,040**	5,544
Foreign exchange differences, net		**38**	(40)
Auditor's remuneration		**2**	–
Equity-settled share option expenses	*16*	**8,347**	347
Listing expenses		**2,464**	–

6. INCOME TAX

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

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

	For the six months ended June 30, 2021 (unaudited) USD'000	2020 (unaudited) USD'000
Current – USA		
Charge for the period	**1**	1

7. DIVIDEND

No dividend has been paid or declared by the Company in respect for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 228,049,860 (six months ended June 30, 2020: 223,778,680) during the period, which represented the adjusted number of ordinary shares taking into consideration of the subsequent implemented share subdivision (note 21). No adjustment has been made to the basic loss per share amounts presented for the period (six months ended June 30, 2020: Nil) in respect of a dilution as the impact of the convertible redeemable preferred shares and equity-settled share option arrangements had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. INTANGIBLE ASSETS

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Carrying amount at beginning of period/year	**8,258**	9,434
Additions	**7**	73
Amortisation provided during the period/year	**(625)**	(1,247)
Disposal	**–**	(2)
Carrying amount at end of period/year	**7,640**	8,258

10. TRADE RECEIVABLES

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Trade receivables	**2,153**	3,193
Impairment	**(293)**	(257)
	1,860	2,936

Certain of the Group's trading terms with its customers are on credit. The credit period is generally three to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the trade receivables were an amount of nil (December 31, 2020: USD988,000) due from the Group's related parties.

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

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Within 3 months	**810**	1,360
3 to 6 months	**527**	58
6 to 12 months	**59**	14
1 to 2 years	**464**	516
2 to 3 years	**–**	–
Over 3 years	**–**	988
	1,860	2,936

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11. TRADE PAYABLES

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

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Within 3 months	**85**	346
3 to 6 months	**7**	3
6 to 12 months	**–**	2
Over 1 year	**–**	6
	92	357

Trade payables are non-interest-bearing and are normally settled on terms of 30 days.

12. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Other payables	**1,544**	3,566
Accrued expenses	**2,796**	3,612
Accrued payroll	**1,853**	1,621
Taxes payable other than corporate income tax	**115**	144
Interest payable	**–**	190
	6,308	9,133

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	*Notes*	**As at June 30, 2021 (Unaudited) USD'000**	As at December 31, 2020 (Audited) USD'000
Current					
Bank loan – secured					
– RMB20,000,000	5.87	2021	*(a)*	**–**	3,065
Bank overdraft					
– secured	–	On demand	*(b)*	**15**	25
Bank loans – unsecured					
– current portion of long term loans of USD1,098,000	1.00	2021		**–**	640
				15	3,730
Non-current					
Bank loans – unsecured					
– non-current portion of long term loans of USD1,098,000	1.00	2022		**–**	458
				15	4,188
Analysed into:					
Within one year or on demand				**15**	3,730
In the second year				**–**	458
				15	4,188

Notes:

(a) The subsidiary of the Group and a director of the Group, namely Hangzhou Broncus and Zhao Michael Yi Wei, have guaranteed certain of the Group's bank loans amounting to nil (December 31, 2020: RMB20,000,000).

(b) The Group's overdraft facilities amounting to USD80,000 and USD80,000, of which USD15,000 and USD25,000 had been utilised as at June 30, 2021 and December 31, 2020, respectively, were secured by the pledge of certain of the Group's time deposits amounting to USD25,000 and USD25,000, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Convertible redeemable preferred shares (the "Preferred Shares") issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company's shares, or when agreed by the majority of the holders of each class of the Preferred Shares.

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing preferred shares, details of which are as follows:

Preferred Shares	Date of issuance	Purchase price (USD/Share)	Number of Preferred Shares	Total consideration (USD)
Series A1	March 2, 2018	2.57	5,834,473	15,000,000
Series A2	March 2, 2018	0.83[(a)]	8,818,002	7,318,943
Series B1	April 20, 2018	3.05	3,283,588	10,000,003
Series B2	April 10, 2019	3.05	3,283,587	10,000,000
Series B3	May 6, 2019	3.05	2,996,273	9,125,000
Series C1	August 27, 2020	3.84	5,986,013	23,000,000
Series C2	September 25, 2020	3.84	3,805,134	14,620,430
Series D	January 25, 2021	6.59	6,068,134	39,999,986

Notes:

(a) Pursuant to the Company's shareholders' resolution passed on March 2, 2018, in the best interests of the Company and its shareholders, the Company approved to convert the previously issued convertible bonds directly into Series A2 Preferred Shares by conversion of the outstanding principal amount and all unpaid and accrued interest at the conversion price of USD0.83 per share.

(b) Series A Preferred Shares include Series A1 Preferred Shares and Series A2 Preferred Shares; Series B Preferred Shares include Series B1 Preferred Shares, Series B2 Preferred Shares and Series B3 Preferred Shares; and Series C Preferred Shares include Series C1 Preferred Shares and Series C2 Preferred Shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The key terms of all series of the Preferred Shares are summarised as follows:

Conversion rights

The Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the issue date of Preferred Shares into such number of fully paid and non-assessable ordinary shares or automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of a Qualified IPO (see definition below), and (ii) the date specified by written consent or agreement of the holders of the majority of the holders of each series preferred.

Qualified IPO is defined as a firm commitment underwritten registered public offering by the Company of its shares (or other vehicle to be established for the purpose of the IPO) on the Hong Kong Stock Exchange, NASDAQ, the New York Stock Exchange, the Shanghai Stock Exchange or another internationally recognised exchange as may be agreed among the shareholders, (i) at an offering price to the public which implies a gross pre-offering equity valuation of the Company (or the Group, as the case may be) of at a pre-determined amount and which results in aggregate proceeds to the Company (or the Group, as the case may be) (net of underwriters' discounts and commissions) of at a pre-determined amount (or any cash proceeds of other currency of equivalent value) for the holders of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares or (ii) at an pre-determined offering price if such public offering is completed before a pre-determined date for the holders of Series D Preferred Shares.

Dividend rights

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Preferred Share such that the dividend or distribution declared, paid, set aside or made to the holder thereof shall be equal to the dividend or distribution that such holder would have received if such Preferred Shares had been converted into ordinary shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder thereof received such dividend or distribution.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company (the "Liquidation Event"), whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the members (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the members of the Company, and in the event of a Deemed Liquidation Event (see definition below), the holders of ordinary shares and Preferred Shares then outstanding shall be entitled to be paid out of the consideration payable to the members in such Deemed Liquidation Event together with any other assets of the Company legally available for distribution to the Members, as follows:

A. The holders of each series of Series D Preferred Shares shall be entitled to receive, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the Series C Preferred Shares, Series B Preferred Shares, Series A Preferred Shares and the ordinary shares by reason of their ownership of such shares, an amount per Series D Preferred Share equal to 100% of the Series D issue price, plus all declared but unpaid dividends on such Series D Preferred Share (the amount payable pursuant to this sentence, the "Series D Liquidation Preference Amount"). If the assets and funds thus distributed among the holders of the Series D Preferred Shares shall be insufficient to permit the payment to such holders of the full Series D Liquidation Preference Amount, then the entire assets and funds of the Company legally available for distribution to the Series D Preferred Shares shall be distributed ratably among the holders of the Series D Preferred Shares in proportion to the aggregate Series D Liquidation Preference Amount each such holder is otherwise entitled to receive pursuant to this paragraph A.

B. If there are any assets or funds remaining after the aggregate Series D Liquidation Preference Amount have been distributed or paid in full to the applicable holders of Series D Preferred Shares pursuant to paragraph A above, the holders of each series of Series C Preferred Shares shall be entitled to receive, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series B Preferred Shares, Series A Preferred Shares and the ordinary shares by reason of their ownership of such shares, an amount per Series C Preferred Share equal to 100% of the Series C issue price, plus all declared but unpaid dividends on such Series C Preferred Share (the amount payable pursuant to this sentence, the "Series C Liquidation Preference Amount"). If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full Series C Liquidation Preference Amount, then the entire assets and funds of the Company legally available for distribution to the Series C Preferred Shares shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the aggregate Series C Liquidation Preference Amount each such holder is otherwise entitled to receive pursuant to this paragraph B.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preferences (Continued)

C. If there are any assets or funds remaining after the aggregate Series D Liquidation Preference Amount and Series C Liquidation Preference Amount have been distributed or paid in full to the applicable holders of Series D Preferred Shares and Series C Preferred Shares pursuant to paragraphs A and B above, the holders of each series of Series B Preferred Shares and Series A Preferred Shares shall be entitled to receive, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of the ordinary shares by reason of their ownership of such shares, an amount per Series B Preferred Share or per Series A Preferred Share equal to 100% of the Series B issue price or the Series A issue price, as applicable, plus all declared but unpaid dividends on such Series B Preferred Share or Series A Preferred Share, as applicable (collectively, the "Series B Liquidation Preference Amount" with respect to Series B Preferred Share, and the "Series A Liquidation Preference Amount" with respect to Series A Preferred Share). If the assets and funds thus distributed among the holders of the Series B Preferred Shares and Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Liquidation Preference Amount and Series A Liquidation Preference Amount, then the entire assets and funds of the Company legally available for distribution to the Series B Preferred Shares and Series A Preferred Shares shall be distributed ratably among the holders of the Series B Preferred Shares and Series A Preferred Shares in proportion to the aggregate Series B Liquidation Preference Amount and Series A Liquidation Preference Amount each such holder is otherwise entitled to receive pursuant to this paragraph C.

D. If there are any assets or funds remaining after the aggregate Series D Liquidation Preference Amount, Series C Liquidation Preference Amount, Series B Liquidation Preference Amount and Series A Liquidation Preference Amount have been distributed or paid in full to the applicable holders of Preferred Shares pursuant to paragraph A, B and C above, the remaining assets and funds of the Company available for distribution to the members shall be distributed ratably among holders of ordinary shares and Series D Preferred Shares then held by each holder on an as-converted basis.

E. Notwithstanding the above, for purposes of determining the amount each holder of Preferred Shares is entitled to receive with respect to a Liquidation Event, each such holder of Preferred Shares shall be deemed to have converted (regardless of whether such holder actually converted) such holder's Preferred Shares of such series into ordinary shares immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such Preferred Shares into ordinary shares. If any such holder shall be deemed to have converted Preferred Shares into ordinary shares pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Preferred Shares that have not converted (or have not been deemed to have converted) into ordinary shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preferences (Continued)

"Deemed Liquidation Event" is defined as: (1) any consolidation, amalgamation, scheme of arrangement or merger of any company with the Group with or into any other person or other reorganisation in which the members or shareholders of such company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganisation own less than fifty percent (50%) of such company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganisation, or any transaction or series of related transactions to which such company is a party in which in excess of fifty percent (50%) of such company's voting power is transferred; (2) a sale, transfer, lease or other disposition of all or substantially all of the assets of any company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such company) or (3) the exclusive licensing of all or substantially all of any company's intellectual property to a third party or parties.

Redemption rights

(1) With respect to holders of the Series C Preferred Shares, in the event that the Company has not consummated a Qualified IPO on or prior to December 31, 2022, any holder(s) of Series C Preferred Shares (the "Series C Initiating Redeeming Party(ies)") may, and (2) with respect to the Series D Preferred Shares acquired by the lead Series D holder at the Series D issue date and held by the lead Series D holder or its affiliates at the applicable time ("Redeemable Series D Shares"), in the event (i) that the Company has not consummated a Qualified IPO on or prior to June 30, 2024, (ii) that any other holder of Preferred Shares that is entitled to require the Company to redeem all or part of its Preferred Shares has given a written notice to the Company requesting such redemption or (iii) an additional Series D redemption triggering event as defined in the shareholders' agreement, the lead Series D holder (the "Series D Initiating Redeeming Party(ies)", together with the Series C Initiating Redeeming Party(ies), the "Initiating Redeeming Party(ies)") may, upon written request to the Company (the "Redemption Request"), require the Company to redeem all or any portion of the Series C Preferred Shares or the Redeemable Series D Shares held by such Initiating Redeeming Party(ies) (as the case may be). If a Redemption Request is made by an Initiating Redeeming Party, the Company shall (i) redeem such Series C Preferred Shares or Series D Preferred Shares (as the case may be) held by the Initiating Redeeming Party as the Initiating Redeeming Party has set out in the Redemption Request and (ii) unless in the case of Series C Preferred Shares, at least 60% of Series C Preferred shareholders, or in the case of Redeemable Series D Shares, the lead Series D holder (as the case may be) agree otherwise, not submit its first filing unless and until the redemption closing has been fully consummated in accordance with these provisions.

The redemption price for each Series C Preferred Share redeemed shall be an amount in cash equal to the sum of (a) the Series C issue price, (b) an amount which would result in each holder of a Series C Preferred Share being deemed receiving an internal rate of return of ten percent (10%) in respect of each Series C Preferred Share per annum, accruing daily from the applicable Series C issue date and compounded annually until the related Series C Preferred Shares are redeemed in full by the Company, plus (c) any declared but unpaid dividends on such Series C Preferred Shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Redemption rights (Continued)

The redemption price for each Redeemable Series D Share redeemed shall be an amount in cash equal to the sum of (a) the Series D issue price, (b) an amount which would result in the lead Series D holder being deemed receiving an internal rate of return of ten percent (10%) in respect of each Redeemable Series D Share per annum, accruing daily from the Series D issue date and compounded annually until such redeemable Series D shares are redeemed in full by the Company, plus (c) any declared but unpaid dividends on such redeemable Series D shares.

The Group does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there is no material credit risk change during the six months ended June 30, 2021.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders demand the Company to redeem the preferred shares within 12 months after June 30, 2021.

The movements of the Preferred Shares are set out below:

	Series A USD'000	Series B USD'000	Series C USD'000	Series D USD'000	Total USD'000
As at January 1, 2020 (audited)	48,149	32,748	–	–	80,897
Issue of Preferred Shares	–	–	37,620	–	37,620
Changes in fair value	12,564	7,760	7,296	–	27,620
As at December 31, 2020 (audited)	60,713	40,508	44,916	–	146,137
Issue of Preferred Shares	–	–	–	40,000	40,000
Changes in fair value	8,106	5,103	5,378	3,453	22,040
As at June 30, 2021 (unaudited)	**68,819**	**45,611**	**50,294**	**43,453**	**208,177**

The Group applied the discount cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at June 30, 2021 and December 31, 2020.

Significant unobservable inputs

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Discount rate	**16%**	N/A
Risk-free interest rate	**0.46%**	0.12%
Discount for lack of marketability ("DLOM")	**13%**	17%
Equity volatility	**50.63%**	56.39%

The discount rate was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of the United States Government Bond as of each of the valuation date with a maturity life equal to the period from the respective valuation dates to the expected liquidation dates. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on implied volatility of comparable companies as of the valuation dates. Probability weight under each of the redemption feature and liquidation preferences were based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Preferred Shares on the valuation dates.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

Quantitative sensitivity analysis

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
1% increase in risk-free rate	**(710)**	(333)
1% decrease in risk-free rate	**1,028**	444
10% increase in equity volatility	**167**	1,399
10% decrease in equity volatility	**(893)**	(1,897)
5% increase in DLOM	**(11,814)**	(8,670)
5% decrease in DLOM	**11,814**	8,670

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on April 30, 2012 with an initial authorised share capital of USD50,000 with a par value of USD1 each. On May 22, 2014, the authorised share capital was sub-divided into 500,000,000 shares with a par value of USD0.0001 each.

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Issued and fully paid:		
59,113,045 (December 31, 2020: 55,944,670) ordinary shares of USD0.0001 each	6	6

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

	Number of shares in issue	Share capital USD'000
At January 1, 2020, December 31, 2020 and January 1, 2021	55,944,670	6
New issues on May 12, 2021 *(Note (a))*	3,168,375	–
At June 30, 2021 (unaudited)	59,113,045	6

Note:

(a) On May 12, 2021, the Company issued 3,168,375 shares of the Company to the shareholders or their respective designated affiliates of DNA-Broncus Management Co-Investment Ltd. ("DNA-Broncus"), the minority shareholder of one of the Group's subsidiary, Broncus China Holding Corporation ("BCH"), as the consideration to repurchase all of the shares held by DNA-Broncus in BCH, after which BCH became a wholly-owned subsidiary of the Company.

16. SHARE-BASED PAYMENTS

The Group's subsidiaries operate share-based payment schemes (the "Subsidiaries' Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Subsidiaries' Schemes include the Company's directors and the Group's employees.

The share options have vesting terms (share options shall vest in equal monthly instalments) in schedule from the grant date and there is no performance target required except that the eligible participant remains in service for the Group during the vesting period. The exercise price of the share options is various with each person and share plan.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. SHARE-BASED PAYMENTS (CONTINUED)

As part of the Group's reorganisation, in May 2021, the Company adopted equity incentive plans (the "Company's Schemes") to exchange share options granted in each of the subsidiaries for share options or restricted stock units ("RSU") of the Company. The incremental fair value resulting from the exchange at the replacement date was USD2,165,000, which would be recognised over the remaining vesting period.

In addition, new share options and RSU granted by the Group during the six months ended June 30, 2021 are as follows:

Date of grant	Grantor	Type	Number	Vesting period (months)	Exercise price (USD)
May 2021	Company	Options	152,564	24-28	2.06
May 2021	Company	RSU	1,620,000	1	0.26

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

	2021		2020	
	Weighted average exercise price USD/share	Number of options	Weighted average exercise price USD/share	Number of options
Outstanding at beginning of the period/year	**0.54**	**7,744,872**	0.54	8,655,765
Granted during the period/year	**2.06**	**152,564**	–	–
Replacement during the period/year	**N/A**	**(4,839,940)**	–	–
Exercised during the period/year	**–**	**–**	1.34	(5,000)
Forfeited during the period/year	**0.96**	**(125,127)**	0.59	(905,893)
Outstanding at end of the period/year	**1.34**	**2,932,369**	0.54	7,744,872

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. SHARE-BASED PAYMENTS (CONTINUED)

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

	2021	
	Weighted average exercise price USD/share	Number of RSU
Outstanding at beginning of the period	–	–
Granted during the period	0.26	1,620,000
Replacement during the period	0.26	1,707,196
Outstanding at end of the period	0.26	3,327,196

During the period, share-based expenses of USD8,347,000 (six months ended June 30, 2020: USD347,000) were charged to the statement of profit or loss.

The fair value of equity-settled share options and RSU granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options and RSU were granted. The following table lists the key assumptions that the model used.

	For the six months ended June 30, 2021 (unaudited)	
	Share options	RSU
Expected volatility (%)	49.31	48.92
Risk-free interest rate (%)	1.35	1.58
Expected life (year)	8.0	0.1
Weighted average share price (USD)	2.17	3.63

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Contracted, but not provided for:		
Leasehold improvements	–	100

18. RELATED PARTY TRANSACTIONS

Name	Relationship
Intuitive Surgical Operations, Inc. ("Intuitive Surgical")	Shareholder
Dinova Healthcare Holding Corporation ("Dinova Healthcare")	An entity controlled by Mr. Michael Yi Wei Zhao
Hangzhou Dinova Medical Technology Co., Ltd. ("Hangzhou Dinova")	An entity controlled by Mr. Michael Yi Wei Zhao
Shanghai Mingnuo Medical Technology Co., Ltd. ("Shanghai Mingnuo")	An entity controlled by Mr. Michael Yi Wei Zhao
Hangzhou Weiqiang Medical Technology Co., Ltd. ("Hangzhou Weiqiang")	An entity controlled by Mr. Michael Yi Wei Zhao

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Purchase from:		
Hangzhou Weiqiang	**24**	–
Compensation income from:		
Intuitive Surgical	**1,000**	–
Loans to:		
Hangzhou Dinova	**–**	294
Loans from:		
Hangzhou Dinova*	**–**	1,588
Dinova Healthcare*	**–**	2,200
	–	3,788
Interests to:		
Hangzhou Dinova*	**–**	43
Dinova Healthcare*	**–**	18
	–	61
Payment on behalf of the Group by:		
Shanghai Mingnuo	**–**	4,105
Payments on behalf of related parties for:		
Intuitive Surgical	**–**	7
Shanghai Mingnuo	**–**	1,146
	–	1,153

* The loans from Hangzhou Dinova and Dinova Healthcare were unsecured and bore interest at interest rates of 5.3% and 8% per annum, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

A director of the Group, Zhao Michael Yi Wei, has guaranteed certain of the Group's bank loans up to RMB50,000,000 during the six months ended June 30, 2020.

(c) Outstanding balances with related parties:

		As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Due from a related party*:			
Intuitive Surgical		–	7
Other payables and accruals*:			
Hangzhou Dinova		–	136
Dinova Healthcare		–	41
		–	177
Prepayments**			
Hangzhou Weiqiang		24	51
Trade receivables**:			
Intuitive Surgical		–	988

On April 6, 2017, a subsidiary of the Group entered into a license agreement with Intuitive Surgical and an exclusive license would be granted to Intuitive Surgical by payments at USD1,000,000 per year for a period of five years.

* The balances are non-trade in nature.

** The balances are trade in nature.

The balances with related parties are unsecured, interest-free and repayable on demand except for transactions detailed elsewhere in notes 10 and 12.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended June 30,	
	2021 (unaudited) USD'000	2020 (unaudited) USD'000
Salaries, bonuses, allowances and benefit in kind	**549**	475
Pension scheme contributions	**18**	9
Equity-settled share option expenses	**6,426**	213
Total compensation paid to key management personnel	**6,993**	697

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at June 30, 2021 and December 31, 2020 are as follows:

Financial assets – at amortised cost

	As at June 30, 2021 (Unaudited) USD'000	As at December 31, 2020 (Audited) USD'000
Trade receivables	**1,860**	2,936
Finance lease receivables	**119**	120
Financial assets included in prepayments, other receivables and other assets	**239**	181
Due from a related party	**–**	7
Pledged deposits	**238**	238
Cash and cash equivalents	**37,617**	18,788
	40,073	22,270

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

As at June 30, 2021 (unaudited)

	Financial liabilities at amortised cost USD'000	Financial liabilities at fair value through profit or loss USD'000	Total USD'000
Trade payables	**92**	**–**	**92**
Financial liabilities included in other payables and accruals	**1,544**	**–**	**1,544**
Interest-bearing bank and other borrowings	**15**	**–**	**15**
Convertible redeemable preferred shares	**–**	**208,177**	**208,177**
Lease liabilities	**1,935**	**–**	**1,935**
	3,586	**208,177**	**211,763**

As at December 31, 2020 (audited)

	Financial liabilities at amortised cost USD'000	Financial liabilities at fair value through profit or loss USD'000	Total USD'000
Trade payables	357	–	357
Financial liabilities included in other payables and accruals	3,756	–	3,756
Interest-bearing bank and other borrowings	4,188	–	4,188
Convertible redeemable preferred shares	–	146,137	146,137
Lease liabilities	1,931	–	1,931
	10,232	146,137	156,369

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, an amount due from a related party, trade receivables, finance lease receivables, trade payables, interest-bearing bank and other borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. All the carrying amounts of the Group's non-current financial assets and financial liabilities approximate to their fair value.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of the Reporting Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the pledged deposits, finance lease receivables, financial assets included in prepayments, other receivables and other assets and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of convertible redeemable preferred shares is estimated by the option-pricing method and equity allocation model.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Fair value hierarchy

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

Liabilities measured at fair value:

As at June 30, 2021 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	**Significant observable inputs (Level 2) USD'000**	**Significant unobservable inputs (Level 3) USD'000**	**Total USD'000**
Convertible redeemable preferred shares	**–**	**–**	**208,177**	**208,177**

As at December 31, 2020 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
Convertible redeemable preferred shares	–	–	146,137	146,137

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended June 30, 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21. EVENT AFTER THE REPORTING PERIOD

On September 7, 2021, the Company's shareholders resolved that each share of USD0.0001 in the then authorised and issued share capital of the Company be sub-divided into four ordinary shares of USD0.000025 each (the "Share Subdivision") such that immediately following the Share Subdivision, (i) the authorised share capital of the Company is USD50,000 divided into 2,000,000,000 ordinary shares of USD0.000025 each; and (ii) the issued share capital of the Company shall consist of 436,261,784 ordinary shares of USD0.000025 each.

As at the date of this Interim Report, save as disclosed in this Interim Report, the Board is not aware of any significant events after the Reporting Period.

DEFINITIONS

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Broncus Holding Corporation (堃博医疗控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on April 30, 2012, whose Shares were listed and traded on the Stock Exchange
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	member(s) of our board of directors, including all executive, non-executive and independent non-executive directors
"EU"	the European Union
"Global Offering"	the global offering of the Shares, comprising the Hong Kong public offering of initially 8,935,500 Shares (subject to reallocation) and the international offering of initially 80,419,500 Shares (subject to reallocation and the over-allotment option)
"Group," "our Group," "we" or "us"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the context may require)
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual(s) or a company(ies) who/which is/are independent of and not connected with (within the meaning of the Listing Rules) any of Directors, executive officers or substantial shareholders (as defined in the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Listing Date"	September 24, 2021, being the date on which the Shares were listed 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

DEFINITIONS

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China and, except where the context otherwise requires, references in this Interim Report to the PRC or China do not apply to Hong Kong SAR, Macau SAR or Taiwan
"R&D"	Research and development
"Reporting Period"	six months ended June 30, 2021
"RSU Scheme"	the restricted share unit scheme of the Company as adopted on May 6, 2021 and amended and restated on July 5, 2021
"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
"Shares"	ordinary share(s) in the share capital of the Company
"Shareholders"	holders of the Shares
"Share Option Plan"	the share incentive plan of the Company as adopted on May 9, 2021
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"U.S." or "United States"	the United States of America
"US$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "*" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.