OrbusNeich
業聚醫療

OrbusNeich Medical Group Holdings Limited
業聚醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6929

2022 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Dr. Yi ZHOU

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Ms. Kwai Ching Denise LAU
Mr. Wing Shing CHEN

COMPANY SECRETARY

Mr. Wing Shing CHEN

REGISTERED OFFICE

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Hutchins Drive
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Cayman Islands

CORPORATE HEADQUARTERS

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Shatin, N.T.
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

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AUDITOR

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

STOCK CODE

6929

COMPANY WEBSITE

https://orbusneich.com/

CHAIRMAN'S STATEMENT

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

Mr. David Chien
Chairman, Executive Director & Chief Executive Officer

Ms. Denise Lau
Executive Director & Chief Operating Officer

Dear Shareholders,

On behalf of the board of directors of OrbusNeich Medical Group Holdings Limited, I am pleased to present to our shareholders the Annual Report for the year ended December 31, 2022 ("**FY2022**").

2022 was a year full of challenges. Apart from international political tensions, global economic recovery was hampered by rapid inflation worldwide, which fuelled sharp rises in interest rates and brought wild fluctuations to the equity, debt and foreign exchange markets. Adding to the challenge was the prevailing COVID-19 pandemic which disrupted the global supply chain.

These uncertainties in the business environment tested our production, logistics, sales and finance capabilities. Nevertheless, with exceptionally resilient operation, we were able to weather the storm and achieved satisfactory results. Despite the strong US dollar which reduced our Group's revenue by approximately US$9.6 million, representing 7.0% of our Group's revenue in FY2022, we made a record high revenue of approximately US$136.8 million, representing a 17.5% growth year-on-year. Gross profit increased by 13.9% to approximately US$92.5 million and adjusted net profit for FY2022 was US$26.7 million, up by 24.9%. The Group sold 1.2 million units of products worldwide, up by approximately 20.0%. Earnings per share for FY2022 was US 3.17 cents.

Such remarkable results were owed to the growth of both our established markets and high-growth markets. For our established markets, we kept broadening our product portfolio to deepen our market penetration. For example, in September 2021, we introduced in Japan Scoreflex Trio, a high selling price specialty balloon, which continued to gain market share since debut. Although average JPY/USD exchange rate slid 18.6% in 2022 against 2021, revenue generated from the Japan market in FY2022 still had a decent growth of 8.8% year-on-year, amounting to US$32.4 million.

In respect of our high growth markets, the Group continued to expand our presence in the PRC market through the direct sales force we established in 2021. Revenue generated from the PRC market increased by a significant 38.1% to US$23.6 million. As at December 31, 2022, our distribution network in the PRC market covered over 2,000 hospitals across 30 provinces and municipalities.

Since entering the US market in 2017, we have been committed to launching innovative products in the market. Adding to Jade, Sapphire and Teleport products introduced in previous years, Scoreflex NC, the world's smallest profile scoring balloon product, was introduced in the US in 2022 and well received by the market, enriching our product portfolio for the US market. Not only did this boost the revenue generated from the US market by 122.6% year-on-year to US$16.6 million for FY2022, but it had also helped enhance our brand recognition in this sophisticated market, fortifying our foundation for future growth there.

At our persistent efforts in exploring new markets with strong growth potential, we saw more even revenue contributions from our five major geographical markets — Japan, EMEA, APAC, the PRC and the US — accounting for 23.7%, 23.6%, 23.3%, 17.2% and 12.2% of our total revenue in FY2022, respectively. We are thus more immune to country-specific risks.

Raising funds from the capital and IPO market in 2022 was exceptionally difficult. During the year, the number of successful IPOs on The Stock Exchange of Hong Kong Limited ("**HKEx**") and funds raised dropped to the lowest since 2014 and 2013, respectively. Nevertheless, for OrbusNeich, with the unabating support from investors, our business partners and staff, it was listed on the Main Board of the HKEx on December 23, 2022, raising funds of approximately HK$480.8 million. This marked an important milestone in the company's history, for it is the first and only HKEx Main Board-listed medical device company headquartered in the Hong Kong Science Park, and it also means that it has access to more resources for growing its business.

According to the CIC report, the global PCI and PTA instruments markets are expected to grow at a CAGR of 12.1% and 11.1%, respectively, and that the market of PCI balloons, catheters and accessories is expected to grow at a CAGR of 17.2% between 2021 and 2030. To capture future opportunities in the fast-growing industry, we will use the pre-IPO proceeds raised in 2021, cash generated from operations, and our IPO proceeds to strengthen our financial position. With strong financial backing, we will continue to boost our three core capabilities, namely R&D, operation and commercialisation, by investing in pipeline products, exploring strategic acquisition or cooperation, and increasing production capacity.

Other than our existing PCI and PTA interventional devices, to be added to our portfolio are a series of structural heart interventional products, which are being developed by our joint venture ON P&F, and a series of neurovascular interventional products. In particular, ON P&F established an R&D and manufacturing site in Shenzhen, the PRC during the year. The new facility serves as the base for ON P&F to push forward R&D of products in the pipeline including the Vienna Mitral Valve and the Vienna Pulmonary Valve, as well as bring in world-class technologies such as TricValve — bicaval transcatheter tricuspid valve implantation system that has obtained CE mark, to the PRC and Asia Pacific region. Moreover, our neuro balloon with NMPA approval obtained in early 2023 is expected to provide a new source of income upon its commercialisation.

Looking ahead, in 2023, although the macroeconomic environment will still be laden with uncertainties, we will adhere to our development strategy and press forward with realising our vision of becoming a world-leading medical device developer and manufacturer who offers innovative and comprehensive endovascular and structural heart interventional solutions that can effectively improve patients' quality of life.

Finally, I would like to express my heartfelt gratitude to all shareholders and business partners for their relentless support, as well as to the management team and all staff members for their unfailing devotion and contribution in the past year. The Group will continue to hasten development with the aim to maximise value to all stakeholders.

FINANCIAL HIGHLIGHTS

	For the year ended December 31, 2022 US$'000	2021 US$'000	Year-on-year change
Revenue	**136,824**	116,462	+17.5%
Cost of sales	**(44,366)**	(35,290)	+25.7%
Gross profit	**92,458**	81,172	+13.9%
Profit/(loss) before income tax	**21,791**	(1,318)	Profit Turnaround
Profit/(loss) for the year attributable to owners of the Company	**18,491**	(4,444)	Profit Turnaround
Basic earnings/(loss) per share (US cents)	**3.17**	(0.77)	Profit Turnaround
Diluted earnings/(loss) per share (US cents)	**2.55**	(0.77)	Profit Turnaround
Non-HKFRS measure			
Adjusted profit for the year	**26,666**	21,352	+24.9%

Non-HKFRS Measures

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

	2022 US$'000	2021 US$'000
Non-HKFRS measure:		
Profit/(loss) for the year	**18,491**	(4,444)
Add:		
Unwinding of interests on convertible redeemable preferred shares	**1,336**	4,853
Share-based compensation expenses	**684**	1,339
Fair value losses of convertible redeemable preferred shares	**—**	14,397
Loss on derecognition of financial liability in relation to convertible redeemable preferred shares	**—**	559
Listing expenses	**6,155**	4,648
Adjusted profit for the year	**26,666**	21,352
Adjusted profit margin for the year	**19.5%**	18.3%

Our adjusted profit margin for the year (non-HKFRS measure) increased from 18.3% in 2021 to 19.5% in 2022, primarily due to the increase in revenue, interest income from bank deposits and our relatively stable general and administrative and selling and distribution expenses (excluding reconciling items under non-HKFRS measure) in 2022 as compared to 2021.

Adjusted profit for the year (non-HKFRS measure) included the fair value loss of the commodity linked fixed rate note (the "**Commodity Linked Fixed Rate Note**") of US$1.2 million, which was non-cash in nature. Should the Company hold the Commodity Linked Fixed Rate Note till maturity in 2023, the Company will earn a predetermined return of 2.8% and the fair value loss recognized in 2022 will be completely offset by a corresponding gain in 2023. Should such fair value loss be excluded, the Group's adjusted profit for the year (non-HKFRS measure) for 2022 would be increased by US$1.2 million and the Group's adjusted profit margin for 2022 (non-HKFRS measure) would be increased by 0.9 percentage point.

FOUR YEARS' FINANCIAL SUMMARY

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

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

Notes:

(1) Calculated by dividing gross profit for the year by total revenue.

(2) Calculated by dividing profit for the year by total revenue.

(3) Calculated by dividing the adjusted profit for the year (non-HKFRS measure) by total revenue.

(4) The Group recorded net loss for the year ended December 31, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction

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

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

FY2022 Performance

During 2022, we recorded a record high revenue of US$136.8 million, representing an increase of 17.5% as compared to the previous year. The growth was mainly attributable to the growth in sales volume from approximately 1.0 million units in 2021 to 1.2 million units in 2022, but was partially offset by the substantial depreciation of Japanese Yen and Euro against US$. The strong US dollar reduced our Group's revenue by approximately US$9.6 million, representing 7.0% of our Group's revenue in 2022.

Gross profit increased by 13.9% to approximately US$92.5 million as a result of increase in sales volume. Adjusted profit for the year (non-HKFRS measure) that excludes certain non-cash and one-off items including unwinding of interests on convertible redeemable preferred shares, share-based compensation expenses, fair value losses of convertible redeemable preferred shares, loss on derecognition of financial liability in relation to convertible redeemable preferred shares and listing expenses for 2022 was US$26.7 million, up by 24.9% year-on-year. Basic earnings per share for 2022 was US 3.17 cents (2021: loss of US 0.77 cents).

On December 23, 2022, we were successfully listed on the Main Board of the Hong Kong Stock Exchange, raising gross proceeds of approximately HK$480.8 million. Such funds will enable us to (i) accelerate our R&D and commercialization progress of our pipeline products; (ii) expand our product portfolio, broaden our hospital coverage and increase market penetration; (iii) expand our production capacities; and (iv) maintain the working capital of the Group.

Sales and Marketing

During 2022, our sales network combining our in-house direct sales force and distributors stretched across over 70 countries and regions worldwide. In particular, we have established our direct sales force in 10 countries or regions including the PRC, Hong Kong, Macau, Japan, Malaysia, Singapore, Germany, France, Switzerland and Spain. As of December 31, 2022, we have a total of 148 (2021: 143) sales and marketing personnel and 212 (2021: 174) distributors. During the year, direct sales and distributor sales contributed approximately US$66.9 million and US$69.9 million respectively, accounting for 48.9% and 51.1% of the total revenue.

We believe industry exchanges such as symposiums, seminars and conferences provide a platform for us to educate physicians about our products, while at the same time give us the opportunities to interact with KOLs and physicians across the world to understand the unmet clinical needs. During 2022, we held or participated in around 80 seminars, workshops, conferences or discussion panels for physician education or product promotions globally, reaching out to a large number of KOLs and physicians specialized in the endovascular interventional area. In particular, we attended the annual EuroPCR and AICT-AsiaPCR, both being premier meetings for interventional cardiovascular medicine practitioners and physicians.

Research and Development

Our strong in-house R&D capabilities with over twenty years of accumulated product development experience and continued investment in R&D activities empowered us with abundant proprietary know-how in product design, material treatment, manufacturing processes, and enabled us to successfully develop various proprietary technologies. As of December 31 2022, we own more than 180 granted patents globally across key jurisdictions, including over 30 and 55 granted patents in the U.S. and the PRC, respectively. During the year, Sapphire 3 Coronary Dilatation Catheter obtained official registration approval from NMPA. As of December 31, 2022, we had an aggregate of over 40 approved products, including 25 PMDA approved products, 22 products with CE Mark, 14 FDA cleared or approved products and 17 NMPA approved products, respectively. Our Sapphire Neuro balloon, first commercialized product of our neuro intervention devices pipeline, obtained NMPA approval in February 2023.

Production Facilities

The Group has manufacturing facilities in Shenzhen, the PRC and Hoevelaken in the Netherlands. To cope with increasing demand for our products in the medium term, we expanded our production capacity by optimizing the production procedures and the layout of production sites. In 2022, we entered into a lease agreement for a manufacturing site in Shenzhen, the PRC with a gross floor area of approximately 1,900 m^2 for a term of 27 months. With certain production procedures relocated to the new manufacturing site, the aggregate annual production capacity increased to approximately 1.35 million balloon products and 56,400 stent products at the end of 2022. Product quality has always been our top priority. We adhere to the strict Quality Management System (QMS), during 2022, our production facilities in Shenzhen passed 4 audits/inspections from NMPA and Notified Body (BSI).

Joint Venture

To expand into the structural heart field, the Group set up ON P&F, a joint venture principally engaging in the development, manufacturing, and sale of structural heart products, in 2020. During 2022, ON P&F established an R&D and production facility with a gross floor area of approximately 1,800 m^2 in Shenzhen, the PRC. The new facility serves as the base for ON P&F to push forward R&D of products in the pipeline, as well as bring in world-class heart valve devices to the PRC and Asia Pacific region. As of December 31, 2022, ON P&F had a commercialized TTVR product, TricValve, that obtained CE Mark in 2021, and had a comprehensive pipeline for structural heart interventional devices, including Vienna Aortic Valve, a TAVR product; Vienna Mitral Valve — replacement, a TMVR product; Vienna Pulmonary Valve — replacement, a TPVR product, and balloon expandable valves, which are complimentary additions to our series of self-expandable heart valve devices. All the above-mentioned products are based on the proprietary dry pericardium technology and offer physicians and patients safer structural heart intervention solutions.

Outlook

With the expanding ageing population in the world, the improved living standards of the people and the economic growth of developing countries, the global market demand for medical devices has steadily increased. According to the CIC report, the global market sizes of PCI instruments and PTA instruments are expected to grow at a CAGR of 12.1% and 11.1%, respectively, while the global market size for PCI balloons, catheters and accessories is expected to grow at a CAGR of 17.2% from 2021 to 2030.

In order to seize the development opportunities and enhance the Group's core competitiveness in the increasingly fierce market competition, the Group will continue to strengthen its development in the year of 2023 by broadening our product lines and advancing our R&D capabilities. We will also keep expanding our distribution network, continuously developing new products and promoting resource integration, so as to further consolidate and strengthen our leading position in the industry.

FINANCIAL REVIEW

REVENUE

By business line

	2022 US$'000	2021 US$'000	Change US$'000	%
Coronary interventional medical devices				
Scoring balloons	**50,805**	29,383	21,422	+72.9
Semi-compliant balloons	**26,540**	27,427	(887)	−3.2
Non-compliant balloons	**25,585**	25,948	(363)	−1.4
Stents	**12,667**	13,638	(971)	−7.1
Peripheral interventional medical devices				
Balloons	**11,410**	11,683	(273)	−2.3
Other medical accessories	**4,397**	3,689	708	+19.2
Third party products	**5,420**	4,694	726	+15.5
Total	**136,824**	116,462	20,362	+17.5

Our revenue increased by US$20.4 million from US$116.5 million in 2021 to US$136.8 million in 2022, primarily due to a US$21.4 million increase in revenue generated from our coronary scoring balloon products, as a result of (i) the increase in sales volume of our Scoreflex NC series in the U.S. market, which was introduced to the U.S. market in 2022; (ii) the increase in sales volume of our Scoreflex series in the PRC market in 2022; and (iii) increase in sales volume of our Scoreflex Trio series in the Japan market.

By geographical area

	2022 US$'000	2021 US$'000	Change US$'000	%
Japan	**32,440**	29,807	2,633	+8.8
EMEA	**32,284**	34,122	(1,838)	−5.4
APAC	**31,892**	27,988	3,904	+13.9
The PRC	**23,585**	17,077	6,508	+38.1
United States	**16,623**	7,468	9,155	+122.6
Total	**136,824**	116,462	20,362	+17.5

Our revenue increased by US$20.4 million from US$116.5 million in 2021 to US$136.8 million in 2022, primarily due to (i) a US$9.2 million increase in revenue generated from the U.S. market, mainly attributable to the increase in sales volume of our Scoreflex NC series, which was introduced in 2022; (ii) a US$6.5 million increase in revenue generated from the PRC market, mainly because of the increase in sales volume of our Scoreflex series, in connection with our continuous effort in the expansion of hospital coverage and wider market recognition of our products by physicians; (iii) a US$3.9 million increase in revenue generated from the APAC market, which was mainly due to the increase in sales of our coronary balloons in the Hong Kong and Singapore markets; and (iv) a US$2.6 million increase in revenue generated from the Japan market primarily as a result of the increase in sales volume of our Scoreflex Trio series. The increase in revenue from 2021 to 2022 was slightly offset by the decrease in revenue in our EMEA market.

The Group's revenue is exposed to currency risk from various currency exposures (including Japanese Yen, Euro and Renminbi). During the year ended December 31, 2022, the substantial appreciation of US dollar reduced our Group's revenue by approximately US$9.6 million, representing 7.0% of our Group's revenue in 2022. Despite the strong US$ impact, the Group's revenue in 2022 hit a record high of US$136.8 million, representing a 17.5% growth year-on-year.

Cost of sales

For the year ended December 31, 2022, the Group's cost of sales was US$44.4 million, representing a 25.7% increase as compared to US$35.3 million for the year ended December 31, 2021. Such increase was primarily attributable to the increased sales volume in all regions including the United States, the PRC, APAC, Japan and EMEA.

Gross profit and gross profit margin

As a result of the foregoing factors, the Group's gross profit increased by 13.9% from US$81.2 million for the year ended December 31, 2021 to US$92.5 million for the year ended December 31, 2022, primarily due to the increase in sales volume.

The Group's gross profit margin slightly decreased to 67.6% for the year ended December 31, 2022 as compared to 69.7% for the year ended December 31, 2021, primarily due to the decrease in average selling price in US dollar in our Japan and EMEA markets, as affected by the substantial depreciation of Japanese Yen and Euro against US$ in 2022, but partially offset by the increase in sales volume of scoring balloons, which have a higher gross profit margin. Our cost of sales mainly consisted of costs denominated in US dollar and Renminbi.

Other income

Other income decreased by 33.9% from US$1.4 million in 2021 to US$0.9 million in 2022, primarily due to the decrease in government grants from the PRC government that support our R&D activities in Shenzhen, the PRC.

Other losses — net

Other losses — net increased by 175.5% from US$1.0 million in 2021 to US$2.8 million in 2022, primarily due to (i) the fair value loss of the Commodity Linked Fixed Rate Note of US$1.2 million; and (ii) the increase in fair value loss of US$0.2 million in relation to our employee life insurance policies.

Selling and distribution expenses

Selling and distribution expenses increased by 8.2% from US$30.1 million in 2021 to US$32.6 million in 2022, primarily due to (i) the increase in employee benefit expenses, such as sales commission, along with the increase in revenue; and (ii) the increase in marketing expenses as a result of the resumption of marketing activities such as medical congresses and trade shows following the recovery from COVID-19.

General and administrative expenses

General and administrative expenses increased by 13.1% from US$20.0 million in 2021 to US$22.6 million in 2022, primarily due to the increase in Listing expenses and employee benefit expenses in 2022.

Research and development expenses

Research and development expenses increased by 16.2% from US$12.1 million in 2021 to US$14.1 million in 2022, primarily due to (i) the increase in employee benefit expenses as a result of the increase in R&D headcount and overall salary increment; (ii) the increase in material costs for R&D activities; and (iii) the increase in our outsourced R&D consultation services from professional medical research institutes and consulting companies for our pipeline products.

Finance income/(costs) — net

Finance income/(costs) — net turned from a net finance costs of US$5.6 million in 2021 to a net finance income of US$0.9 million in 2022, primarily due to the increase in interest income from bank deposits and the decrease in interest expense on convertible redeemable preferred shares and bank borrowings.

Fair value losses of convertible redeemable preferred shares and loss on derecognition of financial liabilities in relation to convertible redeemable preferred shares

Our fair value losses on convertible redeemable preferred shares and loss on derecognition of financial liabilities in relation to convertible redeemable preferred shares decreased from US$15.0 million in 2021 to nil in 2022, due to all convertible redeemable preferred shares had been reclassified to equity upon the fulfilment of conditions attached in the relevant agreement in 2022.

Share of losses of investment in a joint venture

Share of losses of investment in a joint venture amounted to US$0.2 million and US$0.2 million in 2021 and 2022, respectively.

Income tax

We recorded income tax expense of US$3.1 million and US$3.3 million in 2021 and 2022, respectively. Effective income tax rate for the year ended December 31, 2022 was 15.1%. Loss before income tax in 2021 was mainly due to the fair value loss of convertible redeemable preferred shares, unwinding of interest on convertible redeemable preferred shares and Listing expenses.

Profit for the year attributable to owners of the Company

As a result of the foregoing, we achieved profit turnaround with the profit for the year attributable to owners of the Company amounted to US$18.5 million, as compared to a loss of US$4.4 million in 2021, and our net profit margin was 13.5% in 2022, mainly attributable to the increase in gross profit of US$11.3 million as a result of the increase in revenue, and we did not incur fair value losses of convertible redeemable preferred shares of US$14.4 million and the loss on derecognition of financial liability in relation to convertible redeemable preferred shares of US$0.6 million upon the reclassification to equity in 2022, partially offset by the fair value loss of the Commodity Linked Fixed Rate Note of US$1.2 million, the increase in selling and distribution expenses of US$2.5 million, the increase in general and administrative expenses of US$2.6 million and the increase in research and development expenses of US$2.0 million.

CAPITAL MANAGEMENT

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at December 31, 2022, the Group had cash and bank balances of US$229.1 million, as compared to US$175.9 million as at December 31, 2021. Such increase was mainly attributable to (i) the gross proceeds from Listing of US$61.6 million received upon Listing in December 2022 and (ii) net operating cash inflow of US$23.4 million generated in 2022.

The Group recorded total current assets of approximately US$314.3 million as at December 31, 2022 (2021: approximately US$235.4 million) and total current liabilities of approximately US$23.8 million as at December 31, 2022 (2021: approximately US$16.5 million). As at December 31, 2022, total current liabilities of the Group primarily included trade payables and other payables amounting to approximately US$20.0 million (2021: approximately US$14.0 million), which included accruals and other payables of approximately US$15.9 million (2021: approximately US$11.9 million) which mainly included accruals for employee benefit expenses of US$5.5 million and US$3.2 million of Listing expenses.

Trade receivables turnover days was decreased to 83 days in 2022 (2021: 89 days), while trade payables turnover days was increased to 26 days in 2022 (2021: 18 days).

Current ratio (calculated by dividing the total current assets by total current liabilities) of the Group was approximately 13.2 times as at December 31, 2022 (2021: approximately 14.3 times).

NET CURRENT ASSETS

The Group's net current assets as at December 31, 2022 were US$290.5 million, as compared to US$218.9 million as at December 31, 2021, primarily due to (i) increase in cash and bank balances as a result of the net proceeds from the issuance of new shares upon Listing; and (ii) the reclassification of financial assets at fair value through profit or loss from non-current assets to current assets, as the Commodity Linked Fixed Rate Note will mature within 12 months from December 31, 2022.

FOREIGN EXCHANGE EXPOSURE

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

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

For the year ended December 31, 2022, the Group recorded a net foreign exchange loss of US$1.0 million, as compared to a net foreign exchange loss of US$0.9 million for the year ended December 31, 2021.

CAPITAL EXPENDITURE

During the year ended December 31, 2022, the Group's total capital expenditures amounted to approximately US$4.2 million, which principally consisted of expenditures for the purchases of property, plant and equipment, intangible assets and right-of-use assets.

CHARGE ON ASSETS

As at December 31, 2022, the Group did not have any charge on assets.

TREASURY POLICY

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

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

As at December 31, 2022, the Group had a Commodity Linked Fixed Rate Note with fair value of US$18,792,000, which accounted for 5.4% of the total assets of the Group.

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

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

Save as disclosed above, there were no other significant investments held with carrying amount accounting for more than 5% of the Group's total assets as at December 31, 2022, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at December 31, 2022.

FINANCIAL INSTRUMENT

Apart from the Commodity Linked Fixed Rate Note mentioned above, the Group did not have any outstanding hedge contracts or financial derivative instruments as at December 31, 2022.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

David CHIEN (錢永勛), aged 58, is the Chairman and Chief Executive Officer of our Company. Mr. Chien joined the Group in February 2000, has been a Director since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. Mr. Chien has been the Chief Executive Officer of our Group since November 11, 2016 and is primarily responsible for overseeing the overall strategic planning and policy execution of the Group.

Mr. Chien has around 29 years of experience in the medical devices industry, and was the director of Cordis-Neich Limited from January 1994 to October 1997. He was a director of Tysan Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0687), from November 1997 to January 2014. Mr. Chien has been the trustee of the Chien Foundation since January 1997 and the governor of KFoundation since July 2019. Mr. Chien was elected as a member of the Board of Trustees of Chung Chi College, the Chinese University of Hong Kong, in 2020.

Mr. Chien studied at York University in Canada.

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

Kwai Ching Denise LAU (劉桂禎), aged 48, has been a Director since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. She has been the Chief Operating Officer of the Group since September 14, 2020, and is primarily responsible for leading, overseeing and supervising the operation of the Group.

Ms. Lau has more than 23 years of legal, business operation and management experience. Ms. Lau was trained and admitted as a solicitor in Hong Kong in 1999, and was subsequently admitted to practice law in England and Wales and the state of New York in 2000 and 2001, respectively. She worked as an attorney in Paul, Weiss, Rifkind, Wharton & Garrison from 2000 to 2006 and joined Morgan Stanley in February 2006, and left as managing director in April 2015. She joined the Group as the general counsel on April 3, 2018, and has been a senior vice president since April 3, 2018.

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

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

Wing Shing CHEN (陳泳成), aged 41, has been the Director of our Company since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. Mr. Chen has been the Company Secretary of our Company since September 29, 2021, and the Chief Financial Officer of our Group since January 8, 2018.

Mr. Chen has around 19 years of experience in auditing, accounting and corporate finance. He joined PricewaterhouseCoopers in December 2003 in the assurance practice and left as senior manager in February 2017. Before joining our Group, Mr. Chen worked in corporate finance in property development and investment sector in the PRC. Mr. Chen joined our Group in April 2017 as the financial controller, and was later promoted as the Chief Financial Officer of our Group in January 2018.

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

Ching Chung John CHOW (周靜忠), aged 64, has been a Director of our Company since July 22, 2021 and was redesignated as an Executive Director on September 29, 2021. Mr. Chow is currently the head of business development of our Group, and is primarily responsible for overseeing overall business development activities of our Group.

Mr. Chow has around 38 years of experience in interventional cardiology. He worked in Cordis-Neich Limited in May 1984 and was promoted as the general manager in January 1991. Prior to joining our Group, he was appointed as the Asia Pacific regional marketing director of the Cordis franchise in Johnson & Johnson in June 1999. After his employment at Johnson & Johnson, Mr. Chow joined the Group in August 2000 and served as the head of sales and marketing for the Asia Pacific region from 2010 to 2015. Mr. Chow was appointed as the director of business development of the Group on May 17, 2006 and was appointed as the head of business development on September 29, 2021.

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

Non-executive Director

Yi ZHOU (周伊), aged 42, has been a Director of our Company since September 28, 2021. Dr. Zhou was redesignated as a Non-executive Director on September 29, 2021. Dr. Zhou is primarily responsible for providing advice on the business development of the Group. Dr. Zhou has been a director of ONM Group Ltd. from July 2021 to September 28, 2021. Dr. Zhou has around 15 years of research and working experience in the chemistry, pharmaceutical and biotechnology industries. He was an analyst in pharmaceutical industry at Shenzhen Capital Group Co., Ltd. from May 2012 to September 2017. Since October 2017, Dr. Zhou has served as the head of department of the health industry fund in Shenzhen Capital Group Co., Ltd. Dr. Zhou has been a non-executive director of Akeso, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 9926), since November 2019, and was a director of Shenzhen YHLO Biotech Co., Ltd. (深圳市亞輝龍生物科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688575), from December 2016 to December 2022.

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

Independent Non-executive Directors

Yip Keung CHAN (陳業強), aged 39, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Chan has more than 17 years of experience in financial reporting, auditing, corporate finance, capital management and corporate governance. He started working in PricewaterhouseCoopers in September 2005 and was promoted as manager in October 2010. Mr. Chan was the finance manager of Mapletree Hong Kong Management Limited under Temasek of Singapore from November 2011 to April 2015, specialized in real estate investment trusts sector. He was the chief financial officer of the Pine Care Group Limited, a listed company on the Stock Exchange (stock code: 1989), from April 2015 to October 2020 and is currently the chief executive officer and executive director of the aforementioned group. He was appointed by Chinachem Group as the Director of Elderly Care Services in November 2022.

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

Ka Keung LAU (樓家強), *BBS, MH, JP*, aged 47, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Lau has around 25 years of experience in business management. Mr. Lau held several positions in the Nameson Group from August 1999 to March 2013, including information technology manager, vice president, and executive director. From August 2015 to April 2018, Mr. Lau served as a non-executive director in Nameson Holdings Limited (南旋控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1982). Mr. Lau has served as an executive director and chief executive officer of Million Cities Holdings Limited (萬城控股有限公司) ("**Million Cities**"), a company listed on the Main Board of the Stock Exchange (stock code: 2892) since 2016, and has assumed various directorships in subsidiaries of Million Cities.

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

Lai Fan Gloria TAM (譚麗芬), aged 65, was appointed as an Independent Non-executive Director on September 29, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Tam has around 39 years of experience in the healthcare industry. She started working as a Medical and Health Officer in the then Medical and Health Department, Hong Kong Government in January 1984 and became Deputy Director of Health in July 2007. She was also the Controller of Centre for Food Safety in Hong Kong from June 2012 to June 2017. She is the founder of 3 Srs Company (仨仁一人有限公司), a public health consultancy cum investment firm, since June 2020. Dr. Tam served as an independent non-executive director of Zhaoke Ophthalmology Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6622), from April 2021 to April 2022. Dr. Tam has been an independent non-executive director of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279), since October 2021.

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

SENIOR MANAGEMENT

For the biographies of David CHIEN (錢永勛), Kwai Ching Denise LAU (劉桂禎), Wing Shing CHEN (陳泳成) and Ching Chung John CHOW (周靜忠), please refer to the section headed "Directors and Senior Management — Directors" in this annual report.

Alain Djamel KHAIR, aged 52, has been the chief commercial officer of our Group since January 1, 2020. He is responsible for overseeing global commercial activities, steering the directions of market penetration of the Group's products, and managing the development and the implementation of all commercial strategies of the Group's product portfolio. He also directs and oversees our Group's growth matrix, distribution channels and the deployment of the company sales and marketing resources. Mr. Khair also holds directorship in OIBV, ON GmbH, OrbusNeich Medical, Sociedad Limitada and ON AG since May 2020, December 2017, April 2017 and September 2020, respectively.

Mr. Khair has around 20 years of sales and marketing experience in the medical device industry. He held several management roles including products advisor, territory sales manager, clinical specialist for Eastern Europe and Middle East at Abbott Laboratories Limited from 2003 to 2008. He joined the Group as regional product manager in January 2008 and was the vice president in sales of EMEA from May 1, 2017 to December 31, 2019.

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

Robert John COTTONE JR, aged 60, has been the chief technical officer of our Group since May 13, 2019. He is responsible for overseeing the overall design, technology and product research and development and the global intellectual property strategies and protection of the Group.

Mr. Cottone has more than 33 years of experience in the medical device field. Before joining our group, Mr. Cottone worked at the Cordis Corporation from 1989 to 1996. In 1997, Mr. Cottone co-founded Orbus Medical Technologies Inc., which was a longstanding partner of our Group and was subsequently acquired by ONM BVI (under its former name, Neich Medical Limited) in 2005, and continued to work in our Group since our acquisition of Orbus Medical Technologies Inc.

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

DIRECTORS' REPORT

The Directors are pleased to present this report to the Shareholders together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in Note 16 to the consolidated financial statements. There is no significant change in the nature of Group's activities during the year ended December 31, 2022.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended December 31, 2022 and the financial position of the Group as of December 31, 2022 are set out in the consolidated financial statements on pages 57 to 138 of this annual report.

GROUP FINANCIAL SUMMARY

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

BUSINESS REVIEW

A review of the business of the Group during the year ended December 31, 2022, which includes a discussion and analysis of the Group's performance using financial and operational key performance indicators and future business development are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Highlights" of this annual report. The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements.

DIRECTORS

Directors during the year ended December 31, 2022 and up to the date of this annual report were:

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

Non-executive Director
Dr. Yi ZHOU

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

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

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

Accordingly, Mr. David CHIEN, Ms. Kwai Ching Denise LAU, Mr. Wing Shing CHEN and Dr. Yi ZHOU shall retire from office by rotation as Directors at the Annual General Meeting and, being eligible, will offer themselves for re-election as Directors at the Annual General Meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACT

Each of our executive Directors has entered into a service contract with our Company on November 29, 2022 and the Group has issued letters of appointment to the Non-executive Director and each of the Independent Non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term from 1 year (for the Non-executive Director) to 3 years (for the Independent Non-executive Directors) commencing from the Listing Date; and (ii) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 9(b) and 9(g) to the consolidated financial statements.

EMOLUMENT POLICY

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

The Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions. No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2022.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended December 31, 2022, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2022 or as of December 31, 2022.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in "Related Party Transactions" in Note 36 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2022 or subsisted as of December 31, 2022. No contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2022 or subsisted as of December 31, 2022.

CONNECTED TRANSACTIONS

Details of the related party transactions for the year ended December 31, 2022 are set out in Note 36 to the consolidated financial statements. None of the related party transactions constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks

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

Market Risks

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

Legal Risks

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

Sanctions Risks

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, we employed 915 full-time employees, among which 656 were based in the PRC, 111 were based in Japan, 65 were based in European countries, 51 were based in Hong Kong, 17 were based in Malaysia, 8 were based in Singapore and 7 were based in the U.S..

The employee benefit expense, including Directors' remuneration, was approximately US$50.6 million for the year ended December 31, 2022, as compared to approximately US$45.0 million for the year ended December 31, 2021. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to statutory social insurance fund (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and childbirth insurance) and housing provident fund as applicable in the jurisdictions in which the Group operates.

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

In addition, the Company has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme A. Please refer to the section headed "Share Incentive Schemes" in this annual report and the paragraph headed "Subsequent events after the Reporting Period" in this report for further details.

RETIREMENT AND EMPLOYEE BENEFIT SCHEME

Details of the retirement and employee benefit scheme of the Company are set out in Note 30 to consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, sales to the Group's five largest customers, in aggregate, represented approximately 21.3% (2021: 15.5%) of the Group's total revenue, whereas sales to the single largest customers amounted to approximately 12.1% (2021: 6.2%) of the Group's total revenue.

For the year ended December 31, 2022, purchases from the Group's five largest suppliers accounted for approximately 48.1% (2021: 51.1%) of the Group's total purchases, whereas purchases from the single largest supplier amounted to approximately 19.3% (2021: 19.5%) of the Group's total purchases.

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

As of December 31, 2022, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares or Underlying Shares of the Company

Name of Director/ Chief Executive	Capacity	No. of Shares[1]	Number of Underlying Shares	Aggregate Interest[1]	Approximate Percentage of Shareholding Interest
Mr. David CHIEN	Interest of controlled corporation	521,523,844 (L)[2]	–	521,523,844 (L)	63.00%
Ms. Kwai Ching Denise LAU	Interest of controlled corporation	521,523,844 (L)[2]	–	521,523,844 (L)	63.00%
Mr. Wing Shing CHEN	Beneficial owner	–	400,000 (L)[3]	400,000 (L)	0.05%
Mr. Ching Chung John CHOW	Beneficial owner	307,143 (L)	200,000 (L)[4]	507,143 (L)	0.06%

Notes:

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

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

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

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

Save as disclosed above, as of December 31, 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2022, so far as is known to the Directors, the following persons had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares or Underlying Shares of the Company

Name of Substantial Shareholder	Capacity	No. of Shares(1)	Approximate Percentage of Shareholding Interest
HART	Interest of controlled corporation	521,523,844 (L)(2)	63.00%
Mr. David CHIEN	Interest of controlled corporation	521,523,844 (L)(2)	63.00%
Ms. Kwai Ching Denise LAU	Interest of controlled corporation	521,523,844 (L)(2)	63.00%
Suzhou Red Earth Yeju Investment Ltd. ("**SZYJ**")	Beneficial owner	69,961,095 (L)(3)	8.45%
Suzhou Laterite Industry Poly Venture Capital Partnership (Limited Partnership)* (蘇州紅土業聚創業投資合夥企業(有限合夥)) ("**Suzhou VC**")	Interest of controlled corporation	69,961,095 (L)(3)	8.45%
Shenzhen Venture Capital Manufacturing Transformation and Upgrading Advance Materials Fund (Limited Partnership)* (深創投製造業轉型升級新材料基金(有限合夥)) ("**Shenzhen VC**")	Interest of controlled corporation	69,961,095 (L)(3)	8.45%
Shenzhen Venture Capital Laterite Private Equity Investment Fund Management (Shenzhen) Co., Ltd.* (深創投紅土私募股權投資基金管理(深圳)有限公司) ("**Shenzhen VC Fund Management**")	Interest of controlled corporation	69,961,095 (L)(3)	8.45%
Shenzhen Capital Group Co., Ltd. ("**SCGC**")	Interest of controlled corporation	98,034,655(L)(3)	11.84%

Notes:

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

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

(3) SCGC Capital Holding Company Limited ("**SCGC Capital**"), SZYJ and HTYL Investment Holdings Limited ("**HTYL**") hold 12,477,138, 69,961,095 and 15,596,422 Shares, respectively. SZYJ is wholly owned by Suzhou VC, which Shenzhen VC is the limited partner holding 99.9981% of the partnership interest and Shenzhen VC Fund Management is the general partner holding 0.0019% of the partnership interest. Shenzhen VC Fund Management is wholly owned by SCGC. Each of SCGC Capital and HTYL is controlled by SCGC. As such, under the SFO, SCGC is deemed to be interested in the Shares collectively held by SZYJ, SCGC Capital, and HTYL.

Save as disclosed above, as of December 31, 2022, the Directors of the Company were not aware of any persons who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACT

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

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

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

USE OF PROCEEDS FROM LISTING

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

The table below sets forth the intended application of the net proceeds and actual usage up to December 31, 2022:

Intended application	Amount of net proceeds (HK$ million)	Percentage of total net proceeds	Utilized net proceeds as of December 31, 2022 (HK$ million)	Unutilized net proceeds as of December 31, 2022 (HK$ million)	Expected timetable for the use of unutilized net proceeds
For the development and commercialization of our pipeline products					
(i) for the ongoing R&D activities, clinical trial and product registration of drug eluting balloon products;	62.7	17.1%	0	62.7	By the end of 2027
(ii) for the product registration and commercialization of new generation of COMBO dual therapy stent products primarily in the PRC, Japan and European markets;	15.7	4.3%	0	15.7	By the end of 2027
(iii) for the ongoing R&D activities, clinical trial and product registration of our new coronary and peripheral balloon and catheter-based products;	12.4	3.4%	0	12.4	By the end of 2027
(iv) for the ongoing R&D activities for new generation of neuro interventional products; and	12.4	3.4%	0	12.4	By the end of 2025
(v) to support the expansion of our R&D team in our Shenzhen facility.	6.7	1.8%	0	6.7	By the end of 2027
For the expansion of our production capacities:					
(i) to acquire a new land parcel with a land area of approximately 20,000 sq.m;	16.1	4.4%	0	16.1	By the end of 2023
(ii) to construct and renovate new facilities to be built on the above-mentioned newly acquired land with a gross floor area of 50,000 sq.m; and	149.3	40.8%	0	149.3	By the end of 2024
(iii) to purchase new machinery and equipment for the new manufacturing site.	32.9	9.0%	0	32.9	By the end of 2026
For potential strategic acquisitions, entering into strategic partnerships, and other business development with an aim to expand our product portfolio, strengthen our R&D capabilities, broaden our hospital coverage and increase our market penetration	39.5	10.8%	0	39.5	By the end of 2027
For working capital and other general corporate purposes	18.3	5.0%	0	18.3	By the end of 2027
Total	**366.0**	**100.0%**	**0**	**366.0**	

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

SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Option Scheme

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

The maximum number of Shares in respect of which options or awards may be granted under the Pre-IPO Share Option Scheme shall be 40,000,000 Shares. No option or award under the Pre-IPO Share Option Scheme will be granted after the Listing Date, although provisions of the Pre-IPO Share Option Scheme will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted pursuant to the Pre-IPO Share Option Scheme on or prior to the Listing Date or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this Scheme.

The table below shows details of the movements in the number of share options granted under the Pre-IPO Share Option Scheme during the Reporting Period taking into account of the share consolidation on December 23, 2022:

Grantees	Exercise price	Outstanding as of January 1, 2022	Date of Grant	Granted	Exercised	Cancelled	Forfeited	Outstanding as of December 31, 2022
Directors								
Wing Shing CHEN	Note 1	400,000	January 1, 2021	0	0	0	0	400,000
Ching Chung John CHOW	Note 1	200,000	January 1, 2021	0	0	0	0	200,000
Sub-total		**600,000**		**0**	**0**	**0**	**0**	**600,000**
Employees in aggregate								
14 employees	Note 1	2,880,000	January 1, 2021	0	0	0	0	2,880,000
84 employees	Note 2	6,406,000	January 1, 2021	0	0	0	(688,000)	5,718,000
11 employees	Note 3	76,900	January 1, 2021	0	0	0	0	76,900
Sub-total		**9,362,900**		**0**	**0**	**0**	**(688,000)**	**8,674,900**
Total		**9,962,900**		**0**	**0**	**0**	**(688,000)**	**9,274,900**

Notes:

(1) With vesting commencement date on January 1, 2022 and a 48-month vesting period. Options are exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter, at an exercise price of US$0.75.

(2) With vesting commencement date on January 1, 2022 and a 48-month vesting period. Options exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter, at an exercise price of US$1.0.

(3) Options with exercise price of US$0.50 with no vesting period. Options exercisable upon completion of the Global Offering (as defined in the Prospectus) until January 1, 2031, being the 10th anniversary of the date of the grant letter.

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

2. Post-IPO Share Option Scheme

We have adopted the Post-IPO Share Option Scheme on December 5, 2022. The principal terms of the Post-IPO Share Option Scheme are set out as follows. From the Listing Date to December 31, 2022, no options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

(a) Purpose

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

(b) Who may join

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

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

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

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

The total number of Shares which may be issued in respect of all options to be granted under the Post-IPO Share Option Scheme and any other scheme of our Group shall not exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit representing 82,776,993 Shares, being 10% of the total number of Shares in issue as of December 31, 2022 and the date of this annual report.

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

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

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

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

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

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

(f) ***Performance targets***

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

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

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

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

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

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted. The remaining life of the Post-IPO Share Option Scheme shall be approximately 9 years and 8 months.

3. Share Award Scheme A

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

(a) ***Purpose***

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

(b) ***Who may join***

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

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

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

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

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

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

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

The Share Award Scheme A shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Share Award Scheme A and the trust deed between the Company and the trustee (the "**Trustee**") in relation to the Share Award Scheme A (the "**Trust Deed**").

Upon the establishment of a trust ("**Trust**") in accordance with the Trust Deed, the Board may from time to time cause to be paid money to the Trust for the purchase of Shares and the Board may from time to time instruct the Trustee in writing to purchase Shares on the Stock Exchange.

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

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

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

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

(h) ***Vesting***

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

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

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in Note 26 to the consolidated financial statements.

RESERVES

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

Details of the Company's reserves available for distribution to the Shareholders as of December 31, 2022 are set out in Note 39 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2022 are set out in note 14 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2022, the Group had no outstanding bank loans or other borrowings.

GEARING RATIO

Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as bank loans and other borrowings less cash and bank balances. As at December 31, 2022, the Group has a net cash position, as there were no outstanding bank loans and other borrowings (2021: Same).

DIVIDEND POLICY

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

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

The Company was not aware of any shareholders who had waived or agreed to waive any dividend arrangement for the year ended December 31, 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

Save as disclosed in the section headed "Share Incentive Schemes" in this annual report, the Company had no outstanding convertible securities, options, warrants and similar rights during the year ended December 31, 2022 and there was no issue or grant of any convertible securities, options, warrants and similar rights during the year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save for the Share Incentive Schemes, at no time during the year ended December 31, 2022 and up to the date of this annual report, was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EQUITY-LINKED AGREEMENTS

Save for the Share Incentive Schemes as disclosed in the section headed "Share Incentive Schemes" in this annual report, no equity-linked agreements were entered into by the Company during the year ended December 31, 2022, or subsisted at the end of December 31, 2022.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

DONATION

During the year ended December 31, 2022, the Group made donations of approximately US$559,000.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2022, to the best knowledge of the Directors, there was no actual or pending legal, arbitration or administrative proceedings that would have a material adverse effect on our business, results of operations, financial condition or reputation, and compliance with applicable laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS

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

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Group adopted the Share Award Scheme A on March 8, 2023 to recognize the contributions by eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group, and such awarded shares will be satisfied by existing Shares to be purchased by trustee on the market as instructed by the Board from time to time.

AUDIT COMMITTEE

The Audit Committee has jointly reviewed with the management and the independent auditor of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the consolidated annual results for the year ended December 31, 2022) of the Group. The Audit Committee and the independent auditor considered that the consolidated annual results are in compliance with the applicable accounting standards, the Listing Rules and all other application legal requirements. Accordingly, the Audit Committee recommends the Board to approve the audited consolidated financial statements of the Group for the year ended December 31, 2022.

AUDITOR

PricewaterhouseCoopers, which has audited the consolidated financial statements of the Company for the year ended December 31, 2022, will retire as the auditor of the Company at the Annual General Meeting, and being eligible, offer itself for re-appointment. A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on May 23, 2023. The notice of AGM and all other relevant documents will be published and despatched to the Shareholders in April 2023.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, May 18, 2023 to Tuesday, May 23, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, May 17, 2023 (Hong Kong Time), being the last registration date.

On behalf of the Board

Mr. David CHIEN
Chairman, Executive Director and Chief Executive Officer
Hong Kong, March 8, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended December 31, 2022.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

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

From the Listing Date to December 31, 2022, the Company had complied with all the applicable code provisions of the Corporate Governance Code, except as expressly described below.

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

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

THE BOARD

Roles and Responsibilities

The Board is responsible for, and has general powers for, the management and conduct of our business. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

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

Board Composition

The Board structure is governed by the Articles of Association. All Directors, including the Non-executive Director and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board of the Company comprises the following Directors as of December 31, 2022:

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

Non-executive Director
Dr. Yi ZHOU

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

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

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

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

Each of our Executive Directors has entered into a service contract with our Company on November 29, 2022 and the Group has issued letters of appointment to the Non-executive Director and each of the Independent Non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term from 1 year (for the Non-executive Director) to 3 years (for the Independent Non-executive Directors) commencing from the Listing Date; and (ii) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Based on the information provided by the Directors, during the year ended December 31, 2022, all Directors had participated in continuous professional development in the following manner in compliance with code provision C.1.4 of the Corporate Governance Code:

Name of Director	Type of Training(Note)
Mr. David CHIEN *(Chairman and Chief Executive Officer)*	A
Ms. Kwai Ching Denise LAU	A
Mr. Wing Shing CHEN	A, B
Mr. Ching Chung John CHOW	B
Dr. Yi ZHOU	A
Mr. Yip Keung CHAN	A
Mr. Ka Keung LAU *BBS, MH, JP*	B
Dr. Lai Fan Gloria TAM	B

Note:

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

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

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORD

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

As the Company was listed on the Stock Exchange on December 23, 2022, three Board meetings were held and no general meeting was convened during the year ended December 31, 2022. All Directors attended the Board meetings.

BOARD PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

BOARD COMMITTEES

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

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

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of Mr. Yip Keung CHAN, Mr. Ka Keung LAU *BBS, MH, JP* and Dr. Lai Fan Gloria TAM, with Mr. Yip Keung CHAN serving as the chairman. Mr. Yip Keung CHAN holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. All members are Independent Non-executive Directors.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by the Board.

As the Company was listed on the Stock Exchange on December 23, 2022 and the Audit Committee was effective from the same date, the Audit Committee did not hold any meeting or conduct any work during the year ended December 31, 2022.

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

Remuneration Committee

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

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

As the Company was listed on the Stock Exchange on December 23, 2022 and the Remuneration Committee was effective from the same date, the Remuneration Committee did not hold any meeting or conduct any work during the year ended December 31, 2022.

Details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2022 is as follows:

	Number of employees
HK$2,500,001 to HK$3,000,000 (equivalent to approximately US$321,000–US$385,000)	1
HK$5,000,001 to HK$5,500,000 (equivalent to approximately US$641,000–US$705,000)	1

Nomination Committee

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

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

As the Company was listed on the Stock Exchange on December 23, 2022 and the Nomination Committee was effective from the same date, the Nomination Committee did not hold any meeting or conduct any work during the year ended December 31, 2022.

Director Nomination Policy

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

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

- **Qualifications**: skills, knowledge and experience of the candidate in relation to the operations and corporate strategies of the Group;
- **Diversity**: due regard to (i) the diversity perspectives set out in the Board Diversity Policy and, (ii) any numerical targets and timelines as required under the Listing Rules, and (iii) the balance of skills and experience in board composition, in addition to the candidate's merit and the objective criteria applied against the candidate;
- **Commitment**: devotion of sufficient time to attend board meeting and to participate in induction trainings and other board associated activities;
- **Character**: character, experience and integrity, and the ability to demonstrate a standard of competence commensurate with the relevant position as a direct of the Company; and
- **Independence**: satisfaction of the independence criteria set out in Rule 3.13 of the Listing Rules if the candidate is to be nominated as an independent non-executive director.

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

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

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

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

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

DIVERSITY

Board Diversity

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

During the year, the Company has achieved the following measurable objectives:

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

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

(3) at least one Director is a physician;

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

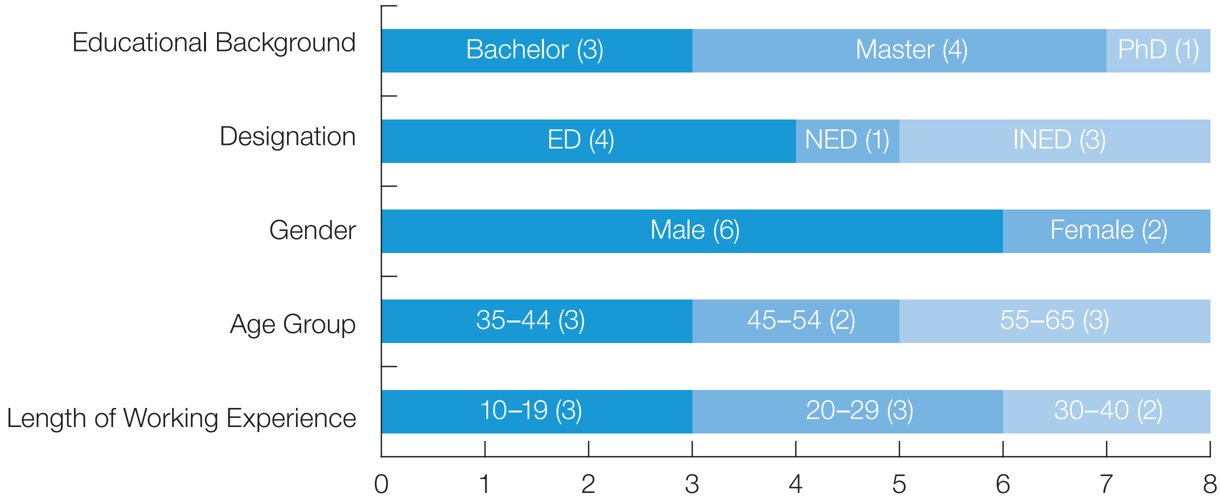
(5) at least one Director has relevant experience in medical device industry; and

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

Therefore, the Board is of the view that our Board satisfies the Board Diversity Policy.

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

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



Workforce Diversity

As of December 31, 2022, we employed 915 full-time employees and the gender ratio of male and female in the workforce (including senior management) is 19:31, which demonstrated a well gender balance in our workforce. The Group expects to maintain a balanced gender ratio of male and female in the workforce in the coming year, and will not emphasis in employing personnel of a particular gender. Gender is neutral in our recruitment consideration as no position of any kind in our Group requires any capability or skill that is regarded as performed better by one gender than another.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2022.

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

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

RISK MANAGEMENT

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

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

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

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

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

INTERNAL CONTROL AND INTERNAL AUDIT

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

- the establishment of the Audit Committee responsible for overseeing our financial records, internal control procedures and risk management systems;

- the appointment of Mr. Wing Shing CHEN as our company secretary to ensure the ongoing compliance of our operation with relevant laws and regulations;

- the appointment of Rainbow Capital (HK) Limited as our compliance advisor to advise us on compliance with the Listing Rules; and

- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

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

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

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

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

- authorizing our risk management committee to assume responsibility for oversight of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

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

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

To maintain a high standard of corporate governance of the Group, the Company engaged an external professional firm (the "**Adviser**") to perform certain assessment procedures for the Group's enterprise risk assessment mechanism primarily to assist the Board and the management to assess the adequacy and effectiveness of the Group's enterprise risk management mechanism for the year ended December 31, 2022. The Adviser has reported to the Audit Committee and management the findings and areas for improvement, if any, which the same were then reported to the Board. The Board and Audit Committee are of the view that there were no material defects noted.

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

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

WHISTLEBLOWING POLICY

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Policy regarding Dealing in the Securities of a Listed Company by Directors, Managers and Employees" (the "**Policy**") which incorporates the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the relevant employees. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Policy (and the Model Code) for the period from the Listing Date to December 31, 2022.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	**Fees Paid/ Payable** (US$'000)
Audit Services — audit fee for 2022	216
Audit Services — Listing related	555
Non-audit Services(Note)	659
Total	**1,430**

Note: Non-audit Services mainly represented consulting services on government grants application, transfer pricing compliance services and other tax compliance services.

COMPANY SECRETARY

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

For the year ended December 31, 2022, Mr. Chen had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

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

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

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

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the re-election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting pursuant to the Listing Rules.

Putting Forward Enquiries to the Board

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meeting

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

Contact Details

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

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

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

CONSTITUTIONAL DOCUMENTS

From the Listing Date to the date of this report, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://orbusneich.com).

On behalf of the Board

Mr. David CHIEN
Chairman, Executive Director and Chief Executive Officer
Hong Kong, March 8, 2023

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of OrbusNeich Medical Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 57 to 138, comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for inventories; and
- Fair value measurement of the Commodity Linked Fixed Rate Note

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories Refer to Note 4(b) and 23 to the consolidated financial statements. The Group held inventories of US$29.4 million as at December 31, 2022. In accordance with the Company's policy, inventories are carried at the lower of cost or net realisable value. As at December 31, 2022, the Group's inventory provision amounted to US$1.1 million. The Group is engaged in the manufacturing, trading, sales and marketing of medical devices/instruments used for the treatment of coronary and peripheral vascular diseases. Management determined the level of provision for close-to-expiry and slow moving inventories based on expected future sales quantity for a specified time subsequent to the end of the reporting period. We focused on this area as the estimation of provision for inventories is inherently subject to a high degree of estimation uncertainty and involved significant management judgement on the expected future sales quantity.	Our procedures in relation to management's assessment on provision for inventories included: • Understood, evaluated and validated key controls over the provision for inventories; • Tested, on a sample basis, the accuracy of the ageing of the Group's inventories by checking to the production record; • Discussed with management on their assumptions applied to the provision for inventories and evaluated the reasonableness of such assumptions by comparing the historical sales data and actual subsequent sales after year ended; • Evaluated the outcome of prior period assessment of provision for inventories to assess the accuracy of management's estimation on the expected future sales quantity. Based on the procedures performed, we found the management's judgement used in the determination of the provision for inventories were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of the Commodity Linked Fixed Rate Note	
Refer to Note 3.3, 4(g) and 18 to the consolidated financial statements. The Group invested in a commodity linked fixed rate note (the "CL Fixed Rate Note") and recognised such CL Fixed Rate Note as a financial asset through profit or loss in the consolidated balance sheet. As at December 31, 2022, the fair value of CL Fixed Rate Note amounted to US\$18.8 million and a fair value loss amounted to US\$1.2 million was recognised in the consolidated statement of profit or loss for the year ended December 31, 2022. As the CL Fixed Rate Note does not have a quoted price in an active market, management determined the fair value of the CL Fixed Rate Note by using an applicable valuation technique. We focused on this area because the determination of fair value is subject to high degree of estimation uncertainty. Such that inherent risk is considered significant as the valuation involved management's judgements and estimations in use of unobservable inputs regarding the discount rate and the probability weighting among the occurrence of early termination or redemption at maturity.	Our procedures in relation to the fair value measurement of the CL Fixed Rate Note included: • Obtained an understanding on the management's internal control and assessment process for the fair value measurement of the CL Fixed Rate Note; • Examined relevant agreement of the CL Fixed Rate Note to assess the implications of the key terms of the agreement (including the conditions for early termination events and redemption at maturity) to the valuation of the CL Fixed Rate Note; • Assessed the reasonableness of the valuation methodology and the discount rate used in the valuation with the involvement of our internal valuation expert; • Evaluated the reasonableness of the probability weighting among the occurrence of early termination or redemption at maturity by assessing the likelihood of the occurrence of early termination events based on our understanding of the terms of the agreement and discussion with management and corroborated with other supporting documents. Based on the procedures performed, we found the management's judgement and estimates used in relation to the fair value measurement of the CL Fixed Rate Note were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Albert K. W. Lee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 8, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Note	2022 US$'000	2021 US$'000
Revenue	5	**136,824**	116,462
Cost of sales	8	**(44,366)**	(35,290)
Gross profit		**92,458**	81,172
Other income — net	6	**915**	1,385
Other losses — net	7	**(2,810)**	(1,020)
Selling and distribution expenses	8	**(32,558)**	(30,100)
General and administrative expenses	8	**(22,570)**	(19,958)
Research and development expenses	8	**(14,113)**	(12,148)
Net (impairment losses)/reversal of impairment losses on financial assets	24	**(250)**	109
Operating profit		**21,072**	19,440
Finance income	10	**2,387**	12
Finance costs	10	**(1,469)**	(5,607)
Finance income/(costs) — net		**918**	(5,595)
Fair value losses of convertible redeemable preferred shares	29	**–**	(14,397)
Loss on derecognition of financial liability in relation to convertible redeemable preferred shares	29	**–**	(559)
Share of loss of investment in a joint venture	21	**(199)**	(207)
Profit/(loss) before income tax		**21,791**	(1,318)
Income tax expense	11	**(3,300)**	(3,126)
Profit/(loss) for the year attributable to owners of the Company		**18,491**	(4,444)
Earnings/(loss) per share	13	**US cents**	US cents
Basic		**3.17**	(0.77)
Diluted		**2.55**	(0.77)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Note	2022 US$'000	2021 US$'000
Profit/(loss) for the year		**18,491**	(4,444)
Other comprehensive income/(loss):			
Item that will not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	30	**292**	(340)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(2,786)**	(3,394)
Realization of accumulated exchange difference upon dissolution of subsidiaries		**–**	(8)
Other comprehensive loss for the year, net of tax		**(2,494)**	(3,742)
Total comprehensive income/(loss) for the year		**15,997**	(8,186)

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

CONSOLIDATED BALANCE SHEET

As at December 31, 2022

	Note	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**8,484**	8,874
Right-of-use assets	15	**4,490**	4,567
Deferred income tax assets	17	**2,834**	2,859
Financial assets at fair value through profit or loss	18	**1,767**	2,041
Intangible assets	19	**4,057**	4,267
Goodwill	20	**1,749**	1,749
Interest in a joint venture	21	**11,648**	7,888
Deposits and prepayments	22	**1,756**	927
Total non-current assets		**36,785**	33,172
Current assets			
Inventories	23	**29,400**	29,570
Trade receivables	24	**32,322**	26,804
Deposits, prepayments and other receivables	22	**4,328**	2,796
Amounts due from a joint venture	36	**39**	11
Tax recoverable		**248**	288
Financial assets at fair value through profit or loss	18	**18,792**	—
Cash and bank balances	25	**229,146**	175,886
Total current assets		**314,275**	235,355
Total assets		**351,060**	268,527
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	26	**414**	288
Other reserves	28	**445,971**	325,509
Accumulated losses	28	**(123,819)**	(142,685)
Total equity		**322,566**	183,112

	Note	2022 US$'000	2021 US$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	**2,349**	2,499
Convertible redeemable preferred shares	29	**—**	63,711
Retirement benefit obligations	30	**2,333**	2,755
Total non-current liabilities		**4,682**	68,965
Current liabilities			
Trade payables	31	**4,065**	2,174
Accruals and other payables	32	**15,939**	11,866
Amount due to a joint venture	36	**157**	—
Current income tax liabilities		**1,972**	927
Lease liabilities	15	**1,679**	1,483
Total current liabilities		**23,812**	16,450
Total liabilities		**28,494**	85,415
Total equity and liabilities		**351,060**	268,527

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

The consolidated financial statements on pages 57 to 138 were approved by the Board of Directors on March 8, 2023 and were signed on its behalf by:

David CHIEN
Director

Wing Shing CHEN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

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

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

	Share capital US$'000	Other reserves US$'000 (Note 28)	Accumulated losses US$'000 (Note 28)	Total US$'000
At January 1, 2021	—	172,797	(137,901)	34,896
Loss for the year	—	—	(4,444)	(4,444)
Other comprehensive loss:				
— Remeasurements of post-employment benefit obligations	—	—	(340)	(340)
— Realization of accumulated exchange difference upon dissolution of subsidiaries	—	(8)	—	(8)
— Currency translation differences	—	(3,394)	—	(3,394)
Total other comprehensive loss, net of tax	—	(3,402)	(340)	(3,742)
Total comprehensive loss	—	(3,402)	(4,784)	(8,186)
Transactions with owners:				
— Issuance of share	—*	—	—	—*
— Issuance of shares pursuant to share swap (Note 26(c))	288	(288)	—	—
— Reclassification of Series A-2 Preferred Shares upon completion of the Reorganization (Note 28(a))	—	167,193	—	167,193
— Changes in value of Series A Preferred Shares upon completion of the Reorganization	—	(12,130)	—	(12,130)
— Employee share option scheme: value of employee services	—	1,339	—	1,339
Total transactions with owners	288	156,114	—	156,402
At December 31, 2021	288	325,509	(142,685)	183,112

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	25,407	22,344
Income tax paid		(1,977)	(2,044)
Income tax refunded		1	198
Net cash generated from operating activities		23,431	20,498
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,898)	(1,247)
Proceeds from disposals of property, plant and equipment	34(b)	122	217
Purchase of intangible assets		(437)	(894)
Advance to a joint venture		(3,959)	(3,044)
Increase in short-term bank deposits		(142,500)	—
Purchase of financial assets at fair value through profit or loss		(20,334)	(407)
Proceeds from disposals of financial assets at fair value through profit or loss	34(c)	40	144
Interest received		650	12
Net cash used in investing activities		(169,316)	(5,219)
Cash flows from financing activities			
Proceeds from issuance of new shares	26	61,637	—
Interest paid		(132)	(752)
Principal elements of lease payments	34(e)	(1,423)	(1,297)
Proceeds from bank borrowings	34(e)	5,000	3,057
Repayment of bank borrowings	34(e)	(5,000)	(42,955)
Proceeds from loans from related companies	34(e)	—	230
Repayment to a related company	34(e)	—	(10,416)
Net proceeds from issuance of convertible redeemable preferred shares	34(e)	—	198,965
Payment for listing expenses		(2,638)	(524)
Net cash generated from financing activities		57,444	146,308
Net (decrease)/increase in cash and cash equivalents		(88,441)	161,587
Cash and cash equivalents at beginning of year		175,886	15,112
Effects of exchange rate changes on cash and cash equivalents		(799)	(813)
Cash and cash equivalents at end of year	25	86,646	175,886
Analysis of cash and cash equivalents			
Cash and bank balances		229,146	175,886
Less: Short-term bank deposits		(142,500)	—
Cash and cash equivalents at end of year		86,646	175,886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. Pursuant to a reorganization (the "Reorganization") in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Main Board") which was completed on September 28, 2021, the Company became the holding company of the other companies comprising the Group. The Company and its subsidiaries (collectively, the "Group"), are principally engaged in the manufacturing, trading, sales and marketing of medical devices/ instruments used for the treatment of coronary and peripheral vascular diseases.

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

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong ("HKSE") on December 23, 2022.

These consolidated financial statements are presented in thousands of United State Dollar ("US$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 8, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Amendments to standards, annual improvements and guideline adopted by the Group

The Group has applied the following amendments to standards, annual improvements and guideline for the first time for their annual reporting period commencing on January 1, 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond June 30, 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of these amendments to standards, annual improvements and guideline does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

2.1.2 New standard, amendments to standards and interpretation not yet adopted by the Group

Certain new accounting standard, amendments to standards and interpretations have been published that are not mandatory for the year ended December 31, 2022 and have not been early adopted by the Group in preparing the consolidated financial statements:

		Effective for accounting year beginning on or after
HKFRS 17	Insurance Contracts and the Related Amendments	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenant	January 1, 2024
Amendments to HKFRS 16	Lease liability in a Sales and Leaseback	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation

2.2.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

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

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

2.2.2 Joint arrangements

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

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation (continued)

2.2.3 Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

2.2.4 Changes in ownership interests

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.6 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

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

2.7 Intangible assets

Intangible assets comprise (i) expenditure on product development activities; and (ii) customer relationship.

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

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

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

Capitalized development costs	10 years
Customer relationships	9 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Goodwill

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

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

2.9 Impairment of non-financial assets

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

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

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

2.10 Financial assets

(a) Classification

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

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

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

Equity instruments

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

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

(d) Impairment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

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

2.12 Inventories

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

2.13 Trade receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 24 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

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

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

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Convertible redeemable preferred shares ("Preferred Shares")

Preferred Shares issued by the Group are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering. For details, refer to Note 29.

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

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

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

2.18 Borrowings

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

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

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

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

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

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

(a) Pension obligations

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

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of each reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

(b) Termination benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled share-based compensation plans under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized general and administrative expenses in the consolidated statement of profit or loss with a corresponding increase in the reserve under equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the estimate of the number of these share options that are expected to become vested is revised based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Share-based payments (continued)

(b) Share-based payment transactions among Group entities

The grant of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate the expenditures expected to be required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

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

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

(a) Sales of goods

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

(i) Distributor sales

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

(ii) Direct sales

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Interest income

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

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

2.26 Government grants

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

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

2.27 Leases

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

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

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

2.28 Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as an intangible asset when the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognized as an asset and amortized on the straight-line basis to reflect the pattern in which the related economic benefits are recognized. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorized for issue, are disclosed as a non-adjusting event and are not recognized as liability at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HK$"), Renminbi ("RMB"), Japanese Yen ("JPY") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

		As at December 31, 2022		As at December 31, 2021	
Functional currency	Foreign currency	**Hypothetical appreciation/ (depreciation) in foreign exchange rate**	**(Negative)/ positive effect on profit or loss US$'000**	Hypothetical appreciation/ (depreciation) in foreign exchange rate	(Negative)/ positive effect on profit or loss US$'000
US$	RMB	**+/- 5%**	**(168)/168**	+/- 5%	(67)/67
JPY	US$	**+/- 5%**	**(1,018)/1,018**	+/- 5%	(375)/375
EUR	US$	**+/- 5%**	**6/(6)**	+/- 5%	41/(41)

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

(ii) Cash flow and fair value interest rate risk

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

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

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

The directors are of the opinion that as at December 31, 2022 and 2021, any reasonable changes in interest rates on bank deposits would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk arising from bank deposits.

(b) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Credit risk of cash and bank deposits

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

(ii) Credit risk of trade receivables

For external receivables, the Group has policies in place to assess the credit worthiness of customers to ensure that sales of products are made to customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' ageing to minimize its exposure to credit risk. As at December 31, 2022, the Group has concentration of credit risk given that the top 5 customers accounted for 24% (2021: 25%) of the total trade receivables. The extent of credit risk relating to the Group's trade receivables is disclosed in Note 24.

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

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

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

The loss allowance provision for trade receivables from third parties as at December 31, 2022 and 2021 are as follows:

	Current US$'000	Past due by 1 to 90 days US$'000	Past due by 91 to 180 days US$'000	Past due by over 180 days US$'000	Total US$'000
At December 31, 2022					
Gross carrying amount	**29,686**	**2,097**	**409**	**1,872**	**34,064**
Expected loss rate	**0.02%**	**0.67%**	**2.44%**	**91.40%**	
Loss allowance	**7**	**14**	**10**	**1,711**	**1,742**
At December 31, 2021					
Gross carrying amount	25,478	942	273	1,698	28,391
Expected loss rate	0.04%	2.23%	3.66%	91.05%	
Loss allowance	10	21	10	1,546	1,587

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

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

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

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

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

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

The credit risk of the Group's other financial assets at amortized cost, which comprises deposits and other receivables and amounts due from a joint venture arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument. The credit quality has been assessed with reference to historical information and forward-looking information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors of the Company are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the deposits and other receivables and amounts due from a joint venture is assessed to be insignificant and no provision was made as at December 31, 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	Within 1 year or on demand US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
At December 31, 2022			
Trade payables	**4,065**	**—**	**—**
Accruals and other payables	**13,467**	**—**	**—**
Lease liabilities	**1,679**	**1,358**	**991**
Interest payable on lease liabilities	**89**	**41**	**18**
Amount due to a joint venture	**157**	**—**	**—**
	19,457	**1,399**	**1,009**
At December 31, 2021			
Trade payables	2,174	—	—
Accruals and other payables	9,877	—	—
Lease liabilities	1,483	1,327	1,172
Interest payable on lease liabilities	92	49	14
	13,626	1,376	1,186

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the liability to asset ratio. The capital structure of the Group consists of shareholders' equity. Capital is managed so as to maximize the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. This ratio is calculated as total liabilities divided by total assets.

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

	2022	2021
Total liabilities (US$'000)	28,494	85,415
Total assets (US$'000)	351,060	268,527
Liability to asset ratio	8.1%	31.8%

The liability to asset ratio was decreased from 31.8% as at December 31, 2021 to 8.1% as at December 31, 2022 mainly due to the capitalization of convertible redeemable preferred shares and proceeds from initial public offering.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2022 and 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- **Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

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

- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at, December 31, 2022 and 2021:

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

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2021				
Financial asset				
Financial asset at fair value through profit or loss				
— Life insurance policies	–	–	2,041	2,041
Financial liability				
Retirement benefit obligations	–	–	2,755	2,755

The following table presented the changes in level item including financial assets at fair value through profit or loss during the year.

	2022 US$'000	2021 US$'000
Beginning of year	**2,041**	2,048
Addition	**20,334**	407
Disposal	**(47)**	(166)
Fair value change	**(1,479)**	(29)
Currency translation differences	**(290)**	(219)
At end of year	**20,559**	2,041

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The change in Level 3 instruments of convertible redeemable preferred shares and retirement benefit obligations are presented in Note 29 and 30 respectively.

There were no transfers between levels during the year.

(a) Financial instrument in Level 2

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

(b) Financial instrument in Level 3

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

Life insurance policies

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

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

An independent valuation of the Group's financial assets at fair value through profit or loss was performed by a qualified valuer to determine the fair value of the life insurance policies as at December 31, 2022 and 2021. These valuation results are then reported to the senior management of the Group for discussions in relation to the valuation processes and the reasonableness of valuation results. The fair value gains or losses are included in "Other losses — net".

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

Discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Mortality rate	Based on the life table revised in 2021 and 2022 published by the Ministry of Health, Labor and Welfare of Japan
Employee turnover rate	Based on a three year historical rate of the subsidiary in Japan
Surrender rate	Based on figures published by the insurance company

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) *Financial instrument in Level 3 (continued)*

Life insurance policies (continued)

There were no changes to the valuation techniques during the years ended December 31, 2022 and 2021.

		Range of unobservable inputs	
Description	Unobservable inputs	**2022**	2021
Life insurance policies	Discount rate	**0.0%—1.7%**	0.1%—0.8%

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

		Impact on the valuation of the life insurance policies	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
At December 31, 2022			
Discount rate	**0.5%**	**Decrease by 7.3%**	**Increase by 8.0%**
At December 31, 2021			
Discount rate	0.5%	Decrease by 5.9%	Increase by 6.4%

The sensitivity of other unobservable inputs is not expected to have significant impact on the fair value of financial assets at fair value through profit or loss as at December 31, 2022 and 2021.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Impairment of financial assets

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

(b) Provision for inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

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

(e) Research and development costs

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(f) Income taxes

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

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

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

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

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

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

(h) Valuation of convertible redeemable preferred shares

The Preferred Shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group has used the discounted cash flow method to determine the underlying equity value of the Group and adopted equity allocation model to determine the fair value of the Preferred Shares. Key assumptions, such as discount rate, risk-free interest rate, lack of marketability discount ("DLOM") and volatility are disclosed in Note 29. For Preferred Shares carried at amortized cost, management judgement and estimates in relation to the timing and manner of their settlement are also involved in determining the carrying amount of such preferred shares.

5 REVENUE AND SEGMENT INFORMATION

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

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

The revenue recognized during the year are as follows:

	2022 US$'000	2021 US$'000
Sales of goods — at point in time	**136,824**	116,462

Geographical information

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

	Europe, Middle East & Africa ("EMEA") US$'000	**Japan US$'000**	**Asia Pacific region, except Japan and the PRC ("APAC") US$'000**	**The PRC US$'000**	**United States US$'000**	**Total US$'000**
Year ended December 31, 2022						
Revenue	**71,138**	**32,440**	**88,244**	**62,150**	**16,623**	**270,595**
Less: inter-segment revenue	**(38,854)**	**—**	**(56,352)**	**(38,565)**	**—**	**(133,771)**
Revenue from external customers	**32,284**	**32,440**	**31,892**	**23,585**	**16,623**	**136,824**
Year ended December 31, 2021						
Revenue	78,936	29,807	79,027	56,744	7,468	251,982
Less: inter-segment revenue	(44,814)	—	(51,039)	(39,667)	—	(135,520)
Revenue from external customers	34,122	29,807	27,988	17,077	7,468	116,462

5 REVENUE AND SEGMENT INFORMATION (continued)

Geographical information (continued)

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

	2022 US$'000	2021 US$'000
EMEA	3,620	4,286
Japan	1,127	1,594
APAC	14,053	10,417
The PRC	10,191	8,906
United States	2,669	2,541
	31,660	27,744

Information about major customers

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

Revenue from the customer contributing over 10% of total revenue of the Group is as follows:

	2022 US$'000	2021 US$'000
Customer A	16,607	N/A*

* The corresponding customer did not contribute over 10% of total revenue of the Group in 2021.

6 OTHER INCOME — NET

	2022 US$'000	2021 US$'000
Government grants (Note)	757	1,166
Others	158	219
	915	1,385

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

7 OTHER LOSSES — NET

	2022 US$'000	2021 US$'000
Net foreign exchange losses	**(965)**	(903)
Losses on disposals of property, plant and equipment	**(29)**	(83)
Write-off of property, plant and equipment	**(341)**	—
Losses on disposals of financial assets at fair value through profit or loss (Note 18)	**(7)**	(22)
Fair value changes in financial assets at fair value through profit or loss (Note 18)	**(1,479)**	(29)
Others	**11**	17
	(2,810)	(1,020)

8 EXPENSES BY NATURE

	2022 US$'000	2021 US$'000
Cost of inventories recognized as expense (including write-down of inventories to net realizable value)	**24,318**	17,896
Employee benefit expenses (Note 9)	**50,585**	45,007
Depreciation of property, plant and equipment	**1,819**	2,255
Depreciation of right-of-use assets	**1,548**	1,288
Amortization of intangible assets	**515**	476
Short-term lease expense in respect of office premises	**990**	1,141
Royalty expenses	**3,039**	2,824
Auditors' remuneration	**216**	352
Marketing and advertising expenses	**4,045**	2,910
Legal and professional fees	**2,913**	2,146
Clinical trial expenses	**193**	643
Travel and entertainment expenses	**2,565**	1,951
Testing material expenses	**2,665**	1,848
Commission expenses	**1,145**	1,352
Delivery and warehouse charge	**2,902**	2,579
Transportation expenses	**530**	571
Telecommunication expenses	**162**	297
Insurance expenses	**680**	581
Listing expenses	**6,155**	4,648
Other expenses	**6,622**	6,731
	113,607	97,496

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2022 US$'000	2021 US$'000
Salaries, wages and allowances	41,709	36,270
Pension costs — defined contribution plans (Note (a))	5,358	5,006
Pension costs — defined benefit plans (Note 30)	285	337
Share options granted to directors and employees	684	1,339
Other staff benefits	2,549	2,055
	50,585	45,007

(a) Pension costs — defined contribution plans

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

(b) Directors' and chief executive's emoluments

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

For the year ended December 31, 2022

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

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

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

For the year ended December 31, 2021

Name	Fees US$'000	Salaries US$'000	Discretionary bonuses US$'000	Allowance and benefits in kind US$'000	Employer's contribution to a retirement benefit scheme US$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Group US$'000	Total US$'000
Executive directors							
Mr. David CHIEN (Note (i), (ii))	–	326	27	–	2	–	355
Ms. Kwai Ching Denise LAU (Note (ii))	–	294	24	–	2	–	320
Mr. Wing Shing CHEN (Note (ii))	–	299	149	17	2	29	496
Mr. Ching Chung John CHOW (Note (ii))	–	229	–	9	17	15	270
Non-executive director							
Dr. Yi ZHOU	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yip Keung CHAN	–	–	–	–	–	–	–
Mr. Ka Keung LAU	–	–	–	–	–	–	–
Dr. Lai Fan Gloria TAM	–	–	–	–	–	–	–
	–	1,148	200	26	23	44	1,441

Note:

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

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

The remuneration shown above represented remuneration received from the Group by these directors in their capacity as employees to the Group and no directors waived any emolument during the year ended December 31, 2022 (2021: Nil).

No emoluments were paid by the Group to the directors as an inducement to join the Company or the Group, or as compensation for loss of office during the year ended December 31, 2022 (2021: Nil).

Mr. David CHIEN, Ms. Kwai Ching Denise LAU, Mr. Wing Shing CHEN and Mr. Ching Chung John CHOW were appointed as the Company's executive director on July 22, 2021. Dr. Yi ZHOU was appointed as the Company's director on September 28, 2021 and was redesignated as the Company's non-executive director on September 29, 2021. Mr. Yip Keung CHAN, Mr. Ka Keung LAU and Dr. Lai Fan Gloria TAM were appointed as the Company's independent non-executive directors on November 29, 2022.

(c) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended December 31, 2022 (2021: None).

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

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

During the year ended December 31, 2022, no consideration was provided to or receivable by third parties for making available directors' services (2021: Nil).

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended December 31, 2022 (2021: Nil).

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

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of year or at any time during the year ended December 31, 2022 (2021: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2021: two) directors, whose emoluments were reflected in Note 9(b). The emoluments paid to the remaining two (2021: three) individuals, respectively, are as follows:

	2022 US$'000	2021 US$'000
Basic salaries, bonuses, housing allowances, other allowances, share options and others	1,537	1,450
Contribution to pension scheme	14	32
	1,551	1,482

The emoluments of above individuals are within the following bands:

	2022	2021
HK$2,500,001–HK$3,000,000 (equivalent to approximately US$321,000–US$385,000)	–	1
HK$4,000,001–HK$4,500,000 (equivalent to approximately US$513,000–US$577,000)	–	1
HK$4,500,001–HK$5,000,000 (equivalent to approximately US$577,000–US$641,000)	–	1
HK$5,000,001–HK$5,500,000 (equivalent to approximately US$641,000–US$705,000)	1	–
HK$7,000,001–HK$7,500,000 (equivalent to approximately US$897,000–US$962,000)	1	–
	2	3

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year (2021: Nil).

10 FINANCE INCOME/(COSTS) — NET

	2022 US$'000	2021 US$'000
Finance income:		
— Interest income from bank deposits	2,387	12
Finance costs:		
— Interest expense on bank borrowings	(11)	(525)
— Interest expense on lease liabilities	(116)	(76)
— Interest expense to a related company	—	(151)
— Unwinding of interests on convertible redeemable preferred shares	(1,336)	(4,853)
— Others	(6)	(2)
	(1,469)	(5,607)
Finance income/(costs) — net	918	(5,595)

11 INCOME TAX EXPENSE

	2022 US$'000	2021 US$'000
Current income tax:		
Current income tax on profits for the year	3,226	2,556
Under/(over)-provision in prior year	50	(98)
	3,276	2,458
Deferred income tax:		
Relating to the origination and reversal of temporary differences	24	668
	3,300	3,126

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

(a) Hong Kong profits tax

The applicable profits tax rate in Hong Kong is 16.5% (2021: 16.5%) for the year ended December 31, 2022.

(b) PRC corporate income tax

OrbusNeich Medical (Shenzhen) Company Limited ("OrbusNeich Shenzhen") is qualified as a National High and New Technology Enterprise ("HNTE"), on December 11, 2020 with a validity of three years therefrom. According to the CIT Law, the enterprise qualifying the HNTE status is entitled to the 15% reduced CIT rate subject to a record-filing to the in-charge tax bureau. OrbusNeich Shenzhen had completed the record-filing with Shenzhen local tax bureau. As such, the applicable CIT rate is 15% (2021: 15%) for the year ended December 31, 2022.

11 INCOME TAX EXPENSE (continued)

(c) Japan corporate income tax

The applicable corporate income tax in Japan is 33.58% (2021: 33.58%) for the year ended December 31, 2022.

(d) The Netherlands corporate income tax

For the year ended December 31, 2022, Netherlands corporate income tax has been provided for at the rate of 25.8% (2021: 25%) on the estimated assessable profits of Netherlands subsidiaries.

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

	2022 US$'000	2021 US$'000
Profit/(loss) before income tax	**21,791**	(1,318)
Tax calculated at domestic tax rates applicable to profit/(loss) in the respective countries/regions	**4,607**	2,425
Income not subject to tax	**(1,131)**	(1,291)
Expenses not deductible for tax purposes	**902**	1,178
Effect of unrecognized temporary differences	**498**	(347)
Effect of unrecognized tax losses	**576**	1,763
Utilization of previously unrecognized tax losses	**(2,202)**	(504)
Under/(over)-provision in prior year	**50**	(98)
Income tax expense	**3,300**	3,126

12 DIVIDEND

No dividend has been paid or declared by the Company for the year ended December 31, 2022 (2021: Nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated based on the profit attributable to equity holders of the Company for the years ended December 31, 2022 and 2021 divided by the weighted average number of shares in issue during the year.

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

	2022	2021
Profit/(loss) attributable to owners of the Company (US$'000)	**18,491**	(4,444)
Weighted average number of ordinary shares in issue (thousand shares)	**583,086**	576,900
Basic earnings/(loss) per share (US cents)	**3.17**	(0.77)

13 EARNINGS/(LOSS) PER SHARE (continued)

(a) Basic earnings/(loss) per share (continued)

The weighted average number of ordinary shares in issue used for the calculation of basic loss per share for the year ended December 31, 2021 have been retrospectively adjusted for the issuance of shares of the Company in connection with the Reorganization and share consolidation as defined in note 26 to the consolidated financial statements. Upon initial public offering completed on December 23, 2022, the Company issued new shares and converted convertible redeemable preferred shares into ordinary shares were accounted at time apportion basis.

(b) Diluted earnings/(loss) per share

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

For the years ended December 31, 2022 and 2021, the Company had share options (Note 27) and convertible redeemable preferred shares (Note 29) that are potential ordinary shares. As the Company incurred loss for the year ended December 31, 2021, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amount of diluted loss per share for the year ended December 31, 2021 were the same as basic loss per share of the year.

For the year ended December 31, 2022, the diluted earnings per share have been calculated as follows:

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

	2022	2021
Profit/(loss) attributable to owners of the Company (US$'000)	18,491	(4,444)
Adjustment for convertible redeemable preferred shares	1,336	—
Adjusted profit/(loss) attributable to owners of the Company	19,827	(4,444)
Weighted average number of ordinary shares in issue (thousand shares)	583,086	576,900
Adjustments for:		
Weighted average number of convertible redeemable preferred shares (thousand shares)	191,398	—
Weighted average number of share options (thousand shares)	1,905	—
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	776,389	576,900
Diluted earnings/(loss) per share (US cents)	2.55	(0.77)

14 PROPERTY, PLANT AND EQUIPMENT

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

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Computer equipment US$'000	Construction-in-progress US$'000	Total US$'000
At January 1, 2021								
Cost	5,227	4,458	17,510	1,846	645	2,241	18	31,945
Accumulated depreciation	(4,346)	(3,075)	(10,694)	(905)	(590)	(1,850)	–	(21,460)
Net book amount	881	1,383	6,816	941	55	391	18	10,485
Year ended December 31, 2021								
Opening net book amount	881	1,383	6,816	941	55	391	18	10,485
Additions	–	5	208	660	–	129	49	1,051
Transfer	–	–	41	–	–	–	(41)	–
Disposals	–	(39)	(48)	(207)	–	(6)	–	(300)
Depreciation	(179)	(526)	(1,066)	(322)	(19)	(143)	–	(2,255)
Currency translation differences	–	(9)	(37)	(47)	(1)	(13)	–	(107)
Closing net book amount	702	814	5,914	1,025	35	358	26	8,874
At December 31, 2021								
Cost	5,227	4,123	17,240	2,084	393	2,176	26	31,269
Accumulated depreciation	(4,525)	(3,309)	(11,326)	(1,059)	(358)	(1,818)	–	(22,395)
Net book amount	702	814	5,914	1,025	35	358	26	8,874

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

	2022 US$'000	2021 US$'000
Cost of sales	**670**	855
Selling and distribution expenses	**77**	77
General and administrative expenses	**674**	846
Research and development expenses	**398**	477
	1,819	2,255

15 LEASES

(a) Amounts recognized in the consolidated balance sheet

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

	2022 US$'000	2021 US$'000
Right-of-use assets		
Buildings	**3,696**	3,681
Land use right	**703**	728
Motor vehicles	**16**	109
Office equipment	**75**	49
	4,490	4,567
Lease liabilities		
Current	**1,679**	1,483
Non-current	**2,349**	2,499
	4,028	3,982

Additions to the right-of-use assets during the year ended December 31, 2022 were approximately US$849,000 (2021: US$2,119,000).

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

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

	2022 US$'000	2021 US$'000
Depreciation charge of right-of-use assets		
Buildings	**1,474**	1,182
Land use right	**26**	26
Motor vehicles	**25**	54
Office equipment	**23**	26
	1,548	1,288
Short-term lease expense in respect of office premises	**990**	1,141
Interest expense (included in finance costs)	**116**	76
Gain on lease modification	**2**	—

The total cash outflow for leases for the year ended December 31, 2022 was US$2,529,000 (2021: US$2,514,000).

15 LEASES (continued)

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

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

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

(d) Extension and termination options

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

16 SUBSIDIARIES

The following is a list of the principal subsidiaries as at December 31, 2022:

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group		Principal activities and place of operation
			2022	2021	
Directly owned					
Cosmic Ascent Limited ("COSMIC")	British Virgin Islands (the "BVI"), July 7, 2020, limited liability company	US$187,827,882	100%	100%	Investment holding, the BVI
Indirectly owned					
OrbusNeich Medical Group Limited	Cayman Islands, June 8, 2017, limited liability company	US$386,568	100%	100%	Investment holding, Cayman Islands
OrbusNeich Medical Investment Holdings Limited	The BVI, May 15, 2017, limited liability company	US$2	100%	100%	Investment holding, the BVI
OrbusNeich Medical Cyprus Holding Company Limited	Cyprus, May 17, 2006, limited liability company	Cyprus Pound 1,000	100%	100%	Investment holding, Cyprus
OrbusNeich Medical Holding B.V.	The Netherlands, May 30, 2001, limited liability company	EUR18,000	100%	100%	Investment holding, the Netherlands
OrbusNeich Medical B.V.	The Netherlands, July 13, 2006, limited liability company	EUR18,000	100%	100%	Manufacturing of medical devices/ instruments, the Netherlands

16 SUBSIDIARIES (continued)

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group 2022	2021	Principal activities and place of operation
OrbusNeich Medical Trading Holdings Company Limited	The BVI, May 15, 2017, limited liability company	US$1	100%	100%	Investment holding, the BVI
OrbusNeich Medical Manufacturing Holdings (BV) Company Limited	The BVI, May 15, 2017, limited liability company	US$1	100%	100%	Investment holding, the BVI
OrbusNeich Medical Manufacturing Holdings (APAC) Company Limited	The BVI, May 15, 2017, limited liability company	US$2	100%	100%	Investment holding, the BVI
OrbusNeich Medical Company Limited (業聚醫療有限公司)	Hong Kong, February 23, 1998, limited liability company	HK$2	100%	100%	Trading, sales and marketing of medical devices/ instruments, Hong Kong
OrbusNeich Medical Sdn. Bhd.	Malaysia, December 23, 2004, limited liability company	Malaysian Ringgit 2,500	100%	100%	Trading of medical devices/ instruments, Malaysia
OrbusNeich Medical K.K.	Japan, September 13, 2001, limited liability company	JPY90,000,000	100%	100%	Trading, sales and marketing of medical devices/ instruments, Japan
OrbusNeich Medical K.K. Foundation	Japan, September 4, 2013, limited liability company	JPY3,000,000	100%	100%	Dormant, Japan
Advanced Medical Works K.K.	Japan, June 13, 2017, limited liability company	JPY500,000	100%	100%	Research and development of medical devices/ instruments, Japan
OrbusNeich Medical Pty Limited	Australia, March 29, 2001, limited liability company	Australian Dollar 100	100%	100%	Trading of medical devices/ instruments, Australia

16 SUBSIDIARIES (continued)

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group 2022	2021	Principal activities and place of operation
OrbusNeich Medical Investments Limited B.V.	The Netherlands, July 20, 2017, limited liability company	EUR1	**100%**	100%	Investment holding, the Netherlands
Orbus International B.V.	The Netherlands, March 10, 1999, limited liability company	EUR45,320,279	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, the Netherlands
OrbusNeich (Switzerland) AG	Switzerland, January 3, 2018, limited liability company	CHF100,000	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, Switzerland
OrbusNeich Medical Pte. Ltd.	Singapore, August 16, 1995, limited liability company	Singaporean Dollar 2	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, Singapore
OrbusNeich Medical India Private Limited	India, March 9, 2009, limited liability company	Indian Rupee100,000	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, India
OrbusNeich Medical Trading, Inc.	The United States of America (the "USA"), September 14, 2017, limited liability company	US$1	**100%**	100%	Research and development of medical devices/ instruments, USA
OrbusNeich Medical, Sociedad Limitada	Spain, July 2, 2016, limited liability company	EUR3,000	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, Spain
OrbusNeich Medical GmbH	Germany, December 1, 2007, limited liability company	EUR25,000	**100%**	100%	Trading, sales and marketing of medical devices/ instruments, Germany

16 SUBSIDIARIES (continued)

Company name	Place and date of incorporation/establishment and type of legal entity	Registered/ issued and paid-up capital	Ownership interest held by the Group 2022	2021	Principal activities and place of operation
OrbusNeich Medical (Shenzhen) Company Limited (業聚醫療器械(深圳)有限公司)	People's Republic of China (the "PRC"), May 29, 2000, Wholly foreign owned enterprises	US$5,000,000	**100%**	100%	Manufacturing of medical devices/ instruments, the PRC
OrbusNeich Medical I.P. Holdings (Stent) Company Limited	The BVI, May 15, 2017, limited liability company	US$1	**100%**	100%	Investment holding, the BVI
OrbusNeich Medical, Inc.	USA, July 28, 1999, limited liability company	US$193,090	**100%**	100%	Research and development of medical devices/ instruments, USA
OrbusNeich HeartValve Company Limited	The BVI, May 15, 2017, limited liability company	US$1	**100%**	100%	Investment holding, the BVI
OrbusNeich International B.V.	The Netherlands, April 1, 2021, limited liability company	EUR1	**100%**	100%	Inactive, the Netherlands
OrbusNeich Medical Technology (Beijing) Company Limited (業聚醫療技術(北京)有限公司)	The PRC, July 8, 2021, limited liability company	RMB1,000,000	**100%**	100%	Research and development of medical devices/ instruments, the PRC

17 DEFERRED INCOME TAX

The analysis of deferred income tax assets are as follows:

	2022 US$'000	2021 US$'000
Deferred income tax assets	**2,834**	2,859

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

	2022 US$'000	2021 US$'000
Beginning of year	**2,859**	3,539
Charged to the consolidated statement of profit or loss (Note 11)	**(24)**	(668)
Exchange difference	**(1)**	(12)
At end of year	**2,834**	2,859

17 DEFERRED INCOME TAX (continued)

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

Deferred income tax assets	Unrealized profit on inventories US$'000	Tax losses US$'000	Total US$'000
At January 1, 2021	3,090	449	3,539
Charged to the consolidated statement of profit or loss	(314)	(354)	(668)
Exchange difference	—	(12)	(12)
At December 31, 2021 and January 1, 2022	2,776	83	2,859
(Charged)/credited to the consolidated statement of profit or loss	(133)	109	(24)
Exchange difference	—	(1)	(1)
At December 31, 2022	2,643	191	2,834

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$19,732,000 (2021: US$20,911,000) in respect of losses amounting to approximately US$85,506,000 (2021: US$91,898,000) at December 31, 2022.

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

	2022 US$'000	2021 US$'000
With no expiry date	3,883	9,555
Within 1 year	2,237	5
2 to 5 years	4,993	6,005
6 to 10 years	16,673	9,727
11 to 21 years	57,720	66,606
	85,506	91,898

As at December 31, 2022, the Group had deductible temporary differences of approximately US$13,434,000 (2021: US$10,834,000) mainly arising from research and development tax credit, retirement benefit obligations and decelerated depreciation allowance. No deferred tax assets has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available again which the deductible temporary differences can be utilized.

Deferred income tax liabilities of approximately US$7,118,000 (2021: US$6,179,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary. Such amounts are permanently reinvested. Unremitted earnings totalled US$71,178,000 (2021: US$61,789,000) at December 31, 2022.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2022 US$'000	2021 US$'000
Life insurance policies	1,767	2,041
The Commodity Linked Fixed Rate Note	18,792	—
Total	20,559	2,041

During the year ended December 31, 2022, the Company acquired a commodity linked fixed rate note (the "Commodity Linked Fixed Rate Note"), which was issued by a reputable international investment bank. It was classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The accounting policy of the Commodity Linked Fixed Rate Note is disclosed in Note 2.10.

Amounts recognized in profit or loss

The following losses were recognized in the consolidated statement of profit or loss:

	2022 US$'000	2021 US$'000
Losses on disposals of financial assets at fair value through profit or loss	(7)	(22)
Fair value changes in financial assets at fair value through profit or loss	(1,479)	(29)

Fair value measurements

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

19 INTANGIBLE ASSETS

	Capitalized development costs US$'000	Customer relationship US$'000	Total US$'000
Year ended December 31, 2022			
Opening net book amount	**3,265**	**1,002**	**4,267**
Additions	**437**	**—**	**437**
Amortization charge	**(384)**	**(131)**	**(515)**
Exchange difference	**(132)**	**—**	**(132)**
Closing net book amount	**3,186**	**871**	**4,057**
At December 31, 2022			
Cost	**4,022**	**1,176**	**5,198**
Accumulated amortization	**(836)**	**(305)**	**(1,141)**
Closing net book amount	**3,186**	**871**	**4,057**
Year ended December 31, 2021			
Opening net book amount	2,833	1,133	3,966
Additions	894	—	894
Amortization charge	(345)	(131)	(476)
Exchange difference	(117)	—	(117)
Closing net book amount	3,265	1,002	4,267
At December 31, 2021			
Cost	3,737	1,176	4,913
Accumulated amortization	(472)	(174)	(646)
Closing net book amount	3,265	1,002	4,267

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

	2022 US$'000	2021 US$'000
Selling and distribution expenses	**131**	131
Research and development expenses	**384**	345
	515	476

20 GOODWILL

	2022 US$'000	2021 US$'000
Net book amount	**1,749**	1,749

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

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

	2022	2021
Revenue growth rate	**15.9% to 16.9%**	20.2%
Gross margin	**34.0%**	35.9%
Profit margin	**10.3% to 13.8%**	9.8% to 10.9%
Terminal growth rate	**1.5%**	0.0%
Pre-tax discount rate	**27.3%**	32.9%

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

As at December 31, 2022, the recoverable amount calculated based on the value-in-use calculation exceeded the carrying amount of the CGU by approximately US$436,000 (2021: US$178,000). The directors of the Company performed sensitivity analysis based on the key assumptions and considered that a reasonable possible changes on the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

With all other variables held constant, the management estimates the headroom would drop to zero as at December 31, 2022 and 2021, with any one of the following parameters:

	2022	2021
Revenue growth rate	**Decrease to 13.0% to 13.6%**	Decrease to 19.2%
Gross margin	**Decrease to 32.2%**	Decrease to 35.2%
Profit margin	**Decrease to 9.2% to 12.3%**	Decrease to 9.3% to 10.3%
Pre-tax discount rate	**Increase to 35.9%**	Increase to 37.6%

In accordance with the Group's accounting policies, goodwill is tested for impairment on an annual basis at each year end. As at December 31, 2022 and 2021, the management is not aware of any significant adverse changes on the development of the Group, which indicates that the carrying amount of the CGU exceeds the recoverable amount.

21 INTEREST IN A JOINT VENTURE

	2022 US$'000	2021 US$'000
Share of net assets:		
Beginning of year	4,844	5,051
Share of loss of a joint venture	(199)	(207)
End of year	4,645	4,844
Advance to a joint venture (Note)	7,003	3,044
	11,648	7,888

Note: During the years ended December 31, 2022 and 2021, management reassessed the capital needs of the joint venture and reclassified the amount due from joint venture as part of the Group's net investment in such joint venture.

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

Nature of investment in a joint venture:

Name	Registered capital	Place of incorporation	Principal activities	Percentage of interest held 2022	Percentage of interest held 2021
OrbusNeich P+F Company Limited	US$50,000	The BVI	Investment holding	50%	50%

21 INTEREST IN A JOINT VENTURE (continued)

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

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

Summarized balance sheet	2022 US$'000	2021 US$'000
Current assets	1,850	734
Non-current assets	9,936	6,986
Current liabilities	(7,595)	(3,130)
Net assets	4,191	4,590
Reconciliation to carrying amount:		
Net assets	4,191	4,590
Group's interest	50.00%	50.00%
Group's share of net assets	2,096	2,295
Goodwill	2,549	2,549
Carrying amount	4,645	4,844

Summarized statement of comprehensive income	2022 US$'000	2021 US$'000
Revenue	474	129
Loss for the year	(399)	(413)
Other comprehensive income	—	—
Total comprehensive loss	(399)	(413)

Commitment in respect of the joint venture:

	2022 US$'000	2021 US$'000
Commitment to providing funding to a joint venture	4,917	5,251

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

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Deposits	977	970
Prepayments	2,961	1,179
Prepaid listing expenses	—	191
Deferred listing expenses	—	690
Other receivables	2,146	693
	6,084	3,723
Less non-current portion:		
Deposits	(524)	(528)
Prepayments for property, plant and equipment	(1,028)	(195)
Prepayments for intangible assets	(204)	(204)
	(1,756)	(927)
Current portion	4,328	2,796

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

	2022 US$'000	2021 US$'000
US$	3,059	821
RMB	1,113	570
EUR	761	1,033
HK$	656	726
JPY	296	442
Other currencies	199	131
	6,084	3,723

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

The deposits and other receivables do not contain impaired assets.

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

23 INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials	15,076	14,130
Work in progress	3,229	2,597
Finished goods	12,188	13,118
Inventories — gross	30,493	29,845
Less: Provision for inventories (Note)	(1,093)	(275)
	29,400	29,570

Note:

The cost of inventories recognized as expense and provision for inventories included in 'cost of sales' for the year ended December 31, 2022 amounting to approximately US$23,417,000 (2021: US$17,640,000) and US$901,000 (2021: US$256,000), respectively.

24 TRADE RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables (Note)	34,064	28,391
Loss allowance	(1,742)	(1,587)
Trade receivables, net	32,322	26,804

Note:

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

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

	2022 US$'000	2021 US$'000
0 to 30 days	13,993	11,493
31 to 60 days	8,360	6,770
61 to 90 days	4,943	4,704
Over 90 days	6,768	5,424
	34,064	28,391

24 TRADE RECEIVABLES (continued)

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

	2022 US$'000	2021 US$'000
Beginning of year	1,587	2,090
Movement in loss allowance	250	(109)
Trade receivables written-off as uncollectible	—	(265)
Currency translation difference	(95)	(129)
End of year	1,742	1,587

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

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.1(b)(ii).

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

	2022 US$'000	2021 US$'000
JPY	9,715	9,209
US$	9,553	5,608
EUR	4,507	4,631
HK$	2,802	2,767
Other currencies	5,745	4,589
	32,322	26,804

25 CASH AND BANK BALANCES

	2022 US$'000	2021 US$'000
Cash at banks and on hand	**86,646**	175,886
Short-term bank deposits (Note)	**142,500**	—
	229,146	175,886

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

Cash at banks and on hand include the following:

	2022 US$'000	2021 US$'000
Cash and bank balances	**85,364**	175,886
Time deposits with original maturity of less than three months	**1,282**	—
	86,646	175,886

Cash and bank balances are denominated in the following currencies:

	2022 US$'000	2021 US$'000
US$	**183,912**	164,118
HK$	**29,451**	454
EUR	**6,993**	1,525
JPY	**4,644**	4,291
RMB	**517**	1,307
Other currencies	**3,629**	4,191
	229,146	175,886

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

As at December 31, 2022, the Group held RMB denominated cash and bank balances totalling approximately US$414,000 (2021: US$1,307,000) which were kept in the PRC, the conversion and remittance of which are subject to these rules and regulations.

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

The carrying amounts of cash and bank balances approximate their fair values.

26 SHARE CAPITAL

	Number of shares	Share capital US$'000
Authorized:		
Upon incorporation	500,000,000	50
Increase in authorized share capital (Note (b))	5,500,000,000	550
At December 31, 2021	6,000,000,000	600
Share consolidation (Note (d))	(4,800,000,000)	—
At December 31, 2022	1,200,000,000	600
Represented by:		
Ordinary shares	5,018,814,933	502
Series A preferred shares (Note 29)	234,784,854	23
Series A-2 preferred shares (Note 29)	746,400,213	75
At December 31, 2021	6,000,000,000	600
Represented by:		
Ordinary shares	1,200,000,000	600
At December 31, 2022	1,200,000,000	600
Issued and fully paid:		
Upon incorporation	1	—
Issue of shares (Note (c))	2,884,499,620	288
At December 31, 2021	2,884,499,621	288
Share redesignation from Preferred Shares (Note (d))	981,185,067	99
Share consolidation (Note (d))	(3,092,547,751)	—
Share issued in the IPO (Note (e))	54,633,000	27
At December 31, 2022	827,769,937	414

26 SHARE CAPITAL (continued)

Notes:

(a) The Company was incorporated on July 22, 2021 with 1 ordinary share of US$0.0001 issued and allotted to initial subscriber. On the same day, the initial subscriber transferred one ordinary share at par to Harmony Tree Limited.

(b) Pursuant to a sole shareholder's resolution dated September 28,2021:

(i) The authorized share capital of the Company was increased to US$600,000 by creation of additional 5,500,000,000 shares of a par value of US$0.0001 each. The authorized share capital became US$600,000, divided into 6,000,000,000 shares of a par value of US$0.0001 each.

(ii) Subsequently, the aforementioned authorized share capital of the Company was reclassified and redesignated into (i) 5,018,814,933 ordinary shares of a par value of US$0.0001 each, (ii) 234,784,854 convertible series A preferred shares of a par value of US$0.0001 each and (iii) 746,400,213 convertible series A-2 preferred shares of a par value of US$0.0001 each.

(c) Pursuant to director's written resolutions dated September 28,2021, the Company issued 2,884,499,620 ordinary shares of par value of US$0.0001 each to the shareholders of COSMIC in exchange for 1,878,278,823 ordinary shares of par value of US$0.0001 each of COSMIC.

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

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

27 SHARE OPTIONS

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

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

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

27 SHARE OPTIONS (continued)

During the year ended December 31, 2021, 49,814,500 share options with average exercise price of US$0.18 per share option were issued. There is no share option exercised for the years ended December 31, 2022 and 2021.

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

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

	Number of shares
At January 1, 2021, December 31, 2021 and January 1, 2022	49,814,500
Forfeited during the year	(3,440,000)
Share consolidation	(37,099,600)
At December 31, 2022	9,274,900

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

Expiry date	**Exercise price in US$ per share option 2022**	**Options 2022**	Exercise price in US$ per share option 2021	Options 2021
2031	**0.50**	**76,900**	0.10	384,500
2031	**0.75**	**3,630,000**	0.15	18,150,000
2031	**1.00**	**5,568,000**	0.20	31,280,000
		9,274,900		49,814,500

No share option was granted during the year ended December 31, 2022.

The weighted average fair value of options granted during the year ended December 31, 2021 determined using the Polynomial option price model was US$0.0538 per option. The significant input into the model were exercise prices of US$0.10, US$0.15 or US$0.20, spot price of the Company of US$0.128 per share, expected volatility of 56.37% based on the historical volatilities of the comparable companies, 0% expected dividend yield, an expected option life of 10 years and risk-free rate of 0.92%. See Note 9 for the total expense recognized in the consolidated statement of profit or loss for share options granted to directors and selected employees.

28 OTHER RESERVES AND ACCUMULATED LOSSES

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

28 OTHER RESERVES AND ACCUMULATED LOSSES (continued)

	Other reserve US$'000 (Note (d))	Share premium US$'000	Currency translation reserve US$'000	Statutory reserve US$'000 (Note (b))	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2021	178,987	–	(11,298)	2,503	2,605	(137,901)	34,896
Loss for the year	–	–	–	–	–	(4,444)	(4,444)
Other comprehensive loss:							
– Remeasurements of post-employment benefit obligations	–	–	–	–	–	(340)	(340)
– Realization of accumulated exchange difference upon dissolution of subsidiaries	–	–	(8)	–	–	–	(8)
– Currency translation differences	–	–	(3,394)	–	–	–	(3,394)
Total other comprehensive loss, net of tax	–	–	(3,402)	–	–	(340)	(3,742)
Total comprehensive loss	–	–	(3,402)	–	–	(4,784)	(8,186)
Transactions with owners:							
– Issuance of shares pursuant to share swap (Note 26(c))	(288)	–	–	–	–	–	(288)
– Reclassification of Series A-2 Preferred Shares upon completion of the Reorganization (Note (a))	167,193	–	–	–	–	–	167,193
– Changes in value of Series A Preferred Shares upon completion of the Reorganization	(12,130)	–	–	–	–	–	(12,130)
– Employee share option scheme: value of employee services	–	–	–	–	1,339	–	1,339
Total transactions with owners	154,775	–	–	–	1,339	–	156,114
At December 31, 2021	333,762	–	(14,700)	2,503	3,944	(142,685)	182,824

Notes:

(a) Following the completion of the Reorganization on September 28, 2021, the carrying amount of series A-2 preferred shares of US$167,193,000 was reclassified to equity as (i) the Company only has the obligation to deliver its ordinary shares, and (ii) all the activities that may cause adjustment to the conversion ratio of such preferred shares are within the control of the Company.

28 OTHER RESERVES AND ACCUMULATED LOSSES (continued)

Notes: (continued)

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

(c) During the year ended December 31, 2022, upon the fulfilment of condition attached in the Series A shares subscription agreement (i.e. the fulfilment of profit target for the year ended December 31, 2021), the conversion adjustment right granted to the holders of Series A Preferred Shares are terminated and therefore all the activities that may cause adjustment to the conversion ratio of the Series A Preferred Shares are within the control of the Company. As such, the Series A Preferred Shares amounting to US$65,047,000 were reclassified from liability to equity and accounted for as other reserve.

(d) As at December 31, 2022, other reserves included a waived balance due by OrbusNeich Medical Group Limited, amounting to US$187,828,000, net with deemed distribution of US$8,841,000 and share swap of US$288,000 during the Reorganization.

29 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On April 27, 2021, pursuant to the initial series A preferred shares subscription agreement, ONM Group Ltd., a subsidiary of the Company issued 234,784,854 series A preferred shares to the Series A Investors at consideration of US$35,000,000. On June 10, 2021, ONM Group Ltd., entered into a share subscription agreement, to issue series A-2 preferred shares to the Series A-2 Investors. Such 746,400,213 series A-2 preferred shares were issued in July 2021 and August 2021 at an aggregate consideration of US$167,500,000.

The series A and series A-2 preferred shares are hybrid instruments which contain financial liability hosts and embedded derivatives. The embedded derivatives have been bifurcated from the financial liability hosts and measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss.

Upon the completion of the Reorganization on September 28, 2021, (i) the series A preferred shares held by the Series A Investors were swapped into Series A Preferred Shares of the Company (“Series A Preferred Shares”) and (ii) the series A-2 preferred shares held by the Series A-2 Investors were swapped into Series A-2 Preferred Shares of the Company (“Series A-2 Preferred Shares”).

In conjunction with the above event, the Company derecognized the financial liability host and embedded derivative for series A convertible redeemable preferred shares, and instead recognized a new financial liability at amortized cost amounting to US$62,374,000, measured at the present value of the expected redemption amount. The Company also reclassified the financial liability host and embedded derivative for series A-2 convertible redeemable preferred shares to equity. Due to the derecognition and reclassification, a loss of US$559,000 was charged to profit or loss.

In April 2022, the condition attached in the Series A share subscription agreement has been fulfilled, as such the financial liabilities in relation to the Series A preferred shares has been reclassified from financial liabilities to equity.

29 CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

The key terms of the Series A and A-2 Convertible Redeemable Preferred Shares (collectively referred to as "Preferred Shares") at December 31, 2021 are summarized as follows:

(a) Conversion

Pursuant to the agreement dated September 28, 2021, each Preferred Share may, at the option of the holders, be converted at any time into ordinary shares of the Company at an initial conversion ratio of 1:1 subject to adjustment for Preferred Shares conversion price.

In addition, each Preferred Share shall automatically be converted into ordinary shares of the Company based on the then-effective applicable conversion price upon:

(i) the closing of a Qualified IPO, or

(ii) the written approval of the Preferred Shares preferred majority to convert all Preferred Shares into ordinary shares of the Company.

"Qualified IPO" shall mean an initial public offering ("IPO") and commencement of trading of the shares of the Company on The Stock Exchange of Hong Kong Limited or another stock exchange of similar standing of the shares of the Company at the pre-IPO market capitalization that (i) implies a valuation of the Series A-2 Preferred Shares held by the investors immediately prior to the IPO no less than 100% of the aggregate purchase price paid by such investor for such Series A-2 Preferred Shares if the IPO is consummated within the next 24 months from July 20, 2021 ("Series A-2 Original Issue Date") or (ii) is equal to or exceed US$1,000 million if the IPO is consummated after the second anniversary of the Series A-2 Original Issue Date.

(b) Redemption

If the Company fails to complete the Qualified IPO or Qualified Trade Sale before April 27, 2025, each holder of the Preferred Shares shall have the right (the "Put Right") to sell to Harmony Tree Limited all or a portion of the Preferred Shares held by such holder by sending a written request for exercise of its Put Right to the Company within thirty (30) business days. The purchase price of each Preferred Share shall be one hundred percent (100%) of the original issue price, plus all accrued or declared but unpaid dividends on such Preferred Share and an amount that would accrue on the purchase price at a compound interest rate of 8% per annum.

"Qualified Trade Sale" shall mean a Trade Sale, either (i) any consolidation, amalgamation or merger of the Company with or into any other Person or other corporate Reorganization, in which the shareholders of the Company immediately prior to such consolidation, amalgamation, merger or Reorganization, own less than fifty percent (50%) of the voting power of the Company immediately after such consolidation, merger, amalgamation or Reorganization, or any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred; (ii) sale, transfer or other disposition of all or substantially all of the assets, or intellectual property of the Company and its subsidiaries; or (iii) the exclusive licensing of all or substantially all of the Company and its subsidiaries' proprietary rights, that results in (i) a valuation of the Series A-2 Preferred Shares held by the investors immediately prior to the consummation of a Trade Sale no less than 100% of the aggregate purchase price paid by such investors for such Series A-2 Preferred Shares if the Trade Sale is consummated within the next twenty four (24) months from the date of the closing or (ii) a market capitalization of the Company that is equal to or exceed US$1,000 million if the trade sale is consummated after the second anniversary of the Series A-2 Original Issue Date.

(c) Voting rights

Each Preferred Share has voting rights equivalent to the number of ordinary shares into which such Preferred Shares could then be convertible.

29 CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

(d) Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive, on parity with each other, an amount equal to one hundred percent of the original issue price, plus all accrued or declared but unpaid dividends on such preferred share.

The remaining assets of the Company available for distribution shall be distributed ratably among all members according to the relative number of ordinary shares of the Company held by such member (treating all Preferred Shares as if they had been converted to ordinary shares of the Company immediately prior to such liquidation, dissolution or winding up of the Company).

If any holder of Preferred Shares fails to receive the amounts in full, each holder of ordinary shares of the Company (excluding the ordinary shares of the Company converted from the Preferred Shares) shall severally and jointly transfer all of the assets or cash it received from the Company.

The movements of the convertible redeemable preferred shares are set out as below:

	Financial liability at amortized cost US$'000	Bifurcated embedded derivatives US$'000	Total US$'000
At January 1, 2021	—	—	—
Issuance of series A preferred shares	34,482	518	35,000
Issuance of series A-2 preferred shares	165,895	1,605	167,500
Transaction costs incurred	(3,535)	—	(3,535)
Accrued interest	4,853	—	4,853
Fair value losses	—	14,397	14,397
Loss on derecognition of financial liability charged to profit or loss	559	—	559
Derecognition of series A preferred shares upon completion of the Reorganization	(35,238)	(15,006)	(50,244)
Derecognition of series A-2 preferred shares upon completion of the Reorganization	(165,679)	(1,514)	(167,193)
Recognition of Series A Preferred Shares upon completion of the Reorganization	62,374	—	62,374
At December 31, 2021	63,711	—	63,711
At January 1, 2022	63,711	—	63,711
Accrued interest	1,336	—	1,336
Reclassification of Series A Preferred Shares to equity	(65,047)	—	(65,047)
At December 31, 2022	—	—	—

29 CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

(d) Liquidation preferences (continued)

The Group adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	April 27, 2021	July 20, 2021	September 28, 2021
Discount rate	8.40%	8.28%	8.78%
Risk-free interest rate	0.62%	0.49%	0.69%
DLOM	24%	24%	24%
Volatility	45.53%	47.95%	51.24%

Discount rate was estimated by cost of debt as at the valuation date. The directors estimated the risk-free interest rate based on the yield of United States treasury active curves with maturity life close to the Qualified IPO timing as of valuation date. The DLOM was estimated based on the option-pricing method. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and IPO scenarios was based on the ONM Group Ltd.'s best estimates.

30 RETIREMENT BENEFIT OBLIGATIONS

The defined benefit retirement plan of the subsidiary in Japan is an unfunded pension plans for full-time employees upon retirement or resignation. The level of benefits provided depends on the employees' length of service. The defined benefit retirement plan is measured at present values which are determined with reference to the valuation performed by an independent qualified professional valuer. The valuation was carried out by projected unit credit method.

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

	2022 US$'000	2021 US$'000
Present value of unfunded obligations	**2,333**	2,755

30 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	Present value of obligations	
	2022	2021
	US$'000	US$'000
Beginning of year	**2,755**	2,541
Current service cost	**285**	337
Interest expense	**1**	2
	286	339
Remeasurements:		
— Loss/(gain) from change in financial assumptions	**93**	(13)
— Experience (gain)/loss	**(385)**	353
	(292)	340
Currency translation differences	**(389)**	(269)
Payments from plans	**(27)**	(196)
At end of year	**2,333**	2,755

The significant actuarial assumptions were as follows:

	2022	2021
Discount rate (per annum)	**0.77%**	0.16%
Turnover rate (average)	**12.79%**	15.49%

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

30 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

		Impact on the valuation of the defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
At December 31, 2022			
Discount rate	**0.5%**	**Decrease by 4.3%**	**Increase by 4.6%**
At December 31, 2021			
Discount rate	0.2% or 0.3%	Decrease by 1.5% or 2.2%	Increase by 1.5% or 2.3%

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

The sensitivity of other unobservable inputs are not expected to have significant impact on the defined benefit obligation as at December 31, 2022 and 2021.

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

Expected contributions to the defined benefit scheme by the Group for the twelve months ending December 31, 2023 are approximately US$205,000.

The weighted average duration of the defined benefit obligation is 8.0 years (2021: 7.7 years) for the year ended December 31, 2022. The expected maturity analysis of undiscounted defined benefit obligation is as follows:

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At December 31, 2022				
Defined benefit obligation	**184**	**157**	**541**	**1,622**
At December 31, 2021				
Defined benefit obligation	256	324	867	3,608

31 TRADE PAYABLES

	2022 US$'000	2021 US$'000
Trade payables	4,065	2,174

The carrying amounts of trade payables approximate their fair values.

Credit terms granted by creditors generally range from 30 to 90 days.

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

	2022 US$'000	2021 US$'000
0 to 30 days	3,392	1,797
31 to 60 days	288	299
61 to 90 days	191	46
Over 90 days	194	32
	4,065	2,174

Trade payables are denominated in the following currencies:

	2022 US$'000	2021 US$'000
US$	3,322	1,536
RMB	399	243
EUR	311	362
Other currencies	33	33
	4,065	2,174

32 ACCRUALS AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Accrued expenses	**11,200**	8,961
Accrued listing expenses	**3,206**	1,329
Other payables	**1,533**	1,576
	15,939	11,866

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

	2022 US$'000	2021 US$'000
RMB	**5,397**	3,851
HK$	**3,995**	1,394
EUR	**2,257**	2,438
US$	**1,897**	2,031
JPY	**1,754**	1,460
Other currencies	**639**	692
	15,939	11,866

33 BANK BORROWINGS

The weighted average effective interest rate of these short-term bank borrowing facilities were 2.75% per annum (2021: 1.98% per annum) for the year ended December 31, 2022.

As at December 31, 2022, the Group has available and undrawn banking facilities from two financial institutions amounting to US$15,000,000 and US$30,000,000, respectively. Both facilities were secured by the corporate guarantee given by the Company. The US$30,000,000 banking facility was additionally secured by the personal guarantee given by the Controlling Shareholders and corporate guarantee given by OrbusNeich Medical Group Limited, a wholly owned subsidiary of the Company. According to the facility letter, both guarantee will be released after a retention period considered by the bank upon the Listing, which is normally six months. The Group would not utilize the facility before the release of personal guarantee by the financial institution.

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

	2022 US$'000	2021 US$'000
Total available and undrawn facilities	**45,000**	109

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	2022 US$'000	2021 US$'000
Profit/(loss) before income tax	21,791	(1,318)
Adjustments for:		
Depreciation of property, plant and equipment	1,819	2,255
Depreciation of right-of-use assets	1,548	1,288
Amortization of intangible assets	515	476
Losses on disposals of property, plant and equipment	29	83
Write-off of property, plant and equipment	341	—
Gain on lease modification	(2)	—
Losses on disposals of financial assets at fair value through profit or loss	7	22
Realization of accumulated exchange differences upon dissolution of subsidiaries	—	(8)
Net unrealized foreign exchange losses	1,227	480
Provision for inventories	901	256
Net impairment losses/(reversal of impairment losses) on financial assets	250	(109)
Current service cost — retirement benefits obligations	285	337
Share options granted to directors and employees	684	1,339
Fair value changes in financial assets at fair value through profit or loss	1,479	29
Interest income	(2,387)	(12)
Interest expense	1,469	5,607
Loss on derecognition of financial liability charged to profit or loss	—	559
Fair value loss of convertible redeemable preferred shares	—	14,397
Share of losses of investment in a joint venture	199	207
	30,155	25,888
Changes in working capital:		
Increase in inventories	(2,503)	(1,587)
Increase in trade receivables	(7,568)	(1,718)
Increase in deposits, prepayments and other receivables	(429)	(776)
Increase in trade payables	1,914	842
Increase/(decrease) in accruals and other payables	3,736	(514)
Decrease in retirement benefit obligations	(27)	(196)
(Increase)/decrease in amounts due from a joint venture	(28)	79
Increase in amount due to a joint venture	157	—
Increase in amounts due from related companies	—	326
Cash generated from operations	25,407	22,344

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

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

	2022 US$'000	2021 US$'000
Net book amount (Note 14)	151	300
Losses on disposals of property, plant and equipment (Note 7)	(29)	(83)
Proceeds from disposals of property, plant and equipment	122	217

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

	2022 US$'000	2021 US$'000
Net book amount	47	166
Losses on disposals of financial assets at fair value through profit or loss (Note 7)	(7)	(22)
Proceeds from disposals of financial assets at fair value through profit or loss	40	144

(d) Significant non-cash transactions

During the year ended December 31, 2022, there were modifications to the lease for office premises and office equipment. The Group recognized right-of-use assets of US$700,000 (2021: US$1,751,000) and lease liabilities of US$698,000 (2021: US$1,751,000), which represented a significant non-cash transaction, respectively.

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

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

	Liabilities from financing activities			
	Bank borrowings US$'000	Loans from related companies US$'000	Convertible redeemable preferred shares US$'000	Lease liabilities US$'000
At January 1, 2021	39,898	10,186	—	1,479
Lease addition	—	—	—	2,119
Cash inflow from financing activities	3,057	230	198,965	—
Cash outflow from financing activities	(42,955)	(10,416)	—	(1,297)
Accrued interest	525	151	4,853	76
Interest paid	(525)	(151)	—	(76)
Change in fair value	—	—	14,397	—
Foreign exchange adjustments	—	—	—	(70)
Other non-cash movements	—	—	(154,504)	1,751
At December 31, 2021	—	—	63,711	3,982
At January 1, 2022	**—**	**—**	**63,711**	**3,982**
Lease addition	**—**	**—**	**—**	**849**
Cash inflow from financing activities	**5,000**	**—**	**—**	**—**
Cash outflow from financing activities	**(5,000)**	**—**	**—**	**(1,423)**
Accrued interest	**11**	**—**	**1,336**	**116**
Interest paid	**(11)**	**—**	**—**	**(116)**
Foreign exchange adjustments	**—**	**—**	**—**	**(78)**
Other non-cash movements	**—**	**—**	**(65,047)**	**698**
At December 31, 2022	**—**	**—**	**—**	**4,028**

35 COMMITMENTS

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

	2022 US$'000	2021 US$'000
Contracted but not provided for:		
Property, plant and equipment	**460**	74

36 RELATED PARTY TRANSACTIONS

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

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

Name of related parties	**Relationship with the Company**
Harmony Tree Limited	Ultimate holding company
OrbusNeich P+F Company Limited	A joint venture
OrbusNeich P&F (Hong Kong) Company Limited	A subsidiary of the joint venture
Belinfer Corporation	Controlled by the Controlling Shareholder
OrbusNeich Medical Company Limited ("ONM BVI")	Controlled by the Controlling Shareholder
Neich Capital Company Limited	Controlled by the Controlling Shareholder
Neich Holdings Limited	Controlled by the Controlling Shareholder
Yeapro Industrial Company Limited	50% owned by a cousin of Mr. David CHIEN, one of the Controlling Shareholders

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

(a) Transactions with related parties

	2022 **US$'000**	2021 US$'000
Sales of goods to a related party: — Yeapro Industrial Company Limited (Note (i))	**–**	940
Service fee received from a joint venture: — OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	**144**	125
Agency and annual license fee income received from a joint venture: — OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	**76**	–
Short-term lease charged by a related company — Neich Holdings Limited (Note (i))	**–**	45
Interest expense on loan from a related company — Neich Capital Company Limited (Note (ii))	**–**	151

36 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Note:

(i) The transactions were carried out at rate mutually-agreed between the related parties involved in the transactions and the Group.

(ii) The loan from Neich Capital Company Limited was unsecured and bears interest at 5% per annum. The loan has been settled during the year ended December 31, 2021.

(b) Year-end balances with related parties

	2022 US$'000	2021 US$'000
Amounts due from a joint venture		
— OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	**1**	11
— OrbusNeich P&F (Hong Kong) Company Limited (Note (ii))	**38**	—
	39	11
Advance to a joint venture		
— OrbusNeich P+F Company Limited (Note 21)	**7,003**	3,044
Amount due to a joint venture		
— OrbusNeich P&F (Hong Kong) Company Limited (Note (i))	**(157)**	—

Note:

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

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

(c) Key management compensation

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

	2022 US$'000	2021 US$'000
Salaries, wages and allowances	**5,999**	3,202
Share-based payment expense	**148**	155
Pension costs — defined contribution plans	**61**	45
Pension costs — defined benefit plans	**9**	11
Other long-term benefits	**—**	19
	6,217	3,432

36 RELATED PARTY TRANSACTIONS (continued)

(d) As at December 31, 2022, the Group has available and undrawn banking facilities from two financial institutions amounting to US$15,000,000 and US$30,000,000, respectively. Both facilities were secured by the corporate guarantee given by the Company. The US$30,000,000 banking facility was additionally secured by the personal guarantee given by the Controlling Shareholders and corporate guarantee given by OrbusNeich Medical Group Limited, a wholly owned subsidiary of the Company. According to the facility letter, both guarantee will be released after a retention period considered by the bank upon the Listing, which is normally six months. The Group would not utilize the facility before the release of personal guarantee by the financial institution.

37 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2022 US$'000	2021 US$'000
Financial assets		
Financial assets at fair value through profit or loss	20,559	2,041
Financial assets at amortized cost		
— Trade receivables	32,322	26,804
— Deposits and other receivables	3,123	1,663
— Advance to a joint venture	7,003	3,044
— Amounts due from a joint venture	39	11
— Cash and bank balances	229,146	175,886
	271,633	207,408
	292,192	209,449
Financial liabilities		
Financial liabilities at amortized cost		
— Trade payables	4,065	2,174
— Accruals and other payables	13,467	9,877
— Lease liabilities	4,028	3,982
— Amount due to a joint venture	157	—
— Convertible redeemable preferred shares	—	63,711
	21,717	79,744

38 SUBSEQUENT EVENTS

On March 8, 2023, the Group adopted a share award scheme in which the board of directors of the Company may award shares to eligible persons. The share award scheme will remain in force for a period of 10 years commencing on the date on which the share award scheme is adopted.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		2022 US$'000	2021 US$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		**30,867**	30,265
Total non-current asset		**30,867**	30,265
Current assets			
Prepayments and other receivables		**1,523**	881
Amounts due from subsidiaries		**92,253**	64,544
Financial assets at fair value through profit or loss		**18,792**	—
Cash and bank balances		**156,319**	149,104
Total current assets		**268,887**	214,529
Total assets		**299,754**	244,794
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**414**	288
Other reserves	Note	**308,288**	185,040
Accumulated losses	Note	**(12,425)**	(5,606)
Total equity		**296,277**	179,722
LIABILITIES			
Non-current liability			
Convertible redeemable preferred shares		**—**	63,711
Total non-current liability		**—**	63,711
Current liabilities			
Accruals and other payables		**3,477**	1,329
Amount due to a subsidiary		**—**	32
Total current liabilities		**3,477**	1,361
Total liabilities		**3,477**	65,072
Total equity and liabilities		**299,754**	244,794

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

Note:

	Other reserve US$'000	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At date of incorporation	—	—	—	—
Loss for the period	—	—	(5,606)	(5,606)
Transactions with owners:				
— Other reserve arising from the Reorganization	28,638	—	—	28,638
— Reclassification of Series A-2 Preferred Shares upon completion of the Reorganization (Note 28(a))	167,193	—	—	167,193
— Changes in value of Series A Preferred Shares upon completion of the Reorganization	(12,130)	—	—	(12,130)
— Employee share option scheme: value of employee services	—	1,339	—	1,339
Total transactions with owners	183,701	1,339	—	185,040
At December 31, 2021	183,701	1,339	(5,606)	179,434
At January 1, 2022	183,701	1,339	(5,606)	179,434
Loss for the year	—	—	(6,819)	(6,819)
Transactions with owners:				
— Share issued in the IPO	61,610	—	—	61,610
— Share issuance costs (Note 26(e))	(3,911)	—	—	(3,911)
— Share redesignation from Preferred Shares to ordinary shares upon listing	(99)	—	—	(99)
— Reclassification from financial liabilities to equity for Series A Preferred Shares (Note 28(c))	65,047	—	—	65,047
— Employee share option scheme: value of employee services	—	684	—	684
— Forfeiture of share options	—	(83)	—	(83)
	122,647	601	—	123,248
At December 31, 2022	306,348	1,940	(12,425)	295,863

DEFINITIONS

"AGM"	the annual general meeting of the Company
"APAC"	means the 17 countries/regions out of the 21 members of the Asia-Pacific Economic Cooperation (APEC) excluding the PRC, Japan, Russia and the United States
"associate"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Business Days"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CIC report"	an independent report prepared and issued by China Insights Industry Consultancy Limited with respect to the Listing
"Company" or "our Company" or "OrbusNeich"	OrbusNeich Medical Group Holdings Limited, an exempted company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6929)
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and in this context, refers to a group consisting of HART, Mr. David CHIEN and Ms. Kwai Ching Denise LAU
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company or any one of them
"EMEA"	Europe, Middle East and Africa
"EUR"	Euros, the lawful currency of the member states of Eurozone
"FDA"	the Food and Drug Administration of the United States
"Group", "our Group", "our", "we" or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HART"	Harmony Tree Limited, a company incorporated in the BVI on September 11, 2020 and one of our Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JPY"	Japanese Yen, the lawful currency of Japan

"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	December 23, 2022, being the date from which the Shares are listed and dealings in the Shares are first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mainland China" or "PRC"	the People's Republic of China excluding, for the purposes of this annual report and geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NB"	a third-party auditing organization recognized in the EU that assesses quality and conformity of medical devices
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
"Nomination Committee"	the nomination committee of the Board
"OIBV"	Orbus International B.V., a company incorporated with limited liability in the Netherlands on March 10, 1999, an indirect wholly-owned subsidiary of the Company
"ON AG"	OrbusNeich (Switzerland) AG, a company incorporated with limited liability in the Switzerland on January 3, 2018, an indirect wholly-owned subsidiary of the Company
"ON GmbH"	OrbusNeich Medical GmbH, a company incorporated with limited liability in Germany on December 7, 2007, an indirect wholly-owned subsidiary of the Company
"ON P&F"	OrbusNeich P+F Company Limited, a company incorporated in the BVI on May 15, 2017, a joint venture indirectly owned as to 50% by the Company
"ONM BVI"	OrbusNeich Medical Company Limited, a company incorporated with limited liability in the BVI on January 5, 2000, formerly known as Multi-Well Development Limited and Neich Medical Company Limited
"ONM Group Ltd."	OrbusNeich Medical Group Limited (業聚醫療集團有限公司), an exempted company incorporated in the Cayman Islands on June 8, 2017, formerly known as OrbusNeich Medical Group Limited (祥豐醫療集團有限公司), an indirect wholly owned subsidiary of the Company
"PCI"	percutaneous coronary intervention, a minimally invasive procedure to open narrowed coronary arteries to restore blood flow to the heart

"PMDA"	the Pharmaceuticals and Medical Devices Agency under Japan Ministry of Health, Labor and Welfare
"Post-IPO Share Option Scheme"	the share option scheme adopted by the Company on December 5, 2022
"Pre-IPO Share Option Scheme"	the share option scheme approved and adopted by ONM Group Ltd. on December 18, 2020 and assigned to the Company on September 21, 2021
"Prospectus"	the prospectus issued by the Company dated December 13, 2022
"PTA"	percutaneous transluminal angioplasty, a minimally invasive procedure to open a blocked vessel in the peripheral vasculature using a balloon catheter to restore blood flow to a limb or an organ
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the one-year period from January 1, 2022 to December 31, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share Award Scheme A"	the share award scheme adopted by the Company on March 8, 2023
"Share Incentive Schemes"	the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme A
"Share(s)"	ordinary share(s) in the share capital of the Company with the nominal value of US$0.0005 each
"Shareholder(s)"	holder(s) of Share(s)
"sq.m"	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"TAVR"	transcatheter aortic valve replacement, a minimally invasive procedure using a catheter-based technique to replace the diseased aortic valve with a new aortic valve
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery

"TPVR"	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery
"U.S." or "US"	the United States of America
"US$"	United States dollar, the lawful currency of the U.S.
"%"	percent