

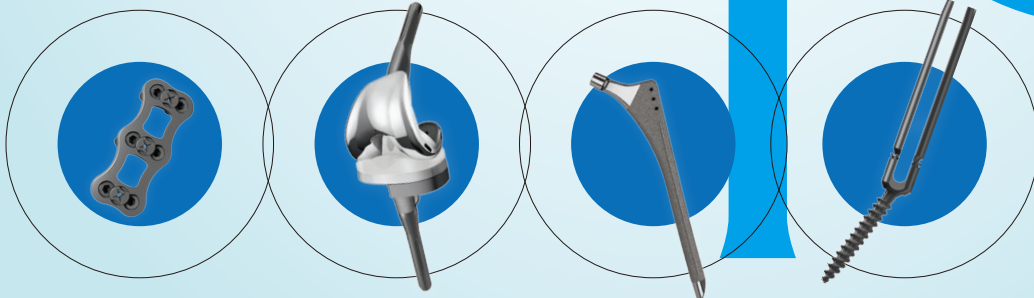
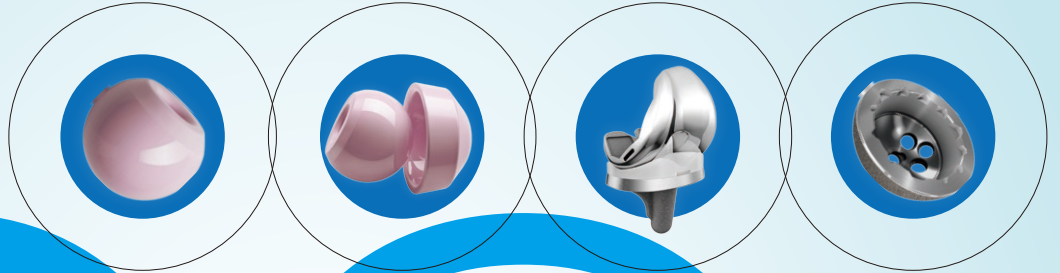


北京市春立正達醫療器械股份有限公司

Beijing Chunlizhengda Medical Instruments Co., Ltd.\*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code: 1858



\* For identification purpose only

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Shi Chunbao (*Chairman*)  
Ms. Yue Shujun  
Mr. Wang Jianliang

### Non-executive Director

Mr. Lin Yiming

### Independent non-executive directors

Mr. Ge Changyin  
Mr. Tong Xiaobo  
Mr. Ho Wai Ip

## SUPERVISORS

Mr. Zhang Jinyong  
Ms. Pei Xiaohui  
Ms. Zhang Lanlan

## AUDIT COMMITTEE

Mr. Ge Changyin (*Chairman*)  
Mr. Lin Yiming  
Mr. Tong Xiaobo  
Mr. Ho Wai Ip

## REMUNERATION COMMITTEE

Mr. Tong Xiaobo (*Chairman*)  
Mr. Shi Chunbao  
Mr. Ge Changyin

## NOMINATION COMMITTEE

Mr. Shi Chunbao (*Chairman*)  
Mr. Ge Changyin  
Mr. Ho Wai Ip

## COMPANY SECRETARY

Mr. Ip Pui Sum

## AUTHORISED REPRESENTATIVES

Ms. Yue Shujun  
Mr. Ip Pui Sum

## REGISTERED OFFICE

No. 10 Xinmi Xi Er Road  
Southern District of Tongzhou  
Economic Development Zone  
Tongzhou District  
Beijing  
the PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 10 Xinmi Xi Er Road  
Southern District of Tongzhou  
Economic Development Zone  
Tongzhou District  
Beijing  
the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Winbase Centre  
208 Queen's Road Central  
Sheung Wan  
Hong Kong

## COMPANY'S WEBSITE

<http://www.clzd.com>

## AUDITORS

WUYIGE Certified Public Accountants LLP  
(Special General Partnership)  
Certified Public Accountants

## LEGAL ADVISORS AS TO HONG KONG LAW

Zhong Lun Law Firm

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In 2019, the medical device industry continued a stable and rapid development. “The Announcement on Adjusting the Examination and Approval Procedures for Clinical Trials of Medical Devices (《關於調整醫療器械臨床試驗審批程序的公告》)” was published by the National Medical Products Administration (“NMPA”) to refine clinical evaluation system of medical device on 29 March 2019. The “Provisions on the Supervision and Administration of Customized Medical Devices (for Trial Implementation)” (《定制式醫療器械監督管理規定(試行)》) was jointly issued by the NMPA and National Health Commission (“NHC”), with effect from 1 January 2020, which clarified that customized medical devices are subject to administration by record-filing. The enterprise shall report its ownership in same types of medical device registration certificate and relevant licenses for conducting mass production in accordance with the standard specification. Relevant industrial regulations and policies in the PRC are beneficial to the development of medical device industry.

The orthopedic implant <sup>(note)</sup> market is a segment of the medical device market that has been developing rapidly in recent years. The inclusion of medical devices in medical care insurance coverage under the healthcare reform in the PRC has increased the demand and acceptance for orthopedic implants. Various favorable factors such as aging population, continuous growth in healthcare expenditure and improvements in public healthcare infrastructure have also propelled the growth of the orthopedic implants industry in the PRC.

Due to the wide range of medical device products offered in the medical device industry, the medical device market in the PRC is highly fragmented and most of the manufacturers are relatively small in scale. However, since the orthopedic implant industry has high entry barriers, such as strict regulatory measures on quality control and licensing, high-level of production technology and stringent production process, it is relatively concentrated. The orthopedic implant market is generally divided into three major segments, namely trauma, spine and joint. In particular, the joint implant market is highly concentrated with multinational corporations dominating the market segment. However, with the advancement of the healthcare reform in the PRC and governmental support to Chinese companies through favourable policies, domestic companies are expected to increase their market share in the joint implant market by upgrading their product offerings.

## BUSINESS REVIEW

We are a reputable orthopedic medical device company in the PRC focusing on research and development, production and sales of implantable orthopedic medical devices, including joint prosthesis products and spinal products. Our Group’s revenue was mainly derived from our sales to distributors in both the PRC and overseas, whereas remaining revenue was derived from other sales channels including sales to ODM and OEM customers overseas and direct sales to hospitals in the PRC.

For the six months ended 30 June 2019, we recorded a revenue of RMB375.0 million, representing an increase of 75.9%, as compared with the corresponding period of the previous year (corresponding period of 2018: RMB213.1 million). The gross profit was RMB254.0 million, representing an increase of 87.2% as compared with the corresponding period of the previous year (corresponding period of 2018: RMB135.7 million). The profit attributable to equity holders of the Company was RMB109.2 million, representing an increase of 116.7% as compared with the corresponding period of the previous year (corresponding period of 2018: RMB50.4 million). Basic earnings per share was RMB0.79, representing a year-on-year increase of 119.4% (corresponding period of 2018: RMB0.36).

Note: Orthopedic implants refer to medical device products that are used for replacing or as an adjuvant treatment for injured bones and skeleton and implanted into human bodies, including joint implants (such as knee joints, hip joint, shoulder joints and elbow joints), spine implants and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Comprehensive medical device registration certificates**

According to the domestic joint products registration index (國產關節類產品註冊檢索) of the NMPA, we are one of the domestic enterprises that hold the most comprehensive medical device registration certificates for joint prosthesis products in the PRC in terms of number and types of certificates.

In June 2019, we have received the registration certificate for “non-absorbable suture anchors” issued by the NMPA, which marked the entry into the field of sports medicine and further enriched our product portfolio. As at 30 June 2018, we held 17 medical device registration certificates in the PRC for the production of medical devices which cover joint prosthesis products for the four major joints and spinal products, of which 11 are Class III medical device registration certificates, 1 is Class II medical device registration certificate and 5 are Class I medical device recordation certificates. As the PRC adopts a strict product registration system for medical devices manufacturing enterprises, the possession of comprehensive product registration certificates is the key factor for enterprises to be more competitive in the market.

### **Diversified product portfolio**

Being one of the earliest domestic enterprises in the PRC to engage in research and development as well as production of joint prosthesis products, we have established a broad portfolio comprising various joint prosthesis products and spinal products. Our joint prosthesis products cover four major joints of human bodies (namely hip, knee, shoulder and elbow) while our spinal products comprise a full-range product portfolio of spinal fixation systems, including fixation systems in the anterior and posterior cervical, thoracic and lumbar vertebrae. In addition, our joint prosthesis products are also divided into standard joint prosthesis products and custom joint prosthesis products. The standard joint prosthesis products mainly include hip joint prosthesis products and knee joint prosthesis products, while the custom joint prosthesis products are also divided into two categories, namely conventional custom joint prosthesis products and custom (modular) joint prosthesis products. The custom joint prosthesis products are applicable to the four major joints of human bodies, and are specifically designed and produced to cater for clinical needs.

### **Strong research and development capabilities**

Our Company is a state-level high and new technology enterprise (國家級高新技術企業) and G20 Engineering Enterprise (which is a progressive development advocated by the municipal government in Beijing aiming at promoting the biomedicine industry in Beijing as the backbone of the capital with its strategical value). Our research and development team consists of professionals who possess Doctorate degrees and Master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovative products and sustainable improvement of research and development.

The Company attaches great importance to the combination of production, academics, research and development and clinical studies while conducting research and development. During the course of our research and development of new products and product improvement, we obtained advice from experts in relevant fields and worked closely together with experts, thereby ensuring that those products under research and development will meet the market demands and fulfill the requirement of clinical practicality. The “Research Program by Multiple Joint Surgical Centres in China” (中國關節外科多中心研究工程) initiated by us conducts clinical follow-ups and trackings on the joint prosthesis products developed by us for the purpose of provision of clinical data for improvements in joint prosthesis and instruments. Currently, there are over 300 hospitals from 31 provinces which joined the research program, being the first domestic program for follow-ups and trackings focused on the clinical effectiveness of joint prosthesis of such a large scale.

The Company was named the “Beijing Engineering Laboratory of Joint Prosthesis” (人工關節北京市工程實驗室) by Beijing Municipal Development and Reform Commission (北京市發展和改革委員會). The Company's laboratory will take up major research and development projects of the PRC and Beijing, and will actively participate in science popularization campaigns throughout the PRC and in Beijing.

As of 30 June 2019, the Company has obtained 60 patents and has applied for 48 new patents. As of 30 June 2019, the single knee joint prosthesis (單髌膝關節假體) of the Company, which have obtained special approval for innovative medical instruments, (acceptance number: CQTS1700268) has entered the observation periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Advanced ceramic joint prosthesis products**

In April 2015, the Company became the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of BIOLOX®delta ceramic joint prosthesis products, covering both half-ceramics and full ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. BIOLOX®delta, being the latest ceramic product of CeramTec, which is a German company, has the clinical advantages of lower abrasion rate and better strength and durability, and can be widely used in hip joint replacement surgeries. In March 2019, the “ceramic hip joint prosthesis” of the Company was awarded the “Certificate for New Technology and New Products in Beijing” (Certificate No.: XCP2018SY0171).

After the launch of ceramic joint prosthesis products to the market, we held numerous interactive activities such as academic conferences, doctor training sessions and distributor training sessions across the PRC, so that our clients (including doctors and distributors) are able to familiarize with the usage of our ceramic products.

As the tender offerings, re-tenderings or registrations with hospitals for our ceramic joint prosthesis products in various provinces proceed gradually, there will be more hospitals in the PRC using the Company’s ceramic joints prosthesis products.

### **New products and new technologies**

The Company has continued to promote DAMIS (Direct Anterior Minimally Invasive Surgery) and has yielded significant results, which in turn stimulated the sales of our minimal invasive products. The training centres for DAMIS have been set up in numerous hospitals across the PRC and a national project called “DAMIS Thousand Talents Program” (DAMIS 千人計劃) has been launched to provide training for DAMIS techniques in the next three years to a thousand doctors, who specialised in joint-related surgeries. During the reporting period, the Company is devoted to the continuous promotion of medium-to-high-end products, such as the new XN series knee joint and ceramic joint prosthesis products, the growth of which contributed to the sales amount and enhanced the Company’s brand as a whole.

In March 2019, the “knee joint prosthesis” of the Company was awarded the “Certificate for New Technology and New Products in Beijing” (Certificate No.: XCP2018SY0170).

### **Extensive distribution and sales network**

We have built an extensive distribution network covering all provinces, municipalities and autonomous regions in the PRC (excluding Hong Kong, Macau and Taiwan), and our sales network has covered numerous hospitals located in these regions through our distributors. Most of our products are sold in the PRC and some are exported to 32 countries and regions in Asia, South America, Africa, Oceania and Europe under the brand name of “春立 Chunli”. We mainly sell our products through distributors, or on ODM and OEM bases.

### **Others**

Save as disclosed in this report, there are no material change affecting the Company’s performance which are required to be disclosed under Appendix 16 of the Listing Rules since the publication of the last annual report.

## FINANCIAL REVIEW

### Operating revenue

Our revenue increased by 75.9% from approximately RMB213.1 million for the six months ended 30 June 2018 to approximately RMB375.0 million for the six months ended 30 June 2019, which was mainly attributable to the sales growth of joint prosthesis product and the expansion of sales network. The revenue of our major products as compared with that of the previous year is as follows:

Product Category	Six months ended 30 June		Increase Over Corresponding period
	2019 (RMB'000)	2018 (RMB'000)	
Joint prosthesis products	<b>369,438</b>	209,490	76.3%
Spinal products	<b>5,362</b>	3,651	46.9%
Other businesses	<b>184</b>	2	9100%
Total	<b>374,984</b>	213,143	75.9%

### Joint prosthesis products

Joint prosthesis products increased by 76.3% from approximately RMB209.5 million as at 30 June 2018 to approximately RMB369.4 million as at 30 June 2019, of which primary high-end products, such as ceramic joint prosthesis products, XN series knee joint prosthesis products and minimal invasive hip joint prosthesis products, achieved a fast growth in the industry.

We are the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of ceramic joint covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. As the tender offerings, re-tenderings or registrations with hospitals for our ceramic joint prosthesis products in various provinces proceed gradually, the proportion of ceramic joint prosthesis products within the product portfolio in terms of sales volume has growth rapidly in 2019.

In addition, the Company is the first and the sole domestic enterprise to introduce advanced minimal invasive techniques in relation to DAMIS from Europe. The Company also put a lot of efforts into the promotion and application of DAMIS products and techniques, which in turn drove the increase in sales volume of minimal invasion related products.

### Gross profit

Our gross profit increased by 87.2% from approximately RMB135.7 million for the six months ended 30 June 2018 to approximately RMB254.0 million for the six months ended 30 June 2019, which was mainly attributable to the sales growth of primary joint prosthesis products such as ceramic joint prosthesis products and XN series knee joint prosthesis products, which are medium-to-high end products with relatively higher unit prices.

Gross profit margin increased from 63.7% as at 30 June 2018 to 67.7% as at 30 June 2019. The increase in gross profit margins was mainly driven by the increase in sales.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Selling expenses**

Our selling expenses increased from approximately RMB59.6 million for the six months ended 30 June 2018 to approximately RMB95.1 million for the six months ended 30 June 2019. The increase in selling expenses was mainly attributable to the hierarchical diagnosis policy introduced by the PRC government, which led to a sharp increase in patients undergoing surgeries and diagnoses in basic level hospitals. As a result, we hired additional sales staffs and offered training sessions and orientations regarding clinical surgeries on joints and spines for doctors from hospitals in provinces, prefecture-level cities and counties; we also organized academic exchanges with renowned orthopedic surgeons from across the country, clinical trainings for surgeries as well as publicity, promotion and trainings with respect to new products.

### **Administrative expenses**

Our administrative expenses decreased by 19.7% from approximately RMB12.7 million for the six months ended 30 June 2018 to approximately RMB10.2 million for the six months ended 30 June 2019, which was primarily due to our Company further streamlining the administration measures on financial auditing for endowment, medical, unemployment, employment injury and maternity insurances as well as housing provident fund in the first half of 2019, in which the said insurances and provident fund originally included in administrative expenses were reclassified to selling expenses and operational costs.

### **Research and development expenses**

Our research and development expenses increased from approximately RMB9.0 million for the six months ended 30 June 2018 to approximately RMB25.8 million for the six months ended 30 June 2019. Our research and development expenses in the first half of 2019 accounted for 6.88% of the revenue. It was mainly attributed to the increased number of staffs for research and development, the engagement of domestic and foreign experts to improve our Chinese skeleton database (中國國民骨骼數據庫) through clinical trials, and the research and development of new products which cater for the physical conditions of the domestic population. At the same time, sample production of new products, fatigue and wear test on products as well as clinical trial application were enhanced, which ensured product safety and effectiveness. Meanwhile, significant progress was achieved for clinical testings and product registrations, etc. The clinical testings for numerous high-end new products were underway to the observation periods, while the registrations for various new products were getting close to the stage of supplementary review.

### **Income tax expenses**

Our income tax expenses increased from approximately RMB7.1 million for the six months ended 30 June 2018 to approximately RMB13.2 million for the six months ended 30 June 2019, which was mainly attributable to the increase in profits from operations between January and June 2019.

### **Net profit**

Our net profit increased from approximately RMB50.4 million for the six months ended 30 June 2018 to approximately RMB109.2 million for the six months ended 30 June 2019, which was mainly attributable to the increase in our revenue.

### **Liquidity and capital resources**

Our liquidity decreased by 3.8% from approximately RMB414.9 million as at 31 December 2018 to approximately RMB399.2 million as at 30 June 2019.

Our principal sources of capital are generated from our operations and the issue of H shares. The Board is of the opinion that we have sufficient resources to support our operations and meet our foreseeable capital expenditures.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of proceeds from the global offering

The H shares of the Company were listed on the Main Board on 11 March 2015 with net proceeds received by the Company from the global offering in the amount of approximately RMB185.86 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 February 2015.

Use of Proceeds	Proportion	Amount available (RMB million)	Expense as of 30 June 2019 (RMB million)	Outstanding amount as of 30 June 2019 (RMB million)
First-instalment expense for the development of Daxing New Production Base	50%	92.93	12.54	80.39
Research and development activities	20.20%	37.54	0.80	36.74
Expansion of our existing marketing and distribution network, in order to enhance our market penetration with coverage of more distributors and hospitals for increment of market share	20%	37.17	9.60	27.57
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00
<b>Total</b>	<b>100%</b>	<b>185.86</b>	<b>41.15</b>	<b>144.71</b>

### Inventory

Our inventory increased from approximately RMB95.9 million as of 31 December 2018 to approximately RMB173.1 million as of 30 June 2019, which was mainly attributable to the increase in sales volume and stock keeping according to market needs.

### Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 19.8% from approximately RMB103.5 million as of 31 December 2018 to approximately RMB124.0 million as of 30 June 2019, which was mainly attributable to the increase in our investment for the acquisition of production facilities and engineering construction in 2019.

### Net current assets

Our net current assets increased by 9.8% from approximately RMB489.1 million as at 31 December 2018 to approximately RMB537.0 million as of 30 June 2019, which was mainly attributable to the increase in inventory, accounts receivable and notes receivable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Working capital and financial resources**

#### *Cash flow analysis*

As at 30 June 2019, our net cash inflows generated from operating activities was RMB17.3 million, which was mainly attributable to the cash received from the sales of goods; our net cash outflows generated from investing activities was RMB18.3 million, which was mainly attributable to the acquisition of fixed assets and engineering construction; our net cash outflows generated from financing activities was RMB14.6 million; and our cash and cash equivalents decreased by RMB15.7 million as compared with that of the end of the previous year.

#### *Capital expenditure*

Our capital expenditure was mainly used in the expansion of Daxing New Production Base and the acquisition of production facilities.

#### *Contingent liabilities or guarantees*

As of 30 June 2019, we did not have any significant contingent liabilities or guarantees.

## **SUBSEQUENT EVENTS**

From the end of the reporting period to the date of this announcement, the Group did not have any other significant events.

## **FUTURE PROSPECTS**

Looking forward, various favourable factors such as aging population, increasing per capita income and enlarging scope of the medical insurance coverage will continue to sustain the rapid development of healthcare market in the PRC, especially the orthopedic medical device industry. We believe that the demand of our products will continue to increase along with the growth of the PRC joint prosthesis market. In the long run, we aim to become a leading enterprise in the market with a full range of orthopedic medical device products and to become one of the internationally renowned orthopedic medical device manufacturers. We plan to implement the following strategies:

### **Diversify our product series and develop advanced customized and individualized joint prosthesis product**

We will continue to optimize and modify our existing products, and keep abreast of the technology development of the joint prosthesis sector and invest more resources in the research and development of new products. We will develop more products catering for patients' needs through the application of new materials and the improvement of production processes, in order to build a more comprehensive product series and to achieve product diversification. With our technical expertise, we will continue to diversify and expand the development of both joint prosthesis products and spinal products.

We are currently developing a joint prosthesis product called advanced customized and individualized joint prosthesis. It is an advanced model of the conventional custom joint prosthesis products with the use of advanced technologies such as 3D reconstruction on the basis of the Chinese skeleton database (中國國民骨骼數據庫). The existing custom joint prosthesis products mainly target patients suffering from bone tumor and joint revision whereas the advanced customized and individualized joint prosthesis products have a wider range of application. They are high-end products that can better analyse and cater for specific needs of patients. As such, we believe that advanced customized and individualized joint prosthesis products can generate higher profit margins.

### **Strengthen our innovation ability and increase the research and development resources**

In the future, we shall continue our focus on the research and development of standard joint prosthesis products, advanced customized and individualized joint prosthesis products and spinal products. We plan to establish a product research and development center at our Daxing New Production Base, which is expected to consist of standard joint prostheses department, spinal products department, orthopedic trauma product department, biomechanics center and orthopedic devices standardization research and development center. Meanwhile, we would attract more research and development talents to join our research and development team. In addition, with our product research and development center, we can enhance our cooperation with well-known domestic and overseas medical institutes in order to enhance our expertise as well as technology and competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Expand our brand influence**

To further strengthen our brand, we will continue to implement strict supervision on product quality and maintain our brand image. At the same time, we will actively organize and participate in seminars for market practitioners including distributors and representatives from hospitals on orthopedic medical devices with well-known experts and professors in the industry from both the PRC and overseas to promote our products during such seminars. We will also strengthen the cooperation with different academic institutes and hospitals, and organize academic seminars at different levels and in various aspects so as to further increase our brand influence.

### **Talent development and incentives**

We continued to adhere to our existing talent development policy while establishing a new training system for talent development and attract high quality talents with competitive remuneration system. On the other hand, we have established an effective incentive and appraisal system to motivate the work initiative and enthusiasm of employees.

## **EMPLOYEE**

As at 30 June 2019, our Group had approximately a total of 812 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As of 30 June 2019, the total salary and related cost paid to our employees were approximately RMB52.3 million. Our Group enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

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

Neither our Company, nor its subsidiaries purchased, redeemed or sold any of our Company's listed securities during the six months period ended 30 June 2019.

## **INTERIM DIVIDEND**

The Board proposed the declaration of interim dividend of RMB0.075 per share (including tax charge) for the six months ended 30 June 2019 (30 June 2018: RMB0.231 per share (including tax charge)).

The payment of the interim dividend is conditional upon the satisfaction of the following conditions:

- i. the interim dividend having been approved by the Shareholders at the EGM of the Company to be held on 20 November 2019;
- ii. the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Interim dividend is paid, unable to pay its debts as they fall due in the ordinary course of business; and
- iii. the compliance with the relevant legal procedures and requirements under the PRC Company Law that are applicable to the interim dividend.

Subject to the fulfilment of the above conditions, it is expected that the interim dividend will be paid in cash on or before 20 February 2020 to those Shareholders whose names appear on the Register of Members of the Company at the close of business on 2 December 2019.

The conditions set out above cannot be waived. If any of the conditions set out above is not satisfied, the interim dividend will not be paid.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TAXATION

#### (i) Domestic Shareholders

According to the relevant requirements of the Individual Income Tax Law of PRC (中華人民共和國個人所得稅法), the Company will distribute the Interim Dividend to those individual Domestic Shareholders subject to a deduction of withholding the individual income tax at the rate of 20%. Thus, 20% individual income tax will be withheld from the Interim Dividend payable to the relevant Domestic Shareholders whose names appear on the Domestic Share register of members of the Company on the Record Date.

#### (ii) H Shareholders

According to the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations and entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the Interim Dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprises (as defined under the EIT Law) which have been legally incorporated in PRC or which were established pursuant to the laws of foreign countries (regions) but have established effective administrative entities in PRC, and whose names appear on the H Share register of members of the Company on the Record Date should deliver a legal opinion ascertaining their status as resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Tricor Investor Services Limited, the Company's H Share registrar, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and PRC. Thus, 10% individual income tax will be withheld from the Interim Dividend payable to the relevant H Shareholders whose names appear on the H Share register of members of the Company on the Record Date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from 11 March 2015. Pursuant to code provision A.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, Mr. Shi Chunbao currently performs the roles as the chairman and general manager of the Company. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable our Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of our Group, the Board will continue to review and consider whether the duties of the chairman and general manager should be separated.

Save as disclosed above, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code during the reporting period.

## COMPLIANCE WITH MODEL CODE

Our Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for directors' and supervisors' securities transactions. Having made specific enquiry with the directors and supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code during the reporting period.

## REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has reviewed the Company's consolidated financial statements for the six months ended 30 June 2019, including the accounting principles and practices applied. The auditor of the Group, WUYIGE Certified Public Accountants LLP, has reviewed the relevant financial statements.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES OFFICER'S INTERESTS IN SECURITIES

As at 30 June 2019, the interests or short positions of the directors, supervisors and the chief executive officer of the Company in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, will be as follows:

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERESTS OF THE DIRECTORS IN THE SHARES OF OUR COMPANY

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in	Percentage in
				the relevant class of share capital	total share capital
				(Note 1)	(Note 2)
Mr. Shi Chunbao	Domestic shares	48,474,174	Beneficial owner	48.47%	35.04%
		39,179,160	Interest of Spouse	39.18%	28.32%
Ms. Yue Shujun	Domestic shares	39,179,160	Beneficial owner	39.18%	28.32%
		48,474,174	Interest of Spouse	48.47%	35.04%
Mr. Lin Yiming	Domestic shares	2,320,000	Beneficial owner	2.32%	1.68%

Saved as disclosed above, as at 30 June 2019, none of the directors, supervisors and the chief executive officer of the Company and their respective associates had any 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) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in	Percentage in
				the relevant class of share capital	total share capital
				(Note 1)	(Note 2)
Mr. Shi Chunbao	Domestic shares	48,474,174	Beneficial owner	48.47%	35.04%
		39,179,160	Interest of spouse	39.18%	28.32%
Ms. Yue Shujun	Domestic shares	39,179,160	Beneficial owner	39.18%	28.32%
		48,474,174	Interest of spouse	48.47%	35.04%
Orchid China Master Fund Limited (Note 3)	H shares	2,686,000 (long position)	Beneficial owner	7.01%	1.94%
Or Ching Han, Helen (Note 3)	H shares	2,686,000 (long position)	Interest in a controlled corporation	7.01%	1.94%
Citigroup Inc.	H shares	2,728,220 (long position)	Person having a security interest	7.11%	1.97%
Taiping Assets Management (HK) Company Limited	H shares	2,297,200 (long position)	Investment manager	5.99%	1.66%
Taiping Trustees Limited	H shares	2,297,200 (long position)	Trustee	5.99%	1.66%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Winning Beauty Limited	H shares	2,254,000 (long position)	Beneficial owner	5.88%	1.63%
Orchid Asia VI, L.P. (Note 4)	H shares	1,866,600 (long position)	Beneficial owner	4.87%	1.35%
Oavi Holdings, L.P. (Note 4)	H shares	1,866,600 (long position)	Interest in a controlled corporation	4.87%	1.35%
Orchid Asia VI GP, Limited (Note 4)	H shares	1,866,600 (long position)	Interest in a controlled corporation	4.87%	1.35%
Orchid Asia V Group Management, Limited (Note 4)	H shares	1,866,600 (long position)	Interest in a controlled corporation	4.87%	1.35%
Orchid Asia V Group, Limited (Note 4)	H shares	1,866,600 (long position)	Interest in a controlled corporation	4.87%	1.35%
Areo Holdings Limited (Note 4)	H shares	1,965,000 (long position)	Interest in a controlled corporation	5.13%	1.42%
Li Gabriel (Note 4)	H shares	1,965,000 (long position)	Interest in a controlled corporation	5.13%	1.42%
Lam Lai Ming (Note 4)	H shares	1,965,000 (long position)	Interest in a controlled corporation	5.13%	1.42%

Note:

- The calculation is based on the number of 100,000,000 domestic shares and 38,340,800 H shares of the Company in issue as at 30 June 2019, respectively.
- The calculation is based on the total number of 138,340,800 shares of the Company in issue as at 30 June 2019.
- Orchid China Master Fund Limited directly holds 2,686,000 H shares of the Company. Orchid China Management (Cayman) Limited holds 100% equity interest of Orchid China Master Fund Limited. Honest City Investments Limited holds 61.76% equity interest of Orchid China Management (Cayman) Limited. Explorer Associates Limited respectively holds 29.41% equity interest of Orchid China Management (Cayman) Limited and 100% equity interest of Honest City Investments Limited. Or Ching Han, Helen holds 100% interest of Explorer Associates Limited. Accordingly, Or Ching Han, Helen is deemed to be interested in the 2,686,000 shares held by Orchid China Master Fund Limited.
- Orchid Asia VI, L.P. directly holds 1,866,600 H shares of the Company. Oavi Holdings, L.P. holds 100% equity interest of Orchid Asia VI, L.P.. Orchid Asia VI GP, Limited holds 100% equity interest of Oavi Holdings, L.P.. Orchid Asia V Group Management, Limited holds 100% equity interest of Orchid Asia VI GP, Limited. Orchid Asia V Group, Limited holds 100% equity interest of Orchid Asia V Group Management, Limited. Orchid Asia V Co-Investment, Limited directly holds 98,400 H shares of the Company. Areo Holdings Limited holds 100% equity interest of Orchid Asia V Group, Limited and Orchid Asia V Co-Investment, Limited. Mr. Gabriel Li and Ms. Lam Lai Ming are directors of Areo Holdings Limited. Accordingly, Mr. Gabriel Li and Ms. Lam Lai Ming are deemed to be interested in the 1,965,000 H shares held by Areo Holdings Limited.

Save as disclosed above, as at 30 June 2019, the directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

# REVIEW REPORT



大信會計師事務所  
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## To all Shareholders of Beijing Chunlizhengda Medical Instruments Co., Ltd.:

We have audited the accompanying financial statements of Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter as the “**Company**”), which comprise the consolidated and parent company’s balance sheets as at 30 June 2019, the consolidated and parent company’s profit statements from January to June 2019, the consolidated and parent company’s cash flow statements and the consolidated and parent company’s statement of changes in Equity from January to June 2019, and notes to the financial statements. The preparation of these financial statements are the responsibility of the Company’s management. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with “China Standard on Review No. 2101 – Engagements to Review Financial Statements”. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of personnel of the Company and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with “Accounting Standard for Business Enterprises” and do not present fairly, in all material respects, the consolidated and parent company’s financial position of the Company as at 30 June 2019, and of its operating results and cash flows from January to June 2019.

**WUYIGE Certified Public Accountants. LLP**  
Beijing · China

**Chinese Certified Public Accountant:**

**Chinese Certified Public Accountant:**

27 August 2019



# CONSOLIDATED BALANCE SHEET

30 June, 2019 (unaudited)  
(Expressed in Renminbi Yuan)  
Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	30 June, 2019	31 December, 2018
<b>Current assets:</b>			
Monetary capital	V.(I)	399,169,627.79	414,911,994.08
Held-for-trading financial assets			
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Notes receivable	V.(II)	70,342,015.41	68,551,854.01
Account receivable	V.(III)	121,936,670.61	70,091,230.68
Prepayment	V.(IV)	8,385,510.60	6,059,478.60
Other receivables	V.(V)	1,812,978.15	1,931,307.18
Including: Interest receivable		387,471.23	1,299,364.38
Dividend receivable			
Inventories	V.(VI)	173,073,288.22	95,865,664.36
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V.(VII)	7,787,095.89	3,788,415.00
<b>Total current assets</b>		<b>782,507,186.67</b>	661,199,943.91
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments			
Other equity instruments investment			
Other non-current financial assets			
Investment property			
Fixed assets	V.(VIII)	93,159,189.57	82,449,533.63
Construction in progress	V.(IX)	30,825,640.13	21,046,594.23
Productive biological assets			
Oil & gas assets			
Intangible assets	V.(X)	32,661,575.75	33,114,313.21
Development expenditures			
Goodwill			
Long-term prepayments	V.(XI)	678,333.41	788,333.39
Deferred income tax assets	V.(XII)	9,872,931.59	9,010,246.12
Other non-current assets	V.(XIII)	4,222,007.23	7,131,040.62
<b>Total non-current assets</b>		<b>171,419,677.68</b>	153,540,061.20
<b>Total assets</b>		<b>953,926,864.35</b>	814,740,005.11

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting  
agency:

## CONSOLIDATED BALANCE SHEET

30 June, 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	30 June, 2019	31 December, 2018
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	V. (XIV)	88,876,322.81	51,930,070.41
Advances received	V. (XV)	761,390.24	
Contract liabilities	V. (XVI)	53,329,995.22	51,735,316.91
Employee remuneration payable	V. (XVII)	10,875,953.69	11,794,138.02
Taxes payable	V. (XVIII)	12,251,767.54	16,107,861.02
Other payables	V. (XIX)	64,313,667.80	27,847,722.41
Including: Interest payable			
Dividend payable		31,196,724.80	
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities	V. (XX)	15,131,586.23	12,653,045.87
<b>Total current liabilities</b>		<b>245,540,683.53</b>	172,068,154.64
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income	V. (XXI)	16,643,241.62	12,690,682.43
Deferred income tax liabilities	V. (XII)	2,348,927.35	1,841,282.15
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>18,992,168.97</b>	14,531,964.58
<b>Total liabilities</b>		<b>264,532,852.50</b>	186,600,119.22
<b>Shareholders' interest:</b>			
Share capital	V.(XXII)	138,340,800.00	69,170,400.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.(XXIII)	230,039,180.01	230,039,180.01
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	V.(XXIV)	41,040,495.62	41,040,495.62
Undistributed profit	V.(XXV)	279,973,536.22	287,889,810.26
Total shareholders interest attributable to the parent company		689,394,011.85	628,139,885.89
Non-controlling shareholders' interest			
<b>Total shareholders' interests</b>		<b>689,394,011.85</b>	628,139,885.89
<b>Total liabilities &amp; shareholders' interests</b>		<b>953,926,864.35</b>	814,740,005.11

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting  
agency:

# PARENT COMPANY'S BALANCE SHEET

30 June, 2019 (unaudited)  
(Expressed in Renminbi Yuan)  
Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	30 June, 2019	31 December, 2018
<b>Current assets:</b>			
Monetary capital		397,624,560.96	414,549,927.82
Held-for trading financial assets			
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Notes receivable		70,342,015.41	68,551,854.01
Account receivable	XIV. (I)	121,785,038.79	69,087,258.49
Prepayment		8,370,410.60	6,037,478.60
Other receivables	XIV. (II)	2,012,978.15	1,931,307.18
Including: Interest receivable		387,471.23	1,299,364.38
Dividend receivable			
Inventories		173,072,719.24	95,195,512.44
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		7,554,700.87	3,669,383.30
<b>Total current assets</b>		<b>780,762,424.02</b>	<b>659,022,721.84</b>
<b>Non-current assets:</b>			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	XIV. (III)	2,665,263.00	1,665,263.00
Other equity instruments investment			
Other non-current financial assets			
Investment property			
Fixed assets		92,739,142.92	82,376,032.77
Construction in progress		30,825,640.13	21,046,594.23
Productive biological assets			
Oil & gas assets			
Intangible assets		32,661,575.75	33,114,313.21
Development expenditures			
Goodwill			
Long-term prepayments		678,333.41	788,333.39
Deferred income tax assets		9,865,264.34	8,966,460.56
Other non-current assets		4,222,007.23	7,131,040.62
<b>Total non-current assets</b>		<b>173,657,226.78</b>	<b>155,088,037.78</b>
<b>Total assets</b>		<b>954,419,650.80</b>	<b>814,110,759.62</b>

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting  
agency:

## PARENT COMPANY'S BALANCE SHEET

30 June, 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	30 June, 2019	31 December, 2018
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		89,905,926.83	51,972,280.20
Advances received		761,390.24	
Contract liabilities		53,329,995.22	51,735,316.91
Employee remuneration payable		10,838,796.52	11,794,138.02
Taxes payable		12,214,895.58	15,979,253.59
Other payables		66,971,677.09	29,703,989.19
Including: Interest payable			
Dividend payable		31,196,724.80	
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		15,131,586.23	12,653,045.87
<b>Total current liabilities</b>		<b>249,154,267.71</b>	173,838,023.78
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		16,643,241.62	12,690,682.43
Deferred income tax liabilities		2,348,927.35	1,841,282.15
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>18,992,168.97</b>	14,531,964.58
<b>Total liabilities</b>		<b>268,146,436.68</b>	188,369,988.36
<b>Shareholders' interest:</b>			
Share capital		138,340,800.00	69,170,400.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		230,039,180.01	230,039,180.01
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		41,040,495.62	41,040,495.62
Undistributed profit		276,852,738.49	285,490,695.63
<b>Total shareholders' interests</b>		<b>686,273,214.12</b>	625,740,771.26
<b>Total liabilities &amp; shareholders' interests</b>		<b>954,419,650.80</b>	814,110,759.62

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting  
agency:

# CONSOLIDATED INCOME STATEMENT

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>I. Operating revenue</b>	V.(XXVI)	<b>374,983,818.92</b>	213,143,115.11
Less: Operating cost	V.(XXVI)	<b>120,991,634.02</b>	77,407,318.17
Taxes and surcharge	V.(XXVII)	<b>2,403,344.31</b>	2,242,506.08
Selling expenses	V.(XXVIII)	<b>95,145,173.02</b>	59,633,287.38
Administrative expenses	V.(XXIX)	<b>10,205,274.76</b>	12,654,304.58
Research and development expenses	V.(XXX)	<b>25,782,253.80</b>	9,002,247.76
Financial expenses	V.(XXXI)	<b>-1,690,978.15</b>	-5,065,233.10
Including: Interest expenses			
Interest proceeds		<b>3,135,056.54</b>	2,828,088.81
Assets impairment loss	V.(XXXII)		1,464,022.75
Credit impairment loss	V.(XXXIII)	<b>1,199,289.98</b>	-140,846.90
Add: Other gains	V.(XXXIV)	<b>1,537,833.81</b>	1,594,767.16
Investment income (losses are presented as “-”)			
Including: in vestment income from associates and joint ventures			
Net profit on hedging exposure (loses are presented as “-”)			
Gains on changes of fair value (loses are presented as “-”)			
Gains on disposal of assets (loses are presented as “-”)	V.(XXXV)	<b>-67,826.39</b>	
<b>II. Operating profit (losses are presented as “-”)</b>		<b>122,417,834.60</b>	57,540,275.55
Add: Non-operating income	V.(XXXVI)	<b>2,380.00</b>	
Less: Non-operating expenses	V.(XXXVII)	<b>10,000.00</b>	200.00
<b>III. Gross profit (total losses are presented as “-”)</b>		<b>122,410,214.60</b>	57,540,075.55
Less: Income tax expenses	V.(XXXVIII)	<b>13,221,001.44</b>	7,134,602.75
<b>IV. Net profit (net losses are presented as “-”)</b>		<b>109,189,213.16</b>	50,405,472.80
(I) Classified by continuity of operation:			
1. Net profit for continuing operation (net losses are presented as “-”)		<b>109,189,213.16</b>	50,405,472.80
2. Net profit for ceased operation (net losses are presented as “-”)			
(II) Classified by ownership:			
1. Net profit attributable to the shareholders of the parent company (net losses are presented as “-”)		<b>109,189,213.16</b>	50,405,472.80
2. Non-controlling shareholders’ profit or loss (net losses are presented as “-”)			

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## CONSOLIDATED INCOME STATEMENT

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>V. Net other comprehensive income after tax</b>			
Net other comprehensive income after tax attributable to the shareholders of the parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes in re-measurement on the defined benefit plans			
2. Other comprehensive income which cannot be converted into profit or loss under equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of credit risks of the Company			
(II) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income which can be converted into profit or loss under equity method			
2. Change in fair value of other debt investment			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Financial assets reclassified into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision of credit impairment of other debt investment			
7. Cash flow hedging reserve (Effective part of profit or loss on cash flow hedging)			
8. Translation difference of foreign currency			
9. Others			
Net other comprehensive income after tax attributable to non-controlling shareholders			
<b>VI. Total comprehensive income</b>		<b>109,189,213.16</b>	50,405,472.80
Total comprehensive income attributable to the shareholders of the parent company		<b>109,189,213.16</b>	50,405,472.80
Total comprehensive income attributable to the non-controlling shareholders			
<b>VII. Earnings per share</b>			
(I) Basic EPS		<b>0.79</b>	0.36
(II) Diluted EPS		<b>0.79</b>	0.36

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S INCOME STATEMENT

January to June 2019 (unaudited)  
 (Expressed in Renminbi Yuan)  
 Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>I. Operating revenue</b>	XIV. (IV)	<b>374,033,911.80</b>	212,400,006.11
Less: Operating cost	XIV. (IV)	<b>120,991,634.02</b>	77,454,625.86
Taxes and surcharge		<b>2,385,036.92</b>	2,241,544.46
Selling expenses		<b>95,145,173.02</b>	59,633,287.38
Administrative expenses		<b>9,985,064.21</b>	12,525,309.72
Research and development expenses		<b>25,782,253.80</b>	9,002,247.76
Financial expenses		<b>-1,690,474.84</b>	-5,065,143.63
Including: Interest expenses			
Interest proceeds		<b>3,133,863.23</b>	-2,827,899.34
Assets impairment loss			1,261,216.80
Credit impairment loss		<b>1,221,087.13</b>	
Add: Other gains		<b>1,537,833.81</b>	1,594,767.16
Investment income (losses are presented as "-")			
Including: Investment income from associates and joint ventures			
Net profit on hedging exposure (losses are presented as "-")			
Gains on changes of fair value (losses are presented as "-")			
Gains on disposal of assets (losses are presented as "-")		<b>-67,826.39</b>	
<b>II. Operating profit (losses are presented as "-")</b>		<b>121,684,144.96</b>	56,941,684.92
Add: Non-operating income		<b>2,380.00</b>	
Less: Non-operating expenses		<b>10,000.00</b>	200.00
<b>III. Gross profit (total losses are presented as "-")</b>		<b>121,676,524.96</b>	56,941,484.92
Less: Income tax expenses		<b>13,208,994.90</b>	7,150,092.51

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## PARENT COMPANY'S INCOME STATEMENT

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>IV. Net profit (net losses are presented as “-”)</b>		<b>108,467,530.06</b>	49,791,392.41
1. Net profit for continuing operation (net losses are presented as “-”)		<b>108,467,530.06</b>	49,791,392.41
2. Net profit for ceased operation (net losses are presented as “-”)			
<b>V. Net other comprehensive income after tax</b>			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes in re-measurement on the defined benefit plans			
2. Other comprehensive income which cannot be converted into profit or loss under equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of credit risks of the Company			
(II) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income which can be converted into profit or loss under equity method			
2. Change in fair value of other debt investment			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Financial assets reclassified into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision of credit impairment of other debt investment			
7. Cash flow hedging reserve (Effective part of profit or loss on cash flow hedging)			
8. Translation difference of foreign currency			
9. Others			
<b>VI. Total comprehensive income</b>		<b>108,467,530.06</b>	49,791,392.41

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting  
agency:



# CONSOLIDATED CASH FLOW STATEMENT

January to June 2019 (unaudited)  
(Expressed in Renminbi Yuan)  
Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sales of goods and rendering of services		<b>355,826,184.61</b>	249,763,842.60
Receipts of tax refund			
Other cash receipts related to operating activities	V. (XXXIX)	<b>11,282,622.38</b>	2,817,591.05
Subtotal of cash inflows from operating activities		<b>367,108,806.99</b>	252,581,433.65
Cash payments for goods purchased and services received		<b>156,581,812.58</b>	90,646,743.73
Cash paid to and on behalf of employees		<b>52,598,048.10</b>	30,351,426.29
Taxes paid		<b>48,747,664.32</b>	36,786,540.51
Other cash payments related to operating activities	V. (XXXIX)	<b>91,923,418.47</b>	60,444,282.75
Subtotal of cash outflows from operating activities		<b>349,850,943.47</b>	218,228,993.28
Net cash flows from operating activities		<b>17,257,863.52</b>	34,352,440.37
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>312,500.00</b>	
Net cash received from the disposal of subsidiaries and other business units			
Other cash payments related to investing activities	V. (XXXIX)	<b>2,770,660.06</b>	2,391,370.78
Subtotal of cash inflows from investing activities		<b>3,083,160.06</b>	2,391,370.78
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>21,402,014.23</b>	19,490,727.18
Cash payments for investments			
Net cash payment for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		<b>21,402,014.23</b>	19,490,727.18
Net cash flows from investing activities		<b>-18,318,854.17</b>	-17,099,356.40

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## CONSOLIDATED CASH FLOW STATEMENT

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investment			
Including: Cash received by subsidiaries from non-controlling shareholders' investments			
Cash received from borrowing			
Cash received from issue of bonds			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflows from financing activities			
<hr/>			
Cash repayment of debt			
Cash paid for distribution of dividends, profits or for interest expenses		14,608,613.80	
Including: Cash paid for distribution of dividends and profits by subsidiaries to non-controlling shareholders			
Other cash payments related to financing activities			
<hr/>			
Subtotal of cash outflows from financing activities		14,608,613.80	
<hr/>			
Net cash flow from financing activities		-14,608,613.80	
<hr/>			
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>-72,761.84</b>	145,516.26
<hr/>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-15,742,366.29</b>	17,398,600.23
Add: Opening balance of cash and cash equivalents		414,911,994.08	371,618,428.62
<hr/>			
<b>VI. Closing balance of cash and cash equivalents</b>		<b>399,169,627.79</b>	389,017,028.85

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S CASH FLOW STATEMENT

January to June 2019 (unaudited)  
(Expressed in Renminbi Yuan)  
Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sales of goods and rendering of services		354,654,486.63	249,392,717.06
Receipts of tax refund			
Other cash receipts related to operating activities		14,233,532.00	2,878,750.78
Subtotal of cash inflows from operating activities		368,888,018.63	252,271,467.84
Cash payments for goods purchased and services received		156,233,061.06	90,544,995.19
Cash paid to and on behalf of employees		52,451,548.49	30,229,401.43
Taxes paid		48,452,485.71	36,753,696.97
Other cash payments related to operating activities		95,086,690.95	60,437,212.75
Subtotal of cash outflows from operating activities		352,223,786.21	217,965,306.34
Net cash flows from operating activities		16,664,232.42	34,306,161.50
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		312,500.00	
Net cash received from the disposal of subsidiaries and other business units			
Other cash payments related to investing activities		2,770,660.06	2,391,370.78
Subtotal of cash inflows from investing activities		3,083,160.06	2,391,370.78
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		20,991,383.70	19,490,727.18
Cash payments for investments		1,000,000.00	
Net cash payment for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		21,991,383.70	19,490,727.18
Net cash flows from investing activities		-18,908,223.64	-17,099,356.40

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## PARENT COMPANY'S CASH FLOW STATEMENT

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Note	Amount for the current period	Amount for the previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investment			
Cash received from borrowing			
Cash received from issue of bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities			
Cash repayment of debt			
Cash paid for distribution of dividends, profits or for interest expenses		14,608,613.80	
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities		14,608,613.80	
Net cash flow from financing activities		-14,608,613.80	
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>-72,761.84</b>	145,516.26
<b>V. Net increase in cash and cash equivalents</b>		<b>-16,925,366.86</b>	17,352,321.36
Add: Opening balance of cash and cash equivalents		414,549,927.82	371,601,738.39
<b>VI. Closing balance of cash and cash equivalents</b>		<b>397,624,560.96</b>	388,954,059.75

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2019 (unaudited)  
(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Current period							Total equity		
	Attributable to parent company			Non-controlling interest						
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Undistributed reserve	Subtotal	
<b>I. Balance at the end of the previous year</b>	69,170,400.00			230,039,180.01			41,040,485.62	287,889,610.26	628,139,885.89	628,139,885.89
Add: Changes of accounting policies										
Error correction of the previous period										
Business combination under common control										
Others										
<b>II. Balance at the beginning of the current year</b>	69,170,400.00			230,039,180.01			41,040,485.62	287,889,610.26	628,139,885.89	628,139,885.89
<b>III. Amount of current period increase or decrease (decreases are presented as "-")</b>										
(I) Total comprehensive income										
(II) Capital contributed and withdrawn by shareholders										
1. Ordinary shares contributed by shareholders										
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payment included in equity										
4. Others										
(III) Profit distribution										
1. Appropriation of surplus reserve										
2. Distribution to shareholders										
3. Others										
(IV) Internal carry-over within shareholders' interest										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Surplus reserve to cover losses										
4. Transfer of changes in balance of the defined benefit plans to retained earnings										
5. Other comprehensive income carried over to retained earnings										
6. Others										
(V) Special reserves										
1. Appropriation of the current period										
2. Application of the current period										
(VI) Others										
<b>IV. Balance at the end of the current period</b>	138,340,800.00			230,039,180.01			41,040,485.62	279,973,536.22	689,394,071.85	689,394,071.85

Legal representative: \_\_\_\_\_ Person in charge of the accounting agency: \_\_\_\_\_

Person in charge for accounting work: \_\_\_\_\_

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Attributable to parent company						Total equity
	Share capital	Prefixed shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	
I. Balance at the end of the previous year	69,170,400.00			230,039,180.01			538,472,178.22
Add: Changes of accounting policies							
Error correction of the previous period							
Business combination under common control							
Others							
II. Balance at the beginning of the current year	69,170,400.00			230,039,180.01			538,472,178.22
III. Amount of current period increase or decrease (decreases are presented as "-")							
(I) Total comprehensive income							
(II) Capital contributed and withdrawn by shareholders							
1. Ordinary shares contributed by shareholders							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution							
1. Appropriation of surplus reserve							
2. Distribution to shareholders							
3. Others							
(IV) Internal carry-over within shareholders' interest							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Surplus reserve to cover losses							
4. Transfer of changes in balance of the defined benefit plans to retained earnings							
5. Other comprehensive income carried over to retained earnings							
6. Others							
(V) Special reserves							
1. Appropriation of the current period							
2. Application of the current period							
(VI) Others							
IV. Balance at the end of the current period	69,170,400.00			230,039,180.01			572,699,288.62

Person in charge of the accounting agency:

Person in charge for accounting work:

Legal representative:

# PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Other equity instrument					Current period					Total equity
	Share capital	Preferred shares	Perpetual shares	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	
<b>I. Balance at the end of the previous year</b>	69,170,400.00				230,039,180.01				41,040,955.62	285,490,695.63	625,740,771.26
Add: Changes of accounting policies											
Error correction of the previous period											
Others											
<b>II. Balance at the beginning of the current year</b>	69,170,400.00				230,039,180.01				41,040,955.62	285,490,695.63	625,740,771.26
<b>III. Amount of the current period increase or decrease (decreases are presented as "-")</b>	69,170,400.00										
(I) Total comprehensive income											
(II) Capital contributed and withdrawn by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others	69,170,400.00										
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over within shareholders' interest											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to cover losses											
4. Transfer of changes in balance of the defined benefit plans to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserves											
1. Appropriation of the current period											
2. Application of the current period											
(VI) Others											
<b>IV. Balance at the end of the current period</b>	138,340,800.00				230,039,180.01				41,040,955.62	276,652,738.49	686,273,214.12

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January to June 2019 (unaudited)

(Expressed in Renminbi Yuan)

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.

Item	Share capital			Other equity instrument		Previous period				Total equity	
	Share capital	Preferred shares	Perpetual shares	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserves	Surplus reserve		Undistributed profit
<b>I. Balance at the end of the previous year</b>	69,170,400.00				230,039,180.01				30,599,186.14	207,497,272.72	537,306,038.87
Add: Changes of accounting policies											
Error correction of the previous period											
Others											
<b>II. Balance at the beginning of the current year</b>	69,170,400.00				230,039,180.01				30,599,186.14	207,497,272.72	537,306,038.87
<b>III. Amount of the current period increase or decrease (decreases are presented as "-")</b>											
(I) Total comprehensive income											
(II) Capital contributed and withdrawn by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over within shareholders' interest											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to cover losses											
4. Transfer of changes in balance of the defined benefit plans to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserves											
1. Appropriation of the current period											
2. Application of the current period											
(VI) Others											
<b>IV. Balance at the end of the current period</b>	69,170,400.00				230,039,180.01				30,599,186.14	24,310,302.73	571,119,068.88

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

## I. COMPANY PROFILE

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter as the “**Company**”) is established by Mr. Shi Chunbao (史春寶先生) and Ms. Yue Shujun (岳術俊女士) under the approval of Beijing Administration for Industry and Commerce. The Company registered at Beijing Administration for Industry and Commerce, Tongzhou Sub-bureau on February 12, 1998 and its headquarters is located in Beijing. The Company acquired a business license with unified social credit code of 91110000633737758W and its registered capital is 69.1704 million yuan, and total shares are 69.1704 million shares (each with par value of one yuan), of which, 50 million shares are restricted shares, and 19.1704 million shares are outstanding shares. The Company’s shares were listed and traded on Hong Kong Stock Exchanges on March 11, 2015, with Chunli Medical as its stock abbreviation and 01858.HK as its stock code.

One bonus share for every one existing share held by the shareholders whose names appear on the register of members of the Company on the date of extraordinary general meeting has been approved at an extraordinary general meeting of the Company held on 15 February 2019. Following the completion of issuing bonus shares, the total number of shares of the Company is 138.3408 million shares.

The Company belongs to medical device industry. The business scopes of the Company include production of Class III medical devices: III-6846-1 implants, III-6846-2 artificial organ implants (joint prosthesis, custom joint prosthesis and stabler in spine); sales of Class III medical devices: implants materials and artificial organs, medical knitwear and adhesive; sales of Class II medical devices: physiotherapy and rehabilitation equipment and orthopaedic surgery (orthopedics surgery) devices; sales of Class I medical devices: basic surgery devices, as well as imports and exports of goods and technology promotion. (For projects which can only be operated under permissions by laws, the Company conducts such businesses and operations with permission of relevant departments for permitted aspects.)

The Company has brought the subsidiaries Beijing Zhao Yi Te Medical Devices Co., Ltd.\* (北京兆億特醫療器械有限公司) and Hebei Chunli Hangnuo New Materials Technology Co., Ltd.\* (河北春立航諾新材料科技有限公司) into the current consolidated financial statements’ scope. Please refer to Note VII. Interest in other entities for details.

## II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

- (I) Preparation basis: The financial statements of the Company have been prepared on the basis of going concern, in accordance with actually-occurring transactions and items, requirements such as “Accounting Standard for Business Enterprises – Basic Standards” issued by the Ministry of Finance and specific accounting standards (hereinafter as “**ASBES**”), and significant accounting policies and accounting estimates as stated below.
- (II) Going concern: The Company has the ability to continue as a going concern within the 12 months after the end of the reporting period and there are no material events that may affect its ability to continue as a going concern.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company have based on the production and operation features to confirm specific accounting policies and accounting estimates, mainly provision for bad debts of receivables (Note III (X)), accounting of inventories (Note III (XI)), depreciation of fixed assets and amortization of intangible assets (Note III (XIII) and (XV)), and revenue recognition (Note III (XX)), etc.

#### (I) Statement of compliance with ASBEs

The financial statements have been prepared in accordance with the requirements of ASBEs, and present truly and completely information relating to the Company's financial position as at 30 June 2019, its results of operations and cash flows from January to June 2019.

#### (II) Accounting period

Accounting year of the Company is the calendar year from 1 January to 31 December.

#### (III) Operating cycle

The Company takes one year or 12 months as its normal operating cycle which serves as the division standard for the liquidity of assets and liabilities.

#### (IV) Functional currency

The functional currency of the Company is Renminbi.

#### (V) Business combination

##### 1. *Business combination under common control*

In case the consideration for the long-term equity investments resulted from the business combination under common control is paid by way of cash, transfer of non-cash assets or assumption of debts, the Company will, on the date of combination, recognise the acquiree's share in the carrying amount of net assets in the ultimate controlling party's consolidated financial statements as initial investment cost of long-term equity investments. In case the acquirer pays the combination consideration by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

##### 2. *Business combination not under common control*

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Where identifiable assets, liabilities and contingent liabilities of the acquiree resulting from the business combination not under common control satisfy the conditions for recognition, they shall be measured at fair value on the acquisition date. Any excess of combination cost over the share of fair value of identifiable net assets in the acquiree as a result of the combination will be recognised as goodwill by the acquirer. Where the combination cost is less than the share of fair value of identifiable net assets of the acquiree as a result of the combination, the difference shall be recognised as non-operating income for the current period after reassessment by the acquirer.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (VI) Preparation method of consolidated financial statements

1. *Scope of consolidated financial statements*  
The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.
2. *Adoption of uniform accounting policies, date of balance sheets and accounting period for parent company and subsidiaries*  
When preparing consolidated financial statements, in case the accounting policies or accounting periods of the subsidiaries differ from those of the Company, necessary adjustments will be made to the financial statements of the subsidiaries based on the accounting policies or accounting periods of the Company.
3. *Offsetting in consolidated financial statements*  
The consolidated financial statements shall be prepared on the basis of the balance sheets of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The owners' equity of the subsidiaries not attributable to the Company shall be presented as "minority interests" under the shareholders' equity item in the consolidated balance sheet. The long-term equity investment in the Company held by the subsidiaries is deemed as treasury stock of the Company and a reduction of shareholders' equity, which shall be presented as "Less: treasury shares" under the shareholders' equity in the consolidated balance sheet.
4. *Accounting treatment of subsidiaries acquired from combination*  
For subsidiaries acquired from business combination under common control, the business combination is deemed to have occurred at the commencement of control by the ultimate controlling party. The assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination takes place. For subsidiaries acquired from business combination not under common control, when preparing the consolidated financial statements, adjustments are made to individual financial statements of the subsidiaries based on the fair value of identifiable net assets as at the acquisition date.
5. *Accounting for disposal of subsidiary*  
For the disposal of a portion of long-term equity investments in a subsidiary without losing control, in the consolidated financial statements, the difference between disposal price and share of net assets of the subsidiary enjoyed correspondingly in the disposal of the long-term equity investment, which is continuously calculated from the acquisition date or combination date, shall be used to adjust the capital reserve (capital premium or share premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

Where the control over the investee is lost due to the disposal of partial equity investment or other reasons, the residual equity will be remeasured based on the fair value thereof on the date when the control is lost in the preparation of the consolidated financial statements. The balance of the sum of the consideration obtained from the equity disposal and the fair value of the residual equity after deduction of the share of the net assets of the original subsidiaries calculated continuously in proportion to the original shareholding percentage from the acquisition date or combination date shall be included in the investment profit for the period in which the control is lost, with goodwill being offset simultaneously. Other comprehensive incomes relating to the equity investment of the original subsidiaries shall be transferred to investment profit for the period when the control is lost.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (VII) Recognition standard for cash and cash equivalents

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of price volatility.

#### (VIII) Translation of foreign currency business

Foreign currency transactions of the Company are translated into and recorded in the functional currency at spot rate on the transaction date. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate on that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at initial recognition or on the last balance sheet date shall be recorded into current profit or loss, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. Translation of non-monetary items denominated in foreign currency and measured at historical cost shall continue to be based on the spot exchange rate on the date of transaction, without changing the amount in its functional currency. Non-monetary items denominated in foreign currency and measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. Upon translation, the difference between the amounts in functional currency upon translation and in original functional currency shall be treated as change in fair value (including the change in the exchange rate), and included in current profit or loss or recognised as other comprehensive income.

#### (IX) Financial instruments

##### 1. Classification and reclassification of financial instruments

A financial instrument is a contract that forms the financial assets of a party and forms the financial liabilities or equity instruments of other parties.

##### (1) Financial assets

The Company classifies a financial asset as financial asset measured at amortised cost if it fulfill the following conditions: ① where the Company's business model for managing financial assets is aimed at collecting contractual cash flows; ② the contractual terms of that financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

The Company classifies a financial asset as financial assets at fair value through other comprehensive income if it fulfill the following conditions: ① where the Company's business model for managing financial assets is aimed at both collecting contractual cash flows and selling such financial asset; ② the contractual terms of that financial asset stipulate that the cash flows generated on a specific date are only the payment of the principal and interest based on the outstanding principal amount.

For investments in non-trading equity instruments, the Company may, at the time of initial recognition, irrevocably designate it as a financial asset at fair value through other comprehensive income. The designation is based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (IX) Financial instruments (Continued)

##### 1. *Classification and reclassification of financial instruments (Continued)*

###### (1) Financial assets (Continued)

For those financial assets other than financial assets measured at amortised cost and financial assets at fair value through other comprehensive income, the Company classifies it as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or reduces an accounting mismatch.

When the Company changes the business model for managing financial assets, it shall reclassify all relevant financial assets as affected on the first day of the first reporting period after the business model changes, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

###### (2) Financial liabilities

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss; financial liabilities formed when transfer of financial assets does not meet the conditions of derecognition or continues to be involved in the transferred financial assets; financial liabilities at amortised cost. All financial liabilities are not reclassified.

##### 2. *Measurement of financial instruments*

On initial recognition, the Company's financial instruments are measured at fair value. Transaction expenses on financial assets and financial liabilities at fair value through profit or loss are expensed directly, while transaction expenses of other types of financial assets or financial liabilities are classified in its initial recognized amount. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (IX) Financial instruments (Continued)

##### 2. Measurement of financial instruments (Continued)

###### (1) Financial Assets

- ① Financial assets at amortised cost  
After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost and that are not parts of any hedging relationships are included in profit or loss in the period which they incurred when derecognised, reclassified, amortised or recognised the impairment under the effective interest method.
- ② Financial assets at fair value through profit or loss  
After initial recognition, gain or loss (including interest and dividend income) arisen from subsequent measurement of the financial assets at fair value is included in profit and loss in the period which they incurred, unless the financial assets are parts of the hedging relationships.
- ③ Investment in debt instruments at fair value through other comprehensive income  
After initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method is included in profit or loss in the period which they incurred, and other gains or losses are recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and included in profit or loss in the period which they incurred.

After initial recognition, such financial assets are subsequently measured at fair value. Except for dividend (other than recovery of part of the investment cost) which is recognized in current profit or loss, other related gains and losses are recognized in other comprehensive income and would not transfer to current profit or loss subsequently.

###### (2) Financial Liabilities

- ① Financial liabilities at fair value through profit or loss  
Such financial liabilities include financial liabilities for trading purpose (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. After initial recognition, the financial liabilities are subsequently measured at fair value. Except for those involving the hedge accounting, the gains or losses (including interest expenses) arisen from change in fair value on financial liabilities for trading purpose are included in profit or loss in the period which they incurred.

For financial liabilities designated as at fair value through profit or loss, the change in the fair value of such financial liability caused by the change in the credit risk of the enterprise shall be included in other comprehensive income, while other changes in the fair value shall be included in the profit or loss. If presenting the effects of changes in the financial liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company would include all the gains or losses of the financial liability in the current profit and loss.

- ② Financial liabilities at amortised cost  
After initial recognition, such financial liabilities are measured at amortised cost by using the effective interest method.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (IX) Financial instruments (Continued)

3. *The Company's method for recognition of fair value of financial instruments*

If there is an active market for the financial instruments, the quoted prices in the active market shall be used to determine their fair values; If there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values. Valuation techniques mainly include market method, income method and cost method.

4. *Basis and measurement method for determining transfer of financial assets and financial liabilities*

(1) Financial assets

The Company's financial asset will be derecognized if it satisfy any of the following criteria: ① the contractual rights to collect the cash flows from the financial asset expire; ② the financial asset has been transferred, and the Company substantially transferred all risks and rewards related to the ownership of the financial assets; ③ the financial asset has been transferred, and the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, but retain its control over the said financial assets.

If the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, and did not retain its control over the said financial assets, the Company recognizes the financial asset to the extent of its continuing involvement in the financial asset transferred and recognizes an associated liability accordingly.

If the transfer of an financial asset generally satisfies the conditions for derecognition, the difference between the two amounts below is recorded in profit or loss: ① the carrying amount of the transferred financial assets as at the date of derecognition; ② the sum of the consideration received from transferring financial asset and, when the transferred financial asset is classified as financial asset at fair value through other comprehensive income, the accumulative amount in changes of the fair value originally recorded in other comprehensive income directly for the part derecognized.

If the transfer of financial asset partially satisfies the conditions of derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, firstly apportioned according to their respective relative fair value on transfer date, and then the difference between the two amounts below is recorded in profit or loss: ① the carrying amount of the derecognized part as at the date of derecognition; ② the sum of the consideration received from derecognized part and, when the transferred financial asset is classified as financial asset at fair value through other comprehensive income, the accumulative amount in changes of the fair value originally recorded in other comprehensive income for the part derecognized.

(2) Financial liabilities

Once the present obligation of financial liabilities (or parts of them) has been lifted, financial liabilities (or parts of them) of the Company has been derecognized.

The difference between the carrying amount of financial liabilities (or parts of them) and consideration paid (including transferred non-cash assets or liabilities) is recognized in profit or loss, when financial liabilities (or parts of them) are derecognized.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) The determination and accounting method of expected credit loss

Based on expected credit losses, the Company conducts impairment accounting treatment for and recognizes impairment losses of financial assets at amortised cost (including notes and trade receivables and other receivables) as well as debt investments, lease receivables, contract assets classified at fair value through other comprehensive income.

At each balance sheet date, the Company assesses whether the credit risk on related financial instrument has increased significantly since initial recognition and divides the process of financial instrument being credit-impaired into three stages. Different accounting method would be applied on different stage of impairment on financial instrument: (1) At first stage, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses and calculates the interest income by applying the effective interest rate to its gross carrying amount (i.e. before impairment allowance); (2) At second stage, the credit risk on a financial instrument has increased significantly since initial recognition but not to the point that it is considered credit-impaired, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses and calculates the interest income by applying the effective interest rate to its gross carrying amount; (3) At third stage, financial instrument is considered credit-impaired since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses and calculates the interest income by applying the effective interest rate based on the amortised cost, which is gross carrying amount less loss allowance.

#### 1. *Measurement of loss provision for financial instruments with lower credit risk*

For financial instruments with lower credit risk on balance sheet date, the Company assumes that its credit risk has not increased significantly since its initial recognition, and the loss allowance will be measured by adopting a simplified approach, i.e. an amount equal to 12-month expected credit losses.

#### 2. *Measurement of loss provision for accounts receivable, contract assets and lease receivable*

##### (1) Accounts receivable and contract assets that exclude significant financing component

For accounts receivable or contract assets that exclude significant financing component arising from transactions regulated by the “ASBE No.14 – Revenue”, the Company adopts simplified approach, i.e. always measures the loss provision based on the amount of full lifetime expected credit losses.

##### (2) Accounts receivable, contract assets and lease receivable that include significant financing component

For accounts receivable or contract assets that include significant financing component and lease receivable regulated by the “ASBE No.21 – Lease”, the Company measures loss provision based on general approach, i.e. “three stages” model.



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) The determination and accounting method of expected credit loss (Continued)

##### 3. *Measurement of loss provision for other financial assets*

For financial assets other than the above-mentioned, such as debt investment, other debt investment, other receivables, long term receivables other than lease receivable, the Company measures loss provision based on general approach, i.e. “three stages” model.

While measuring whether a financial instrument has been credit-impaired, the Company taken into account the following factors to assess whether credit risk has increased significantly: (1) Whether internal price indicator resulted from change in credit risk has changed significantly; (2) If the existing financial instruments are derived into or issued as new financial instruments at the reporting date, whether interest rates or other terms of the above financial instruments have changed significantly; (3) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected lifetime have changed significantly; (4) Whether external credit rating of the financial instrument is actually or is expected to change significantly; (5) Whether the debtor’s internal credit rating is actually lowered or is expected to be lowered; (6) Whether expected detrimental changes in business, financial or economic conditions that would affect debtor’s ability to perform repayment obligation have changed significantly; (7) Whether the actual or expected operating result of the debtor has changed significantly; (8) Whether credit risk of other financial instruments issued by the same debtor has increased significantly; (9) Whether supervisory, economic or technical environment for the debtor has significant detrimental changes; (10) Whether the value of the collateral supporting the obligation or in the quality of the collateral or credit enhancement provided by a third party has changed significantly; (11) Whether the expected economic motive that will lower the debtor’s repayment based on contractual stipulation has changed significantly; (12) Expected changes in the loan contract including an expected breach of contract that may lead to covenant waivers or amendments, grant of interest-free period, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument; (13) Whether the debtor’s expected performance and repayment activities have changed significantly; (14) Whether the Company’s credit management measures on financial instruments have changed.

Based on the nature of financial instruments, the Company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a group of financial assets. The Company divides notes receivables and receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Receivables portfolio 1: Related party receivables portfolio within the consolidation scope.

Receivables portfolio 2: Individually assessed risk portfolio.

Receivables portfolio 3: Similar risk portfolio; Portfolio for receivables with similar credit risk and tested receivables in portfolio 2 with no credit loss.

Notes receivables portfolio 1: Bank acceptance note portfolio.

Notes receivables portfolio 2: Commercial acceptance note portfolio.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (X) The determination and accounting method of expected credit loss (Continued)

3. *Measurement of loss provision for other financial assets (Continued)*

For the trade receivable classified as a group, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the account receivable age and expected credit loss rate through full life time in reference. For the notes receivable classified as a group, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the default risk exposure and expected credit loss rates throughout the lifetime.

In order to reflect the changes in the credit risk of financial instruments since its initial recognition, the Company re-measures the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision resulting therefrom shall be deemed as impairment loss or gain to be included in profit or loss in the current period. The loss provision is offset against the carrying amount of the financial asset shown on the balance sheet or included in expected liabilities (loan commitments or financial guarantee contracts) or included in other comprehensive income (debt investments at fair value through other comprehensive income) based on types of financial instrument.

#### (XI) Inventories

1. *Classification of inventories*

Inventories mean the finished goods or goods held for sale in the ordinary course of business of the Company, unfinished products in the process of production, and materials or supplies etc. to be consumed in the production process or in the rendering of services. Inventories mainly include raw materials, unfinished products, goods sold, stock inventory, etc.

2. *Accounting method for dispatching inventories*

Upon delivery of inventories, the actual cost of such inventories will be determined using the weighted average method.

3. *Provisions for declines in the value of inventories*

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for impairment of inventories is made on an item-by-item basis. The provision for declines in the value of inventories with large quantity and of low unit cost is made according to their inventory classification.

4. *Inventory system*

Perpetual inventory method is adopted by the Company.

5. *Amortization method of low-value consumables and packages*

Low-value consumables and packages are amortized using one-off method.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XII) Long-term equity investments

1. *Determination of initial investment cost*

For a long-term equity investment obtained from business combination under common control, the acquiree's share in the carrying amount of net assets in the ultimate controlling party's consolidated financial statements shall be recognised as the initial investment cost of long-term equity investments on the date of combination; for business combination not under common control, the combination cost as determined on the date of acquisition shall be recognised as the initial investment cost of long-term equity investments; for a long-term equity investment acquired by payment of cash, the initial investment cost shall be the actual purchase price paid; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for a long-term equity investment acquired from debt restructuring, the initial investment cost is recognised according to relevant requirements under "ASBE 12 – Debt Restructuring"; for a long-term equity investment acquired from exchange of non-monetary assets, the initial investment cost shall be recognized according to relevant requirements under "ASBE 7 – Exchange of Non-monetary Assets".

2. *Subsequent measurement and recognition method of gain or loss*

Where the Company has a control over an investee, the long-term equity investment in such investee shall be measured using cost approach. Long-term equity investments in associates and joint ventures shall be measured using equity approach. Where part of the equity investments of the Company in its associates are held indirectly through venture investment institutions, common funds, trust companies or other similar entities including investment linked insurance funds, such part of investments shall be accounted for by the Company according to the relevant requirements of "ASBE 22 – Recognition and Measurement of Financial Instruments", regardless whether the above entities have significant influence on such part of investments, and the remaining shall be measured using equity approach.

3. *Basis of conclusion for common control and significant influence over the investee*

Joint control over an investee refers to the situation where activities that have significant influence on the return of certain arrangement can only be decided by unanimous consent of the parties sharing the control, which include sale and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities; significant influence on the investee refers to the situation where significant influence exists when holding more than 20% but less than 50% of voting capital in an investee, or even if holding less than 20%, significant influence still exists when any of the following conditions is satisfied: having representative at the board of directors or similar governing body of the investee; participating in the policy making of the investee; assigning key management officers to the investee; the investee relying on the technology or technical information of the investing company; conducting major transactions with the investee.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XIII) Fixed assets

1. *Recognition conditions of fixed assets*

Fixed assets are tangible assets that are held for use more than a useful life of one accounting year in the production of goods and supply of services, for rental to others, or for operation purpose. A fixed asset is recognised when it meets the following conditions: it is probable that the economic benefits associated with the fixed asset will flow into the Company; and its cost can be reliably measured.

2. *Classification and depreciation method of fixed assets*

The fixed assets of the Company mainly comprise: buildings and structures, machinery, electronic facilities, transport facilities, and etc. The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Category of assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	30	5	3.17
Machinery	10	5	9.50
Transport facilities	5	5	19.00
Other facilities	5	5	19.00

3. *Recognition and measurement of fixed assets under finance lease*

As for a fixed asset under finance lease, it is a lease that actually involves the transfer of all risks and rewards related to the ownership of the asset. A fixed asset under finance lease is initially measured at the lower of the fair value of the leased asset on the inception date and present value of the minimum lease payment. Subsequent measurement of fixed assets under finance lease shall adopt such depreciation policy as applied to self-owned fixed assets for making provisions for depreciation and impairment.

#### (XIV) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction (including installation) work of the fixed assets has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XV) Intangible assets

1. *Measurement method of intangible assets*

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment contract or agreement. If the price contained in the investment contract or agreements is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

2. *Determination basis of infinite useful life*

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset generating economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

3. *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage*

Expenditure during the research stage of the internal research and development projects are charged to the current profit or loss as incurred. Expenditure during the development stage are transferred to intangible assets if the conditions for recognition of intangible assets are met. Basis for distinguishing research phase and development phase of an internal research and development project: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete, use or sell the intangible asset; (3) the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the products produced by the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development of the intangible asset and the ability to use or sell the intangible asset; (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XVI) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognized, the reversible part will not be reversed in subsequent periods.

#### (XVII) Long-term prepayments

Long-term prepayments of the Company are expenses which have been paid but benefit a period of over one year (not including one year). Long-term prepayments are amortized over the benefit period. If a long-term prepayment cannot bring benefit in future accounting periods, its residue value not yet amortized shall be transferred in full to current profit or loss.

#### (XVIII) Employee remuneration

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XVIII) Employee remuneration (Continued)

1. *Short-term benefits*

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to current profit or loss, or if otherwise required or permitted by ASBEs to costs of assets. At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognize the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognize the corresponding liabilities in the accounting period in which employees provide service, and record the same in current profit or loss or costs of relevant assets.

2. *Post-employment benefits*

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in current profit or loss or in costs of related assets. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in current profit loss or costs of relevant assets.

3. *Termination benefits*

Termination benefits provided to employees by the Company are included as an employee remuneration liability arising from termination benefits, with a corresponding charge to current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

4. *Other long-term employee benefits*

When other long-term employee benefits provided to the employees by the Company satisfied the conditions of defined contribution plans, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plans. In addition, the Company recognizes and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

#### (XIX) Estimated liability

If an obligation in relation to contingency is the present obligation of the Company, the performance of such obligation is likely to lead to an outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognized as estimated liability. The initial measurement is based on the best estimate of the expenditure required for the performance of current obligation. When the necessary expenditures fall within a range and the probability of each result in the range is identical, the best estimate which is the median of the range shall be recognized; if there are several items involved, every possible result and its relevant probability are taken into account for the best estimate to be recognized.

At the balance sheet date, the carrying amount of estimated liabilities shall be reviewed. If there is solid evidence that the carrying amount cannot reflect truly the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XX) Revenue

The Company recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation in the contract is satisfied, i.e. when customer obtained the right to control the relevant goods. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation represents the contractual commitment that a distinct good shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

When judging whether the customer obtains control of the good or not, the company should consider the following indications:

- 1) The company has a present right to the payment for the goods, which means the customer has a present obligation to pay.
- 2) The company has transferred legal title of the goods to customers, which means customers have legal title to the goods.
- 3) The company has transferred physical possession of the goods to customers, which means customers has owned the physical possession of the goods.
- 4) The company has transferred the significant risks and rewards of the ownership of the goods to the customers, which means customers have received the significant risks and rewards of the ownership of the goods.
- 5) Customers have accepted the goods.
- 6) Other indications show customers have obtained control of the goods.

In actual business, revenue from domestic sales of the Company is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; the customer has accepted the goods and obtained the control and ownership of the goods.

Revenue from overseas sales of the Company is recognized if, and only if, the following conditions are all met: The Company has declared goods to the customs based on contractual agreements; the customer obtained the bill of lading and thus gained the right to receive the goods and its ownership.



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXI) Government grants

1. *Types of government grants and accounting treatment*

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free. A government grant in monetary asset shall be recognized at the amount received or to be received. A government grant in non-monetary asset shall be recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

The government grants related to business activities are recognized as other income in the light of the nature of such business. The government grants non-related to business activities are recognized as non-operating income or expense.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognized as asset-related government grants. Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income. Any government grants related to assets are recognized as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognized as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss for the current period when such expenses are recognized while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

The Company has obtained policy-related loan interest discounts. Where the finance function allocates the interest discount funds to the lending bank, and the lending bank offers loans for the Company at a policy-related interest rate, the actual borrowing amount received is recognized as the value of borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and such policy-related interest rate discount; Where the finance directly allocates the interest discount funds to the Company, the corresponding loan interest will be used to offset the relevant borrowing expenses.

2. *Timing for recognition of governmental grants*

A government grants shall be recognised when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The governmental grants measured at the amount receivable will be recognized when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognized at the actual time of receiving such grants.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXII) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognized as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred income tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.
3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognized unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognized when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

#### (XXIII) Lease

1. Accounting treatment for operating leases: Rental expenses for operating leases shall be charged to costs of relevant assets or current profit or loss on a straight-line basis over the lease term.
2. Accounting treatment for financing leases: The carrying amount of a leased asset shall be measured at the lower of its fair value and the present value of the minimum lease payment. The difference between the carrying amount of the leased asset and the minimum lease payment shall be treated as unrecognized financing expenses and amortized using effective interest rate method over the lease term. The balance derived from deducting the unrecognized financing expenses from the minimum lease payment shall be presented as long-term payables.

#### (XXIV) Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of accounting policies described in Note (III), the Company is required to make judgements, estimates and assumptions about the carrying amounts of items in the statements that cannot be measured accurately. These judgements, estimates and assumptions are based on historical experience of the Company's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Company. The key assumptions and uncertainties in accounting estimates of the Company that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are as follow:

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### (XXIV) Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates (Continued)

##### *Expected credit losses of receivables*

As stated in Note III(X), the Company calculates the expected credit losses of receivables through default exposures of receivables and expected credit loss rates, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Company uses data such as internal historical credit loss experience, and adjusts historical data in combination with current status and forward-looking information. In considering forward-looking information, the Company uses indicators such as the risk of an economic slowdown, the external market environment, the industry risk and changes in the customer situation.

##### *Provisions for declines in the value of inventories*

As stated in Note III(XI), the Company's inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price of inventories less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. If the management of the Company revise the estimated selling price and estimated costs of completion and cost necessary to make the sale, it will affect the estimation of net realisable value of inventories and thus affect the provision for declines in the value of inventories so prepared.

##### *Expected useful life and net residual value of fixed assets*

As stated in note III(XIII), the Company determines the expected useful life and net residual value of a fixed asset based on the historical experience of the actual useful life of fixed assets of similar nature or function. Technological innovation or fierce competition in the industry will have a relatively significant impact on the estimation of the useful life of a fixed asset. The actual net residual value may also differ from the expected net residual value. If the actual useful life and net residual value are different from the initial expected amounts, the Company will make adjustments to the them.

#### (XXV) Explanation of Changes in Critical Accounting Policies and Changes in Accounting Estimates

The Ministry of Finance promulgated the Notice on Revised Format of General Financial Statements of Enterprises for 2019 (Cai Kuai [2019] No. 6) (hereinafter "Format of Financial Statements") in April 2019 and the enterprises who adopt ASBEs should prepare 2019 interim financial statements, annual financial statements and financial statements for subsequent periods in accordance with the requirement of ASBEs and the Notice.

The Company has implemented the above revised Format of Financial Statements since 1 January 2019 and adjusted the relevant accounting policies.

##### *Impact of the implementation of Format of Financial Statements*

In accordance with the requirements on the Format of Financial Statements, apart from the changes in presentation due to the implementation of the aforementioned New Standards of Financial Instruments, the Company divides "notes receivable and accounts receivable" to "notes receivable" and "accounts receivable" as well as splits "notes payable and accounts payable" to "notes payable" and "accounts payable". The Company has adjusted the corresponding period-to-period statement retrospectively. The change in accounting policy does not affect mergers, the Company's net profit and the shareholders' interests.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### IV. TAXES

#### (I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value – Added Tax (VAT)	Taxable sales	17%, 16%, 13%
Urban maintenance and construction Tax	Turnover tax payable	5%
Enterprise income Tax	Taxable income	5%, 15%, 25%

Name of Taxable Entity	Income Tax rates
Beijing Chunlizhengda Medical Instruments Co., Ltd.	15%
Beijing Zhao Yi Te Medical Devices Co., Ltd.	5%
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.	25%

#### (II) Significant preferential tax and official approval

The Company passed the certification of high and new technology enterprise review on 10 September 2018 and obtained the High and New Technology Enterprise Certificate (Certificate No.:GR201811003011; valid for 3 years) jointly issued by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance and Beijing Municipal Tax Service, State Taxation Administration. The enterprise income tax rate of January to June 2019 was levied at the preferential tax rate of 15%.

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET

#### (I) Monetary Funds

Type	Closing balance	Opening balance
Cash	609,441.71	559,410.66
Cash in bank	398,560,186.08	414,352,583.42
Total	399,169,627.79	414,911,994.08
Including: the total amount deposited overseas	144,934,490.53	166,735,651.62

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (II) Notes receivable

Type	Closing balance	Opening balance
Bank acceptance bills	69,206,722.81	66,751,543.61
Commercial acceptance bills	1,135,292.60	1,800,310.40
Less: bad debt provision		
Total	70,342,015.41	68,551,854.01

Note 1: The acceptor of the commercial acceptance bills receivable is a hospital of public institution nature, the expected credit loss rate is 0.

Note 2: Endorsed or discounted and undue bank acceptance bills and commercial acceptance bills at the balance sheet date of the Company at the end of the period are 7,873,829.00 yuan and 899,532.60 yuan respectively.

#### (III) Accounts receivable

Type	Closing balance			
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	136,958,186.56	100.00	15,021,515.95	10.97
Including: portfolios with similar credit risk features	136,958,186.56	100.00	15,021,515.95	10.97
Total	136,958,186.56	100.00	15,021,515.95	10.97

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (III) Accounts receivable (Continued)

Type	Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	82,664,137.05	100.00	12,572,906.37	15.21
Including: portfolios with similar credit risk features	82,664,137.05	100.00	12,572,906.37	15.21
<b>Total</b>	<b>82,664,137.05</b>	<b>100.00</b>	<b>12,572,906.37</b>	<b>15.21</b>

(1) Accounts receivable with provision made for bad debts using portfolios

Portfolios with similar credit risk features

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Expected Credit loss rate (%)	Bad debt provision		Expected Credit loss rate (%)	Bad debt provision
Within 1 year	119,390,347.27	5.00	5,969,517.36	64,320,449.77	5.00	3,216,022.49
1-2 years	8,246,987.32	15.00	1,237,048.10	7,658,880.68	15.00	1,148,832.10
2-3 years	3,011,802.96	50.00	1,505,901.48	4,953,509.65	50.00	2,476,754.83
Over 3 years	6,309,049.01	100.00	6,309,049.01	5,731,296.95	100.00	5,731,296.95
<b>Total</b>	<b>136,958,186.56</b>	<b>10.97</b>	<b>15,021,515.95</b>	<b>82,664,137.05</b>	<b>15.21</b>	<b>12,572,906.37</b>

Note: The aging analysis of accounts receivable is based on the month in which the business bills actually issued. The amount which occurs first has priority in settlement with respect to turnover.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (III) Accounts receivable (Continued)

(2) *Provisions made, collected or reversed for bad debts during the current period*  
Provision for bad debts made in the current period totaled 2,448,609.58 yuan, and no provision for bad debts were collected or reversed in the current period.

(3) *Details of the top 5 accounts receivable by closing balance of debtors*

Name of Party	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Total of top 5	40,778,123.77	29.77	2,635,839.66

#### (IV) Prepayments

1. *Prepayments shown by age*

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	7,628,510.60	90.97	6,059,478.60	100.00
Over 1 Year	757,000.00	9.03		
Total	8,385,510.60	100.00	6,059,478.60	100.00

2. *Details of the top 5 parties with largest prepayment balances*

Name of the party	Closing balance	Proportion to total prepayment (%)
Total of top 5	4,891,272.70	58.33

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (V) OTHER RECEIVABLES

Type	Closing balance	Opening balance
Interest receivable	387,471.23	1,299,364.38
Other receivables	2,022,511.57	2,478,267.05
Less: bad debt provision	597,004.65	1,846,324.25
Total	1,812,978.15	1,931,307.18

1. *Interest receivable*

Category of interest receivable

Item	Closing balance	Opening balance
Fixed deposit	387,471.23	1,299,364.38
Less: bad debt provision		
Total	387,471.23	1,299,364.38



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (V) OTHER RECEIVABLES (Continued)

##### 2. OTHER RECEIVABLES

Type	Closing balance			
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables with provision assessed for bad debts on an individual basis				
Other receivables with provision made for bad debts using portfolios	2,022,511.57	100.00	597,004.65	29.52
Including: portfolios with similar credit risk features	2,022,511.57	100.00	597,004.65	29.52
<b>Total</b>	<b>2,022,511.57</b>	<b>100.00</b>	<b>597,004.65</b>	<b>29.52</b>

Type	Opening balance			
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables with provision assessed for bad debts on an individual basis	1,375,000.10	55.48	1,375,000.10	100.00
Other receivables with provision made for bad debts using portfolios	1,103,266.95	44.52	471,324.15	42.72
Including: portfolios with similar credit risk features	1,103,266.95	44.52	471,324.15	42.72
<b>Total</b>	<b>2,478,267.05</b>	<b>100.00</b>	<b>1,846,324.25</b>	<b>74.50</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (V) OTHER RECEIVABLES (Continued)

##### 2. OTHER RECEIVABLES (Continued)

- (1) Other receivables with provision made for bad debts using portfolios

Portfolios with similar credit risk features

Ages	Closing balance			Opening balance		
	Book balance	Expected Credit loss rate (%)	Book balance	Expected Credit loss rate	Book balance (%)	Expected Credit loss rate
Within 1 year	1,222,388.38	5.00	61,119.42	405,468.76	5.00	20,273.44
1-2 years	149,635.00	15.00	22,445.25	93,731.43	15.00	14,059.71
2-3 years	274,096.43	50.00	137,048.22	334,151.52	50.00	167,075.76
Over 3 years	376,391.76	100.00	376,391.76	269,915.24	100.00	269,915.24
Total	2,022,511.57	29.52	597,004.65	1,103,266.95	42.72	471,324.15

- (2) Provisions made, collected or reversed for bad debts during the current period  
Provision for bad debts made in current period totaled -1,249,319.60 yuan, and no provision for bad debts were collected or reversed in the current period.

- (3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Petty cash	563,788.15	179,476.58
Deposit, guarantee deposit	779,006.83	609,779.52
Others	679,716.59	1,689,010.95
Total	2,022,511.57	2,478,267.05

- (4) Details of the top 5 other receivables by closing balance of debtors

Name of debtor	Nature of receivables	Closing balance	Age	Proportion to the balance of other receivables (%)	Balance of bad debt provision
Debtor A	Other	260,000.00	Within 1 year	12.86	13,000.00
Debtor B	Deposit	200,000.00	2-3 years	9.89	100,000.00
Debtor C	Petty cash	181,626.18	Within 1 year	8.98	9,081.31
Debtor D	Deposit	128,828.00	Over 5 years	6.37	128,828.00
Debtor E	Deposit	120,000.00	1-2 years	5.93	18,000.00
Total		890,454.18		44.03	268,909.31

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (VI) Inventories

##### 1. Category of inventories

Type of inventory	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw material	60,722,011.40	1,357,235.95	59,364,775.45	19,658,914.75	1,357,235.95	18,301,678.80
Goods sold	3,167,293.00		3,167,293.00	2,233,143.51		2,233,143.51
Work in progress	37,722,112.58	260,135.53	37,461,977.05	24,306,417.94	260,135.53	24,046,282.41
Stock inventory	76,821,525.40	3,742,282.68	73,079,242.72	55,026,842.32	3,742,282.68	51,284,559.64
<b>Total</b>	<b>178,432,942.38</b>	<b>5,359,654.16</b>	<b>173,073,288.22</b>	101,225,318.52	5,359,654.16	95,865,664.36

##### 2. Movement in provision for inventory write-down

Type of inventory	Opening balance	Provision for the current period	Decrease in the current period		Closing balance
			Reversal	Write-off	
Raw material	1,357,235.95				1,357,235.95
Work in progress	260,135.53				260,135.53
Stock inventory	3,742,282.68				3,742,282.68
<b>Total</b>	5,359,654.16				5,359,654.16

Note 1: The Company confirmed that the net realizable value of inventories is determined based on the amount of the estimated selling price less the selling expenses and taxes.

#### (VII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	3,369,240.50	119,031.70
Cost of return receivable	4,388,160.00	3,669,383.30
Prepaid enterprise income tax	29,695.39	
<b>Total</b>	<b>7,787,095.89</b>	3,788,415.00

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (VIII) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	93,159,189.57	82,449,533.63
Fixed assets clearance		
Less: Provision for impairment		
Total	93,159,189.57	82,449,533.63

#### 1. Details of fixed assets

Item	Buildings and structure	Mechanical equipment	Transport facilities	Electronic Device	Total
<b>I. Original carrying amount</b>					
1. Opening balance	20,379,712.55	92,455,370.18	2,646,786.01	1,359,256.44	116,841,125.18
2. Increase in the current period		14,924,730.12	673,275.17	332,655.07	15,930,660.36
(1) Acquisition		8,217,833.57	673,275.17	332,655.07	9,223,763.81
(2) Transferred from construction in progress		6,706,896.55			6,706,896.55
3. Decrease in the current period		2,378,113.28	286,526.50		2,664,639.78
4. Closing balance	20,379,712.55	105,001,987.02	3,033,534.68	1,691,911.51	130,107,145.76
<b>II. Accumulated depreciation</b>					
1. Opening balance	3,935,130.32	27,926,445.68	1,737,311.68	792,703.87	34,391,591.55
2. Increase in the current period	353,089.26	4,241,536.77	144,433.32	107,317.70	4,846,377.05
(1) Provision	353,089.26	4,241,536.77	144,433.32	107,317.70	4,846,377.05
3. Decrease in the current period		2,034,495.78	255,516.63		2,290,012.41
4. Closing balance	4,288,219.58	30,133,486.67	1,626,228.37	900,021.57	36,947,956.19
<b>III. Provision for impairment</b>					
1. Opening balance					
2. Increase in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
<b>IV. Carrying amount</b>					
1. Closing carrying amount	16,091,492.97	74,868,500.35	1,407,306.31	791,889.94	93,159,189.57
2. Opening carrying amount	16,444,582.23	64,528,924.50	909,474.33	566,552.57	82,449,533.63

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled 8,853,808.14 yuan. There were no fixed assets of which certificates of title have not been obtained at the end of the period.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (IX) Construction in progress

Type	Closing balance	Opening balance
Projects of construction in progress	30,825,640.13	21,046,594.23
Less: Provision for impairment		
Total	30,825,640.13	21,046,594.23

#### 1. Basic situation of projects of construction in progress

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book balance	Provision for impairment		Book balance	Provision for impairment	
Expansion of production plant and facilities in Daxing Biomedicine Industrial Base of Zhongguancun Science Park (Daxing New Production Base) – First stage construction work	29,503,840.13		29,503,840.13	14,339,697.68		14,339,697.68
Equipment installation work	169,200.00		169,200.00	6,706,896.55		6,706,896.55
Other miscellaneous work	1,152,600.00		1,152,600.00			
Total	30,825,640.13		30,825,640.13	21,046,594.23		21,046,594.23

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (IX) Construction in progress (Continued)

##### 2. Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase in the current period	Transferred to fixed assets	Other decrease	Closing balance
Expansion of production plant and facilities in Daxing Biomedicine Industrial Base of Zhongguancun Science Park (Daxing New Production Base) – First stage construction work	18,429.65	14,339,697.68	15,164,142.45			29,503,840.13
Total	18,429.65	14,339,697.68	15,164,142.45			29,503,840.13

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in current period	Interest capitalization rate in the current period (%)	Source of Funding
Expansion of production plant and facilities in Daxing Biomedicine Industrial Base of Zhongguancun Science Park (Daxing New Production Base) – First stage construction work	16.01	16.01				Self-generated funds and publicly raised fund
Total	16.01	16.01				

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (X) Intangible assets

Item	Land use right	Software	Total
I. Original carrying amount			
1. Opening balance	37,052,810.33	1,642,195.85	38,695,006.18
2. Increased amount in the current period			
(1) Acquisition			
3. Decreased amount in the current period			
4. Closing balance	37,052,810.33	1,642,195.85	38,695,006.18
II. Accumulated amortization			
1. Opening balance	4,925,708.61	654,984.36	5,580,692.97
2. Increased amount in the current period	313,288.37	139,449.09	452,737.46
(1) Provision	313,288.37	139,449.09	452,737.46
3. Decreased amount in the current period			
4. Closing balance	5,238,996.98	794,433.45	6,033,430.43
III. Provision for impairment			
1. Opening balance			
2. Increased amount in the current period			
3. Decreased amount in the current period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	31,813,813.35	847,762.40	32,661,575.75
2. Opening carrying amount	32,127,101.72	987,211.49	33,114,313.21

#### (XI) Long term prepayments

Type	Opening balance	Increase in current period	Amortization in the current period	Other decrease	Closing balance
Renovation costs	788,333.39		109,999.98		678,333.41
Total	788,333.39		109,999.98		678,333.41

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XII) Deferred income tax assets and deferred income tax liabilities

1. *Deferred income tax assets, deferred income tax liabilities are not presented in the net value after offset*

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	3,131,391.70	20,978,174.76	2,984,346.94	19,778,884.78
Expected sales rebate	4,471,801.96	29,812,013.07	4,127,942.30	27,519,615.42
Return payables	2,269,737.93	15,131,586.23	1,897,956.88	12,653,045.87
Subtotal	9,872,931.59	65,921,774.06	9,010,246.12	59,951,546.07
Deferred income tax liabilities:				
Cost of return receivable	658,224.00	4,388,160.00	550,407.50	3,669,383.30
Accelerated depreciation of fixed assets	1,690,703.35	11,271,355.70	1,290,874.65	8,605,831.09
Subtotal	2,348,927.35	15,659,515.70	1,841,282.15	12,275,214.39

#### (XIII) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for the acquisition of long-term assets	4,222,007.23	7,131,040.62
Total	4,222,007.23	7,131,040.62



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XIV) ACCOUNTS PAYABLE

(1) Details

Item	Closing balance	Opening balance
Acquired materials	82,386,141.61	47,773,363.18
Acquired machines and equipment	6,490,181.20	4,156,707.23
Total	88,876,322.81	51,930,070.41

(2) By age

Item	Closing balance	Opening balance
Within 1 year (inclusive)	87,043,690.63	50,623,375.80
Over 1 year	1,832,632.18	1,306,694.61
Total	88,876,322.81	51,930,070.41

Note: The aging analysis of accounts payable is based on the month in which the business bills actually issued. The business which occurs first has priority in settlement with respect to turnover.

#### (XV) Advances received

By age

Item	Closing balance	Opening balance
Within 1 year (inclusive)	5,500.00	
Over 1 year	755,890.24	
Total	761,390.24	

#### (XVI) Contract liabilities

By age

Item	Closing balance	Opening balance
Within 1 year (inclusive)	48,976,839.92	47,422,370.26
Over 1 year	4,353,155.30	4,312,946.65
Total	53,329,995.22	51,735,316.91

Note: Amount of RMB28,076,787.76 included in contract liabilities at the beginning of the year was recognized as income in January to June 2019.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XVII) Employee remuneration payable

1. *Employee remuneration payable shown by category*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term remuneration	11,227,592.81	49,127,564.98	50,040,422.84	<b>10,314,734.95</b>
Post-employment benefits – defined contribution plan	566,545.21	2,633,845.33	2,639,171.80	<b>561,218.74</b>
<b>Total</b>	<b>11,794,138.02</b>	<b>51,761,410.31</b>	<b>52,679,594.64</b>	<b>10,875,953.69</b>

2. *Remuneration of short-term employees*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wage, bonus, allowance and subsidy	10,274,016.20	43,237,624.89	44,767,027.17	<b>8,744,613.92</b>
Employee welfare premium		1,006,218.90	1,006,218.90	
Social welfare premium	447,190.54	2,238,135.59	2,185,222.31	<b>500,103.82</b>
Including: Medicare premium	392,235.32	1,996,223.47	1,948,979.47	<b>439,479.32</b>
Occupational injuries premium	21,804.09	79,902.61	78,012.85	<b>23,693.85</b>
Maternity premium	33,151.13	162,009.51	158,229.99	<b>36,930.65</b>
Housing provident funds	94,968.00	1,247,117.00	1,247,117.00	<b>94,968.00</b>
Trade union fund and employee education fund	411,418.07	1,398,468.60	834,837.46	<b>975,049.21</b>
<b>Total</b>	<b>11,227,592.81</b>	<b>49,127,564.98</b>	<b>50,040,422.84</b>	<b>10,314,734.95</b>

3. *Defined contribution plan*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	542,332.83	2,524,023.52	2,531,864.09	<b>534,492.26</b>
Unemployment insurance premium	24,212.38	109,821.81	107,307.71	<b>26,726.48</b>
<b>Total</b>	<b>566,545.21</b>	<b>2,633,845.33</b>	<b>2,639,171.80</b>	<b>561,218.74</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XVIII) Taxes payable

Taxes	Closing balance	Opening balance
VAT	33,199.86	2,831,120.80
Enterprise income tax	9,494,380.80	11,649,130.13
Urban maintenance and construction tax	157,496.51	734,773.21
Individual income tax	193,566.66	112,020.12
Education surcharge	94,910.16	440,863.93
Local education surcharge	67,429.33	298,752.09
Stamp duty	81,035.62	41,200.74
Withholding tax	2,129,748.60	
Total	12,251,767.54	16,107,861.02

#### (XIX) Other payables

Type	Closing balance	Opening balance
Dividends payable	31,196,724.80	
Other payables	33,116,943.00	27,847,722.41
Total	64,313,667.80	27,847,722.41

##### 1. Dividends payable

Name	Closing balance	Opening balance
Ordinary share dividend	31,196,724.80	
Total	31,196,724.80	

##### 2. Other payables

Categorized by nature

Nature of other payables	Closing balance	Opening balance
Accruals for sales services	15,113,816.32	13,902,400.00
Guarantee deposits	17,122,708.21	13,235,543.00
Others	880,418.47	709,779.41
Total	33,116,943.00	27,847,722.41

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XX) Other current liabilities

Type	Closing balance	Opening balance
Return payables	15,131,586.23	12,653,045.87
Total	15,131,586.23	12,653,045.87

#### (XXI) Deferred income

##### 1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	12,690,682.43	5,300,000.00	1,347,440.81	16,643,241.62	
Total	12,690,682.43	5,300,000.00	1,347,440.81	16,643,241.62	

##### 2. Items of government grants

Item	Opening balance	Amount of grants increased for the period	Amount included in the current profit or loss	Closing balance	Related to assets/related to income	Remarks
Grant for industrialization of ceramic femoral head on ceramic hip joint prostheses	3,254,115.76		283,500.00	2,970,615.76	Related to assets	
Grant for PEEK interbody fusion cage	1,464,100.00		99,825.00	1,364,275.00	Related to assets	
Grant for innovation ability development on joint prosthesis of Beijing engineering laboratory	6,657,000.00		475,500.00	6,181,500.00	Related to assets	
Grant for clinical study and construction project of pilot production capacity of spinal artificial vertebral fixation system	1,315,466.67		85,400.00	1,230,066.67	Related to assets	
Grant for National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis Achievement Transformation Program		5,000,000.00	403,215.81	4,596,784.19	Related to assets/related to income	
Clinical study and production capacity building for VE hip joint prostheses		300,000.00		300,000.00	Related to income	
Total	12,690,682.43	5,300,000.00	1,347,440.81	16,643,241.62		

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXII) Share capital

Item	Opening balance	Issue of new shares	Movements for the period (+, -)			Subtotal	Closing balance
			Bonus shares	Reserves transferred to shares	Others		
Held by domestic natural persons	50,000,000.00		50,000,000.00			50,000,000.00	100,000,000.00
H shares	19,170,400.00		19,170,400.00			19,170,400.00	38,340,800.00
Total shares	69,170,400.00		69,170,400.00			69,170,400.00	138,340,800.00

Note: One bonus share for every one existing share held by the shareholders whose names appear on the register of members of the Company on the date of extraordinary general meeting has been approved at an extraordinary general meeting of the Company held on 15 February 2019. Following the completion of issuing bonus shares, the total number of shares of the Company is 138.3408 million shares.

#### (XXIII) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Capital premium		228,239,180.01		228,239,180.01
II. Other capital reserve		1,800,000.00		1,800,000.00
Total		230,039,180.01		230,039,180.01

#### (XXIV) Surplus reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve		41,040,495.62		41,040,495.62
Total		41,040,495.62		41,040,495.62

#### (XXV) Undistributed surplus

Item	Closing balance	
	Amount	Proportion of appropriation or distribution
Balance before adjustment at the end of preceding period	287,889,810.26	
Total balance at the beginning of the adjustment (Increase+, decrease-)		
Balance after adjustment at the beginning of the period	287,889,810.26	
Add: Net profit attributable to owners of the parent company for the current period	109,189,213.16	
Less: Appropriation of statutory surplus reserve		10% of the net profit of the parent company
Dividend payable on ordinary shares	47,935,087.20	
Ordinary share dividend transferred to share capital	69,170,400.00	
Undistributed profits at end of period	279,973,536.22	

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXVI) Operating revenue and operating cost

1. Operating revenue and operating cost by major categories

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal from main operation	<b>374,799,625.32</b>	<b>120,700,996.06</b>	213,141,160.11	76,297,339.85
Medical device	<b>374,799,625.32</b>	<b>120,700,996.06</b>	213,141,160.11	76,297,339.85
II. Subtotal from other operation	<b>184,193.60</b>	<b>290,637.96</b>	1,955.00	1,109,978.32
Waste materials	<b>184,193.60</b>	<b>290,637.96</b>	1,955.00	1,109,978.32
Total	<b>374,983,818.92</b>	<b>120,991,634.02</b>	213,143,115.11	77,407,318.17

2. Operating revenue for the current period by time of revenue recognition

Time of revenue recognition	Medical revenue products	Revenue from other operation
Recognition at a point of time	374,799,625.32	184,193.60
Total	374,799,625.32	184,193.60

#### (XXVII) Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	<b>1,016,575.91</b>	950,997.79
Education surcharge	<b>609,945.75</b>	570,598.68
Local education surcharge	<b>406,630.35</b>	380,399.10
Stamp duty	<b>198,648.48</b>	75,971.65
Housing property tax	<b>91,895.04</b>	183,790.08
Land use tax	<b>75,548.78</b>	75,548.78
Vehicle and vessel use tax	<b>4,100.00</b>	5,200.00
Total	<b>2,403,344.31</b>	2,242,506.08

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXVIII) Selling expenses

Item	Amount for the current period	Amount for the previous period
Market development expenses	71,633,441.49	50,411,128.44
Employee benefits	20,800,007.53	7,603,342.45
Office expenses	945,597.52	391,040.71
Transportation expenses	942,955.66	589,714.90
Others	823,170.82	638,060.88
Total	95,145,173.02	59,633,287.38

#### (XXIX) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	4,853,192.16	7,184,176.76
Agency fees	1,683,726.11	1,817,720.28
Depreciation and amortization expenses	708,972.98	1,040,534.88
Office and travelling expenses	319,725.36	312,903.53
Rentals and property expenses	619,769.05	417,918.99
Business entertainment expenses	416,305.31	201,560.65
Others	1,603,583.79	1,679,489.49
Total	10,205,274.76	12,654,304.58

#### (XXX) Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	6,577,338.94	4,488,807.58
Supplies consumed	10,998,009.19	580,193.36
Technical services expenses	2,599,477.94	
Travel and meeting expenses	2,572,992.24	
Depreciation and amortization	1,501,829.74	687,897.30
Fuel expenses	603,443.34	185,982.10
Examination and testing expenses	559,393.68	2,351,395.14
Other	369,768.73	707,972.28
Total	25,782,253.80	9,002,247.76

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXXI) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expenses		
Less: Interest income	3,135,056.54	2,828,088.81
Foreign exchange losses	1,383,653.07	
Less: Foreign exchange gains		2,250,097.45
Handling fee expenses	60,425.32	12,953.16
Total	-1,690,978.15	-5,065,233.10

#### (XXXII) Assets impairment loss

Item	Amount for the current period	Amount for the previous period
Inventory write-down loss		1,464,022.75
Total		1,464,022.75

#### (XXXIII) Credit impairment loss

Item	Amount for the current period	Amount for the previous period
Bad debt loss	1,199,289.98	-140,846.90
Total	1,199,289.98	-140,846.90

#### (XXXIV) Other income

Item	Amount for the current period	Amount for the previous period	Related to assets/ related to income
Government grant	1,537,833.81	1,594,767.16	Related to assets/ related to income
Total	1,537,833.81	1,594,767.16	

Note: Among the government grants included in other income of the Company during the current period, deferred income of 1,347,440.81 yuan was carried forward, as detailed in note V(XXI).



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXXV) Gain from disposal of assets

Item	Amount for the current period	Amount for the previous period
Disposal gains or losses arising from the disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale	-67,826.39	
Total	-67,826.39	

#### (XXXVI) Non-operating income

##### 1. Non-operating income by item

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
Others	2,380.00		2,380.00
Total	2,380.00		2,380.00

#### (XXXVII) Non-operating expense

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
External donation	10,000.00		10,000.00
Others		200.00	
Total	10,000.00	200.00	10,000.00

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXXVIII) Income tax expenses

1. *Details of income tax expenses*

Item	Amount for the current period	Amount for the previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	13,576,041.71	9,501,899.29
Deferred income tax expenses	-355,040.27	-2,367,296.54
Total	13,221,001.44	7,134,602.75

2. *Reconciliation between accounting profit and income tax expenses*

Item	Amount
Total profit	122,410,214.60
Income tax expenses based on statutory/applicable tax rate	18,361,532.19
Effect of different tax rate applicable to subsidiaries	-79,494.42
Effect of prior income tax adjustment	-2,527,055.72
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	276,587.49
Effect of utilization of deductible temporary differences or deductible losses not recognized as deferred income tax assets in prior periods	
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets in current period	89,935.46
Effects of research and development expenses and additional deductions	-2,900,503.56
Income tax expenses	13,221,001.44

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XXXIX) Cash flow statement

1. *Other cash receipts or payment related to operating activities*

Item	Amount for the current period	Amount for the previous period
Other cash receipts or payment related to operating activities	<b>11,282,622.38</b>	2,817,591.05
Including: Net receipts from current accounts	<b>4,513,559.75</b>	1,965,896.02
Amount of government grant received	<b>5,490,393.00</b>	436,718.03
Interest receipts from deposit and others	<b>1,278,669.63</b>	414,977.00
Other cash payment or payment related to operating activities	<b>91,923,418.47</b>	60,444,282.75
Including: Expenses of cash payment	<b>91,852,993.15</b>	60,431,129.59
Handling fee and other expenses	<b>70,425.32</b>	13,153.16

2. *Other cash receipts or payment related to investment activities*

Item	Amount for the current period	Amount for the previous period
Other cash receipts or payment related to investment activities	<b>2,770,660.06</b>	2,391,370.78
Including: Interest receipts from fixed deposit	<b>2,770,660.06</b>	2,391,370.78

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XL) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	109,189,213.16	50,405,472.80
Add: Provision for assets impairment		1,464,022.75
Credit impairment loss	1,199,289.98	-140,846.90
Depreciation of fixed assets, oil and gas assets, productive biological assets	4,846,377.05	2,878,227.18
Amortization of intangible assets	452,737.46	483,383.94
Amortization of long term prepayments	109,999.98	109,999.98
Loss on disposal of fixed assets, intangible assets and other long term assets (Gain represented by “-”)	67,826.39	
Fixed assets retirement loss (Gain represented by “-”)		
Losses on changes in fair value (Gain represented by “-”)		
Financial expenses (Gain represented by “-”)	-1,786,005.07	-2,536,887.04
Investments losses (Gain represented by “-”)		
Decrease of deferred income tax assets (Increase represented by “-”)	-862,685.47	-2,540,297.92
Increase of deferred income tax liabilities (Decrease represented by “-”)	507,645.20	173,001.38
Decrease in inventories (Increase represented by “-”)	-77,207,623.86	-30,252,311.35
Decrease in operating receivables (Increase represented by “-”)	-61,953,168.32	-16,908,483.60
Increase of operating payables (Decrease represented by “-”)	42,694,257.02	31,217,159.15
Others		
Net cash flow from operating activities	17,257,863.52	34,352,440.37
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented under finance leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	399,169,627.79	389,017,028.85
Less: Opening balance of cash	414,911,994.08	371,618,428.62
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-15,742,366.29	17,398,600.23

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### V. NOTE TO SIGNIFICANT ITEMS OF THE COMBINED BALANCE SHEET (Continued)

#### (XL) Supplemental information to the cash flow statement (Continued)

##### 2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	<b>399,169,627.79</b>	414,911,994.08
Including: Cash on hand	<b>609,441.71</b>	559,410.66
Cash in bank on demand for payment	<b>398,560,186.08</b>	414,352,583.42
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	<b>399,169,627.79</b>	414,911,994.08

#### (XL) Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Monetary capital			<b>27,773,407.66</b>
Including: USD	<b>678,992.90</b>	<b>6.8747</b>	<b>4,667,872.49</b>
HKD	<b>26,266,438.28</b>	<b>0.8797</b>	<b>23,105,535.17</b>
Accounts receivable			
Including: USD	<b>1,891,677.83</b>	<b>6.8747</b>	<b>13,004,717.58</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### VI. CHANGE IN SCOPE OF CONSOLIDATION

No changes of consolidation scope occurred in the current period.

### VII. INTEREST IN OTHER ENTITIES

#### Interest in subsidiaries

Composition of the corporate group

Name of subsidiaries	Type of corporation	Place of registration	Registered capital (0'000)	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
						Directly	Indirectly	
Beijing Zhao Yi Te Medical Devices Co., Ltd.*	Company with limited liability	Beijing	66.00	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.*	Company with limited liability	Hubei Province	300.00	Hubei Province	Manufacture and sales of alloy materials	100.00		Through capital contribution to establish a new company

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company aims to seek the balance between the risks and benefits from its risk management with the use of financial instruments and to mitigate the adverse effects that the risks have on the Company's operating results. Based on such objectives, the basic strategies of the Company's risk management are to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to limits promptly and reliably.

The Company has exposure to the following risks from its daily use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning the management of such risks. Details are as follows:

#### (I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to bank balances and receivables. In order to control such risks, the Company has taken the following measures respectively:

1. *Bank balances*

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. *Receivables*

The Company performs credit assessment on customers who use credit settlement on a regular basis. The Company selects and enters into transactions with credible and well-reputed customers based on credit assessment result, and monitors its balance of receivables, to avoid significant risks in bad debts of the Company.

As the Company's credit risks of accounts receivable fall into several business partners and customers, as of 30 June 2019, 29.77% (31 December 2018: 36.26%) of the total accounts receivable of the Company was due from the five largest customers of the Company. The Company has no significant concentration of credit risk.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

#### (II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts and integrates long and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility.

At the balance sheet date, the undiscounted contractual cash flows of the financial assets and financial liabilities of the Company by their maturity date are presented as follows:

Items	30 June 2019				Total
	Within 1 year	1-2 years	2-3 years	Over 3 year	
Financial assets					
Monetary capital	399,169,627.79				399,169,627.79
Accounts receivable – original value	136,958,186.56				136,958,186.56
Other receivables – original value	2,022,511.57				2,022,511.57
Subtotal	538,150,325.92				538,150,325.92
Financial liabilities					
Accounts payable	88,876,322.81				88,876,322.81
Other payables	33,116,943.00				33,116,943.00
Subtotal	121,993,265.81				121,993,265.81

#### (III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price. Market risk mainly comprises interest risk and foreign currency risk.

##### 1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company does not have interest-bearing borrowings, and the risk of changes in market interest rates is not significant.

##### 2. Foreign currency risk

Foreign currency risk is the risk that an enterprise may encounter fluctuation in fair value of financial instrument or future cash flows resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level. The Company is mainly operated in mainland China, whose main activities are denominated in Renminbi, hence, the Company bears insignificant market risk arising from foreign exchange changes.

Please refer to remarks of other foreign currency item of the notes to items of consolidated financial statements under the notes to these financial statements for details in the Company's foreign currency and liabilities at the end of the period.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### IX. CAPITAL MANAGEMENT

The objective of the Company's capital management policy is to ensure that the Company continues to operate as a going concern, so as to provide returns to the shareholders and income to other stakeholders, while maintaining the optimum capital structure to lower the cost of capital.

The Company uses the gearing ratio, which is calculated as total debts divided by total assets, to monitor the condition of capital management. The gearing ratio of the Company is shown below:

Items	30 June 2019	31 December 2018
Gearing ratio	27.73%	22.90%

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (I) Actual controllers of the Company

Actual controllers	Nationality	Position in the Company	Proportion of shareholding over the Company (%)	Proportion of voting rights over the Company (%)
Shi Chunbao	PRC	Chairman and General Manager	35.04	35.04
Yue Shujun	PRC	Executive Director and Deputy General Manager	28.32	28.32

Note: Shi Chunbao and Yue Shujun are a couple.

#### (II) Subsidiaries of the Company

Please refer to Note "VII. Interest in other entities" for details.

#### (III) Other related party of the Company

Name of other related party	Relationships of other related party with the Company
Beijing Gaoyang Materials Centre	Guo Fuxiang, person-in-charge of the corporation is the husband of Shi Chunbao's cousin



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (IV) Related party transactions

*Related party transactions for sale and purchase of goods and rendering and acceptance of services*

Name of related party	Type of related party transaction	Content of related party transaction	Method of pricing and procedure of decision-making of related party transaction	Amount for the current period		Amount for the previous period	
				Amount	Proportion to the amount of similar transaction (%)	Amount	Proportion to the amount of similar transaction (%)
Sale of goods and rendering of services:							
Beijing Gaoyang Materials Centre	Sale of goods	Medical devices	Market price	-296,739.80	-0.08%	6,780,662.23	3.18

#### (v) Receivables from or payable to related parties

*Receivables*

Items	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivables	Beijing Gaoyang Materials Centre	4,824,316.64	632,681.80	5,467,470.64	273,373.53

### XI. COMMITMENTS AND CONTINGENCIES

#### (I) Commitments

As of 30 June 2019, the Company has no commitments needed to be disclosed.

#### (II) Contingencies

As of 30 June 2019, the Company has no contingencies needed to be disclosed.

### XII. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, there have been no events after the balance sheet date that require explanation.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIII. OTHER SIGNIFICANT EVENTS

#### (I) Segment Report

The Company is mainly engaged in the manufacture and trading of surgical implants, instruments and related products. Based on the Company's internal organizational structure, management requirements and internal reporting policies, the Company's business constitutes of one single reportable segment, i.e. manufacture and trading of surgical implants, instruments and related products. In the perspective of the Company's internal organizational structure, management requirements and internal reporting policies, operating segment is not required and there is no segment report needed to be disclosed.

#### (II) Auditor's remuneration

Auditor's remuneration	Amount for the current period	Amount for the previous period
Total	200,000.00	200,000.00

#### (III) Emoluments of directors, supervisors and employees

##### 1. Emoluments of directors and supervisors

Director/supervisor	Wage, allowance, subsidy and bonus				Social insurance premium and housing provident fund	Pension	Others	Total
	Fees	Basic salary	Allowance and subsidy	Bonus				
Director								
Shi Chunbao		300,170.00		15,000.00	9,797.76			324,967.76
Wang Jianliang		111,218.00		42,948.32	9,346.56			163,512.88
Yue Shujun		210,754.00		15,000.00	9,797.76			235,551.76
Lin Yiming								
Tong Xiaobo	50,000.00							50,000.00
Ge Changyin	50,000.00							50,000.00
Ho Wai Ip	50,000.00							50,000.00
Subtotal for directors	150,000.00	622,142.00		72,948.32	28,942.08			874,032.40
Supervisor								
Zhang Jinyong								
Pei Xiaohui								
Zhang Lanlan		66,050.06			9,233.76			75,283.82
Subtotal for supervisors		66,050.06			9,233.76			75,283.82
Total	150,000.00	688,192.06		72,948.32	38,175.84			949,316.22

Note 1: Lin Yiming's remuneration was not paid by the Company during his term of office.

Note 2: Zhang Jinyong and Pei Xiaohui's remunerations were not paid by the Company during their terms of office.

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIII. OTHER SIGNIFICANT EVENTS (Continued)

#### (III) Emoluments of directors, supervisors and employees (Continued)

##### 2. Five highest paid employees

The five highest paid employees for the year include two directors, their emoluments are reflected in the emoluments of directors and supervisors, the emoluments of the remaining three highest paid employees for the year are as follows:

Items	Amount for the current period
Wage, allowance and subsidy	334,987.44
Bonus	404,670.81
Social insurance premium and housing provident funds	28,039.68
<b>Total</b>	<b>767,697.93</b>

Note: Of the emoluments paid to the above three employees for the period, the emoluments of all of them were within 1,000,000.00 yuan.

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

#### (I) Accounts receivable

Type	Closing balance		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivables with provision assessed for bad debts on an individual basis				
Accounts receivables with provision made for bad debts using portfolios				
Including: portfolios with similar credit risk features	135,592,529.38	99.16	14,950,573.09	11.03
Portfolio of related parties with the scope of consolidation	1,143,082.50	0.84		
Subtotal for portfolio	136,735,611.88	100.00	14,950,573.09	10.93
<b>Total</b>	<b>136,735,611.88</b>	<b>100.00</b>	<b>14,950,573.09</b>	<b>10.93</b>

Type	Opening balance		Bad debt provision	
	Book balance Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivables with provision assessed for bad debts on an individual basis				
Accounts receivables with provision made for bad debts using portfolios				
Including: portfolios with similar credit risk features	80,809,336.85	99.07	12,480,166.36	15.44
Portfolio of related parties with the scope of consolidation	758,088.00	0.93		
Subtotal for portfolio	81,567,424.85	100.00	12,480,166.36	15.30
<b>Total</b>	<b>81,567,424.85</b>	<b>100.00</b>	<b>12,480,166.36</b>	<b>15.30</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (Continued)

#### (I) Accounts receivable (Continued)

##### 1. Accounts receivables with provision made for bad debts using portfolios

##### (1) Portfolios with similar credit risk features

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Expected credit loss rate (%)	Bad debt provision		Expected credit loss rate (%)	Bad debt provision
Within 1 year	118,051,290.09	5.00	5,902,564.50	62,465,649.57	5.00	3,123,282.48
1-2 years	8,220,387.32	15.00	1,233,058.10	7,658,880.68	15.00	1,148,832.10
2-3 years	3,011,802.96	50.00	1,505,901.48	4,953,509.65	50.00	2,476,754.83
Over 3 years	6,309,049.01	100.00	6,309,049.01	5,731,296.95	100.00	5,731,296.95
<b>Total</b>	<b>135,592,529.38</b>	<b>11.03</b>	<b>14,950,573.09</b>	<b>80,809,336.85</b>	<b>15.44</b>	<b>12,480,166.36</b>

(2) Provisions made, collected or reversed for bad debts during the current period  
Provision for bad debts made in current period totaled 2,470,406.73 yuan, and no provision for bad debts were collected or reversed in the current period.

##### 2. Details of the top 5 accounts receivable by closing balance of debtors

Name of party	Closing balance	Proportion to total accounts receivable (%)	Balance of bad debt provision
Total of top 5	40,778,123.77	29.82	2,635,839.66

#### (II) Other receivables

Type	Closing balance	Opening balance
Interest receivable	387,471.23	1,299,364.38
Dividend receivable		
Other receivables	2,140,109.33	2,395,864.81
Less: Bad debt provision	514,602.41	1,763,922.01
<b>Total</b>	<b>2,012,978.15</b>	<b>1,931,307.18</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (Continued)

#### (II) Other receivables (Continued)

1. Interest receivable

Classification of interest receivables

Item	Closing balance	Opening balance
Fixed deposit	387,471.23	1,299,364.38
Less: Bad debt provision		
<b>Total</b>	<b>387,471.23</b>	<b>1,299,364.38</b>

2. Disclosure of other receivables by category

Type	Closing balance			
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables with provision assessed for bad debts on an individual basis				
Other receivables with provision made for bad debts using portfolios Including: portfolios with similar credit risk features	1,940,109.33	90.65	514,602.41	26.52
Portfolio of related parties with the scope of consolidation	200,000.00	9.35		
<b>Total</b>	<b>2,140,109.33</b>	<b>100.00</b>	<b>514,602.41</b>	<b>24.05</b>

Type	Opening balance			
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables with provision assessed for bad debts on an individual basis	1,375,000.10	57.39	1,375,000.10	100.00
Other receivables with provision made for bad debts using portfolios Including: portfolios with similar credit risk features	1,020,864.71	42.61	388,921.91	38.10
<b>Total</b>	<b>2,395,864.81</b>	<b>100.00</b>	<b>1,763,922.01</b>	<b>73.62</b>

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (Continued)

#### (II) Other receivables (Continued)

##### 2. Disclosure of other receivables by category (Continued)

##### (1) Other receivables with provision made for bad debts using portfolios

Portfolios with similar credit risk features

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	1,222,388.38	5.00	61,119.42	405,468.76	5.00	20,273.44
1-2 years	149,635.00	15.00	22,445.25	93,731.43	15.00	14,059.71
2-3 years	274,096.43	50.00	137,048.22	334,151.52	50.00	167,075.76
Over 3 years	293,989.52	100.00	293,989.52	187,513.00	100.00	187,513.00
Total	1,940,109.33	26.52	514,602.41	1,020,864.71	38.10	388,921.91

##### (2) Provisions made, collected or reversed for bad debts during the current period Provision for bad debts made in current period totaled -1,249,319.60 yuan, and no provision for bad debts were collected or reversed in the current period.

##### (3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Within the scope of combination	200,000.00	
Petty cash	563,788.15	179,476.58
Deposit, guarantee deposit	779,006.83	609,779.52
Others	597,314.35	1,606,608.71
Total	2,140,109.33	2,395,864.81

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (Continued)

#### (II) Other receivables (Continued)

2. Disclosure of other receivables by category (Continued)

(4) Details of the top 5 other receivables by closing balance of debtors

Name of debtor	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Debtor A	Others	260,000.00	Within 1 year	12.15	13,000.00
Debtor B	Deposit	200,000.00	2-3 years	9.35	100,000.00
Debtor C	Current account	200,000.00	Within 1 year	9.35	
Debtor D	Petty cash	181,626.18	Within 1 year	8.49	9,081.31
Debtor E	Deposit	128,828.00	Over 5 years	6.02	128,828.00
Total		970,454.18		45.36	250,909.31

#### (III) Long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	2,665,263.00		2,665,263.00	1,665,263.00		1,665,263.00
Total	2,665,263.00		2,665,263.00	1,665,263.00		1,665,263.00

## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XIV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (Continued)

#### (III) Long-term equity investments (Continued)

*Investment in subsidiaries*

Investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for	Closing
					impairment made in current period	balance of provision for impairment
Beijing Zhao Yi Te Medical Devices Co., Ltd.*	665,263.00			665,263.00		
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.*	1,000,000.00	1,000,000.00		2,000,000.00		
<b>Total</b>	<b>1,665,263.00</b>	<b>1,000,000.00</b>		<b>2,665,263.00</b>		

#### (IV) Operating revenue and operating cost

1. *Operating revenue and operating cost by major category*

Items	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
I. Subtotal from main operation	373,849,718.20	120,700,996.06	212,398,051.11	76,344,647.54
Medical device	373,849,718.20	120,700,996.06	212,398,051.11	76,344,647.54
II. Subtotal from other operation	184,193.60	290,637.96	1,955.00	1,109,978.32
Waste materials	184,193.60	290,637.96	1,955.00	1,109,978.32
<b>Total</b>	<b>374,033,911.80</b>	<b>120,991,634.02</b>	<b>212,400,006.11</b>	<b>77,454,625.86</b>

2. *Operating revenue for the current period by time of revenue recognition*

Time of revenue recognition	Medical device products	Revenue from other operation
Recognition at a point of time	373,849,718.20	184,193.60
<b>Total</b>	<b>373,849,718.20</b>	<b>184,193.60</b>



## NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in Renminbi Yuan)

### XV. SUPPLEMENTARY INFORMATION

#### (I) Details of non-recurring profit or loss for the current period

Items	Amount	Remarks
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	-67,826.39	
2. Government grants included in profit or loss for the current period (exclusive of those that are closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)	1,537,833.81	
3. Other non-operating income and expenses other than aforesaid items	-7,620.00	
4. Impact of income tax	-219,358.11	
Total	1,243,029.31	

#### (II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS			
	January to June 2019	January to June 2018	Basic EPS		Diluted EPS	
	January to June 2019	January to June 2018	January to June 2019	January to June 2018	January to June 2019	January to June 2018
Net profit attributable to shareholders of ordinary shares	16.25	8.94	0.79	0.36	0.79	0.36
Net profit attributable to shareholders of ordinary shares after deducting nonrecurring profit or loss	16.06	8.70	0.78	0.35	0.78	0.35

Note: The bonus issue has been passed in the Extraordinary General Meeting for the Period. The earnings per Share for the same period last year were recalculated according to the "Accounting Standards for Business Enterprises – Earnings per Share".

Beijing Chunlizhengda Medical Instruments Co., Ltd.\*  
27 August 2019

The notes to the Financial Statements from page 32 to page 88 are signed by the following persons in charge:

Legal Representative                      Person in charge for accounting work                      Person in charge of the accounting agency

Signature: \_\_\_\_\_                      Signature: \_\_\_\_\_                      Signature: \_\_\_\_\_

Date: \_\_\_\_\_                      Date: \_\_\_\_\_                      Date: \_\_\_\_\_