



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

# INTERIM REPORT 2022



\* For identification purpose only

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Ms. Shi Wenling (appointed on 1 June 2022) (*Chairman*)  
Mr. Xie Feng Bao  
Mr. Shi Chunbao  
Ms. Yue Shujun

### Non-executive Director

Mr. Wang Xin

### Independent non-executive Directors

Mr. Ge Changyin  
Mr. Weng Jie  
Mr. Wong Tak Shing

### General Manager

Mr. Shi Chunsheng (appointed on 28 March 2022)

## SUPERVISORS

Mr. Zhang Jie (*Chairman*)  
Mr. Wei Zhangli  
Ms. Zhang Lanlan

## AUDIT COMMITTEE

Mr. Ge Changyin (*Chairman*)  
Mr. Wong Tak Shing  
Mr. Weng Jie  
Mr. Wang Xin

## REMUNERATION COMMITTEE

Mr. Weng Jie (*Chairman*)  
Ms. Shi Wenling (appointed on 2 June 2022)  
Mr. Ge Changyin

## NOMINATION COMMITTEE

Mr. Ge Changyin (*Chairman*)  
Ms. Yue Shujun  
Mr. Weng Jie

## STRATEGY COMMITTEE

Mr. Shi Chunbao (*Chairman*)  
Mr. Xie Feng Bao  
Mr. Wang Xin  
Ms. Shi Wenling (appointed on 2 June 2022)

## COMPANY SECRETARY

Mr. Ip Pui Sum

## AUTHORISED REPRESENTATIVES

Ms. Yue Shujun  
Mr. Ip Pui Sum

## REGISTERED OFFICE, 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

20th Floor, Winbase Centre  
208 Queen's Road Central  
Sheung Wan  
Hong Kong

## COMPANY'S WEBSITES

<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 LLP

# MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2022, the COVID-19 pandemic in China was generally under control but has developed into frequent and sporadic outbreaks in different regions. Nevertheless, China has not departed from its general principle of “dynamic zero-COVID approach”. On 31 March 2022, the Opinion on the Supporting Facilities of the Volume-based Procurement for High-Value Medical Consumables (Artificial Joint) Organized by the State and Its Usage has been issued jointly by the National Healthcare Security Administration and the National Health Commission of the People’s Republic of China. It promotes the stable implementation of the selection outcome of the centralized and volume-based procurement of artificial joint through seven aspects, namely regulating the launch and the price of products, implementing the policy of medical insurance fund prepayment, refining the connection of the policy on the payment of medical insurance fund, implementing the policy of retaining and usage of balance and coordinating the price adjustment on medical services, ensuring the stable supply of products selected, regulating the procurement and usage by medical institutions, and supervising the implementation. The “volume-based procurement” of artificial joint by the state has been implemented in each province progressively.

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. 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 by upgrading their product offerings.

## **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 National Medical Products Administration (“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 the numbers and types of certificates.

As of 30 June 2022, the Company held 59 medical device registration certificates and recordation certificates in the PRC for the production of medical devices which cover joint prosthesis products for the Company’s four major joints, spinal products and sports medical products, of which 23 are Class III medical device registration certificates, 6 are Class II medical device registration certificate and 30 are Class I medical device recordation certificates. As the PRC adopts a strict product registration system for medical device manufacturing enterprises, the possession of comprehensive product registration certificates and recordation certificates is the key factor for enterprises to be more competitive in the market.

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

In terms of domestic registration, during the first half of 2022, the Company obtained seven product registration certificates from the NMPA. Such registration certificates further diversified the Company's product lines and expanded the Company's layout in the orthopedic field to constantly meet the diversified market and clinical needs. This strengthens the Company's comprehensive competitiveness and will be conducive to further enhancing the Company's market expansion capability.

In the field of artificial joint prosthesis, the Company obtained the registration certificate for trabecula acetabular implant. This was the Company's first 3D-printed trabecular registration certificate, which has expanded the Company's biological fixed prosthesis product line and further boost the market share of the Company's artificial hip prosthesis. The Company also obtained the registration certificate for knee joint prosthesis. The tibial plateau impactor and patella parts of the Company are made with vitamin E high-crosslinking ultra-high molecular weight polyethylene materials, which further increases the abrasion resistance of artificial knee joint prosthesis and is the latest generation of polyethylene product for clinical use. The launch of this product by the Company has filled the gap in domestic market and has made the Company's knee joint prosthesis the best domestic knee joint prosthesis in terms of abrasion resistance. In the long term, it will enhance the abrasion resistance of domestic knee joint prosthesis and increase the market share of the Company's knee joint prosthesis.

In the field of sports medical product, the Company was also granted three sports medicine registration certificates for PEEK suture anchors, one-off shavers and interface screws. This has further diversified the Company's sports medical product line and expanded its layout in the sports medical field. This also marked the fundamental completion of the Company's layout in the field of sports medical products. A complete sports medical product line will be favourable to our products in clinical selection and application and will drive a rapid growth in the sales revenue of sports medical products of the Company.

In terms of international registration, during the first half of 2022, the Company obtained registration certificates from four countries, namely Ukraine, Korea, Peru, and Syria. Meanwhile, the three product series of the Company of hip, knee and spine successfully passed the CE annual system audit and supervision audit. The CE certificates not only serve as proof of the satisfactory performance of our products and their compliance with product safety requirement, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

Obtaining a large number of registration certificates both domestically and internationally during the first half of 2022 is the result of our increased investment in research and development in recent years, serves as the beginning of acceleration in obtaining such certificates, and demonstrates that we are developing from the leading enterprise in artificial joint in PRC to an orthopedics enterprise covering segments like joints, spine, trauma and sports medical rapidly.

### **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 strategic value). Our research and development team consists of professionals who are post-doctoral researchers or possess Doctorate 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 the Company conducts clinical follow-ups and trackings on the joint prosthesis products developed by the Company for the purpose of the provision of clinical data for improvements in joint prosthesis and instruments. Currently, over 300 hospitals from 31 provinces in the PRC have joined the research program, which is at present the first large-scale domestic program for follow-ups and trackings focused on the clinical effectiveness of joint prosthesis.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Company was named the “Beijing Engineering Laboratory of Joint Prosthesis” (人工關節北京市工程實驗室) by the Beijing Municipal Development and Reform Commission (北京市發展和改革委員會), and received the CNAS Laboratory Accreditation Certificate (Registration No. CNASL14515) issued by the China National Accreditation Service for Conformity Assessment in March 2021. In June 2022, the inspection center passed the additional assessment from the China National Accreditation Service for Conformity Assessment. A total of 21 qualification assessments have been passed, covering the fields like four major joints categories (hip, knee, shoulder, and elbow), spine and dentistry, and sports medical. Chunli Medical Inspection Center will accelerate the research and development progress of the new products of the Company, and will further improve the safety and scientific application of new product designs.

In June 2020, the “Porous Tantalum Bone Repair Material and Implantable Product Development and Clinical Application” project (the “Project”) that the Company took the lead in the application of, was approved by the Ministry of Science and Technology of the PRC as a key special project under the 2020 national key research and development program – “Research and Development of Bio-medical Materials and Repair and Replacement of Tissues and Organs”. This project is carried out by our Company in conjunction with renowned universities, scientific research institutes, clinical hospitals and enterprises in the PRC, which will promote the synergy and innovation of production, academics, research and development and clinical studies, and accelerate the introduction of our Company’s high-end medical devices to the market. As of 30 June 2022, notifications of acceptance were issued by the National Medical Products Administration for two products under the Project, namely “tantalum metal trabecula fillings” (鈮金屬骨小梁填充塊) and “lumbar cage – porous tantalum metal” (椎間融合器 – 多孔型鈮金屬), and both products have entered the review and approval stage for registration.

As of 30 June 2022, there were two postdoctoral scientific researchers at the Company’s postdoctoral scientific research workstation. During the first half of 2022, the Company’s postdoctoral scientific research workstation was granted projects, including the Chinese Postdoctoral Science Foundation’s “Study of Ceramic Composite Modification on the Surface of Medical Zirconium Alloy and Its Performance” (醫用鋯合金表面陶瓷複合化改性及其服役性能研究), Beijing’s funded postdoctoral research project of “Study on the Design of Multi-layer Film Structure and Frictional Wear Behavior on the Surface of Tantalum Modified Biomedical Titanium Alloy” (鈮改性生物醫用鈮合金表面的多層膜結構設計及摩擦磨損行為研究), State Key Laboratories’ open topic of “Study of the Production Technology of In-situ Autogenous Ceramic Oxide Layer on Biomedical Zirconium Alloy Surface and Its Performance” (生物醫用鋯合金表面原位自生氧化陶瓷層的製備技術及其性能研究). The “Tantalum Modified Biomedical Titanium Alloy Material Research Results Transformation Project (鈮改性生物醫用鈮合金材料研究成果轉化項目)”, a science and technology achievement transformation project of Tongzhou District, Beijing, has been concluded. During the first half of 2022, our postdoctoral scientific research workstation was granted Beijing’s funded postdoctoral research project of “The Preparation of Layer with High Bone-inducing Activity for Bone Interface” (骨界面高誘骨活性塗層的製備). Underpinned by its national-level postdoctoral research workstation, the Company will enhance the comprehensive strength of its R&D team, accelerate the progress of R&D of high-end medical device products and promote the launch of new products.

As of 30 June, 2022, the Company had obtained 358 domestic intellectual properties, including 60 invention patents, 287 utility model patents, 3 design patent and 8 software copyrights. The abundant patent licenses manifest the Company’s innovation ability and core competitiveness. China National Intellectual Property Administration announced the results for the 23rd China Patent Award, the “New Axis Knee Joint Prosthesis” of the Company has been awarded the Outstanding Award of the China Patent Award. China Patent Award is the highest national accolade in the field of intellectual property, and getting the award demonstrates the level of patent technology and innovation of the Company. It is also a recognition of the Company’s patent market transformative value, patent protection and patent management.

### **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<sup>®</sup>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<sup>®</sup>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 May 2020, our Company’s BIOLOX<sup>®</sup>OPTION ceramic head product with cone sleeve was approved and launched into the market, making it the first company in the PRC to have the registration certificate for such ceramic head. For the BIOLOX<sup>®</sup>OPTION ceramic head with cone sleeve, the exterior is a ceramic ball head made of BIOLOX<sup>®</sup>delta high-tech ceramics with excellent wear performance, and the interior is a Ti6Al4V titanium alloy cone sleeve. It can be used for primary hip joint replacement and revision surgery, and significantly improves the surgical indications of ceramic ball heads, thus promoting the sales of our Company’s high-end ceramic hip joint prostheses.

## MANAGEMENT DISCUSSION AND ANALYSIS

After the launch of ceramic joint prosthesis products to the market, the Company 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 the Company's 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 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.

As of 30 June 2022, twelve products of the Company obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書) jointly issued by six units including Beijing Municipal Science and Technology Commission (北京市科學技術委員會). Among which, seven products of the Company, namely CF posterior spinal fixation device, non-absorbable suture anchors, single knee prosthesis, Co-Cr-Mo hip prosthesis, metal cable fixation systems, ceramic hip joint prostheses for revision purpose, and elbow joint prosthesis obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書), and the certificate numbers are XCP2021SY0382, XCP2021SY0383, XCP2021SY0384, XCP2021SY0388, XCP2021SY0387, XCP2021SY0385, and XCP2021SY0386, respectively. This fully demonstrates the Company's strengths in product and technology innovation, and also reflects the high recognition of the Company's product innovation and technology innovation by the society.

The "Typical Application Scenario of Mass Customization" project of the Company is included in the national "List of Outstanding Scenario for Smart Manufacturing 2021". The Company has been awarded Beijing "Specialized, Excellent, Featured and Innovative" Small and Medium-sized Enterprises (Number: 2022ZJTX0032) and Beijing Specialized, Excellent, Featured and Innovative "Little Giant" Enterprise (Number: 2022XJR0038) by the Beijing Municipal Bureau of Economy and Information Technology. This demonstrates the recognition on smart manufacture of the Company by the state, and a recognition on the economic efficiency, level of professionalism, ability on innovation and operation management of the Company.

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

The Company has 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 the products of the Company are sold in the PRC and some are exported to countries and regions in Asia, South America, Africa and Europe under the brand name of "春立 Chunli" or through OEM.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

Our revenue was approximately RMB571.4 million for the six months ended 30 June 2022, an increase of 18.39% as compared to approximately RMB482.6 million for the same period last year. The “volume-based procurement” policy to joint prosthesis products was one of the favourable factors leading to the growth in the sales volume of such products, and the continuous increase in the sales volume for spinal products and sports medical products also contributed to the growth.

The revenue of our major products compared with that of the previous year is as follows:

Product category	Six months ended 30 June		Growth over corresponding period
	2022 (RMB'000)	2021 (RMB'000)	
Joint prosthesis products	524,208	462,134	13.43%
Spinal products	41,105	18,535	121.77%
Sports medical products	4,544	1,141	298.25%
Other businesses	1,535	821	86.97%
Total	571,392	482,631	18.39%

#### Gross profit

For the six months ended 30 June 2022, the Company achieved a gross profit of approximately RMB425.8 million, an increase of 15.3% from approximately RMB369.3 million from the same period of last year, which was mainly attributable to the growth in the sales of joint prosthesis products, spinal products and sports medical products.

For the six months ended 30 June 2022, the Company achieved a gross profit margin of 74.52%, a decrease of 1.99% as compared to 76.51% from the same period of last year, which was mainly attributable to 1) increase in prices of certain raw materials, which leads to an increase in unit cost; and 2) the centralized procurement policy leads to the decrease in the unit price of relevant products of the Company.

#### Selling expenses

For the six months ended 30 June 2022, the Company's selling expenses was approximately RMB155.0 million, an increase of 8.68% from approximately RMB142.6 million from the same period of last year, which was mainly attributable to the Company's enhancement in marketing efforts to raise its brand influence and awareness.

#### Administrative expenses

For the six months ended 30 June 2022, the Company's administrative expenses was approximately RMB15.5 million, an increase of 13.54% from approximately RMB13.6 million from the same period of last year, which is mainly attributable to the depreciation of fixed assets.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Research and development expenses**

For the six months ended 30 June 2022, the Company's research and development expenses was approximately RMB72.3 million, an increase of 111.19% from approximately RMB34.2 million from the same period of last year. Our research and development expenses in the first half of 2022 accounted for 12.65% of the revenue. The main reason for the significant increase in research and development expenses is that the Company has increased its investment in research and development amid domestic volume-based procurement of artificial joint and kick-started various high-precision projects and new business segments, such as joint robot, PRP, sports medicine and dentistry. Developments in these projects and fields will bring revenue growth to the Company.

### **Impairment loss of credits**

For the six months ended 30 June 2022, the Company's impairment loss of credits was approximately RMB14.3 million, an increase of 49.07% from approximately RMB9.6 million from the same period of last year, which was mainly attributable to the increase in our sales income and accounts receivable and the provision made for the impairment of accounts receivable according to the policy for bad debt provision.

### **Income tax expenses**

For the six months ended 30 June 2022, the Company's income tax expenses was approximately RMB15.4 million, a decrease of 42.26% from approximately RMB26.7 million from the same period of last year, which was mainly attributable to the increase in additional deduction of research and development expenses.

### **Net profit**

For the six months ended 30 June 2022, the Company achieved a net profit of RMB157.0 million, an increase of 0.92% from approximately RMB155.6 million from the same period of last year. The increase in net profit was mainly because, under the national centralized procurement, prices of the products of the Company included in the centralized procurement experienced a certain degree of reduction. Against this backdrop, the Company managed to maintain a stable increase in its net profit in the first half of 2022 through measures such as internal cost saving and efficiency enhancement, active exploration of overseas markets and establishment of marketing network, and price reduction of relevant products in return for an increase in its sales volume.

### **Liquidity and capital resources**

The Company's liquidity decreased from approximately RMB1,736.5 million for the year ended 31 December 2021 to approximately RMB1,106.9 million for the six months ended 30 June 2022.

The Company's principal sources of capital are generated from our operations and the proceeds from the issue of A shares and H shares. The Board is of the opinion that we have sufficient resources to support our management and to meet our foreseeable capital expenditure demands.

## 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.

<b>Use of Proceeds from Issue of H Shares</b>	<b>Proportion</b>	<b>Amount available (RMB million)</b>	<b>Expense as of 30 June 2022 (RMB million)</b>	<b>Outstanding amount as of 30 June 2022 (RMB million)</b>	<b>Expected timeline for the application of the unutilized proceeds</b>
First-installment expense for the development of Daxing New Production Base	50%	92.93	87.25	5.68	By 31 December 2022
Research and development activities	20.20%	37.55	21.59	15.96	By the first half of 2023
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	37.17	0.00	
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>164.22</b>	<b>21.64</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Proceeds from the Listing on the Science and Technology Innovation Board

Upon the approval of the listing committee of the Science and Technology Innovation Board of the Shanghai Stock Exchange and pursuant to the document for the approval of registration Zheng Jian Xu Ke (2021) No. 3702 (證件許可 (2021) 3702 號) issued by the China Securities Regulatory Commission, on 30 December 2021, the Company completed the A Share offering of 38,428,000 A Shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange at an issue price of RMB29.81 per share, raising gross proceeds of RMB1,145,538,680.00 through the A Share. After deducting the issue expenses of RMB78,410,387.77, the actual net proceeds from the A Share offering amounted to RMB1,067,128,292.23. The net proceeds from the initial public offering of A Shares have been and will be used in accordance with the uses described in the Company's A Share offering prospectus dated 14 December 2021 and the Company's announcement dated 18 January 2022.

Unit: RMB'000

Use of Proceeds from Issue of A Shares	Balance of proceeds raised as of 31 December 2021	Amount of funds replaced with proceeds raised	Amount of purchase of wealth management products	Amount of proceeds used during the period	Handling fee	Interests from wealth management products	Reserve balance	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials	460,000.00	110,121.11	329,878.89	3,701.40	0.05	3,141.24	19,439.79	August 2024
Research and development centre construction project	359,998.80	17,955.62	85,000.00	7,923.32	0.45	3,909.36	253,028.77	December 2024
Marketing network construction project	80,000.00	138.60	0.00	884.11	0.17	723.83	79,700.95	December 2024
Replenishment of working capital	175,858.67	0.00	0.00	175,919.08	2.79	1,429.89	1,366.69	N/A
Subtotal	1,075,857.47	128,215.33	414,878.89	188,427.92	3.46	9,204.32	353,536.20	

Note 1: The total amount of proceeds raised from A Share by the Company was RMB1,145,538,700, after deducting the overall issue expenses of A Share of the Company of RMB78,410,400 and utilized amount of proceeds raised in prior years of RMB1,200, the balance of proceeds of A Share in the beginning of the year was RMB1,067,127,100. As of 31 December 2021, RMB8,730,400 of issue expenses of A Share remained unpaid and the balance in the account of the proceeds raised for A Share was RMB1,075,857,500.

Note 2: From January to June 2022, the Company utilized the idled capital raised through A Share to purchase wealth management related products amounted to RMB414,878,900, of which RMB385,000,000 was structured deposit wealth management products and RMB29,878,900 was seven-day deposits.

Note 3: On 24 February 2022, the 18th meeting of the Fourth Session of the Board of Directors and the 5th meeting of the Fourth Session of the Board of Supervisors of the Company considered and approved the Proposal on the Replacement of the Pre-invested Internal Funds with the Proceed Raised, respectively, and agreed that the Company should use the proceed raised from A Share to replace the internal funds pre-invested in investment projects that utilize proceeds raised from A Share. The total amount of funds replaced was RMB128,215,300. The aforesaid items meet the requirements for replacement of funds to be made within six months after receipt of funds raised through A Share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Inventory**

The Company's inventory increased from approximately RMB159.7 million for the year ended 31 December 2021 to approximately RMB182.3 million for the six months ended 30 June 2022, which was mainly attributable to the reserve of inventory according to market needs.

### **Fixed assets and construction in progress**

The Company's fixed assets and construction in progress increased by 14.45%, from approximately RMB392.9 million for the year ended 31 December 2021 to approximately RMB449.7 million as at 30 June 2022, which was mainly attributable to the increase in our investment in the acquisition of production facilities and construction works.

### **Net current assets**

The Company's net current assets increased from approximately RMB2,008.14 million for the year ended 31 December 2021 to approximately RMB2,058.69 million as at 30 June 2022, which was mainly attributable to the increase in accounts receivable.

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

#### *Cash flow analysis*

As at 30 June 2022, net cash outflow generated from operating activities was approximately RMB81.5 million. During the period, the Company further enhanced its market share and product competitiveness, expanded its marketing channels, and strengthened its research and development capabilities, thus there was an increase in cash payment for expenses such as selling expenses and research and development expenses and an increase in receivables. These serve as the main reasons for the occurrence of a net cash outflow. Our net cash outflow generated from investment activities was approximately RMB510.4 million, which was mainly due to the addition of investments of wealth management purposes; our net cash outflow generated from financing activities was approximately RMB38.1 million, which was mainly due to the cash bonus for 2021 distributed during the reporting period; and our cash and cash equivalents decreased by approximately RMB629.6 million as compared to the end of last year.

#### *Capital expenditure*

The Company's capital expenditure was mainly used in the expansion of New Production Base and the acquisition of production facilities.

#### *Contingent liabilities or guarantees*

As of 30 June 2022, the Company did not have any significant contingent liabilities or guarantees.

#### *Other disclosures*

As at 30 June 2022, the outstanding principal amount of the Company's subscription of structured deposit wealth management products was RMB738 million, representing not more than 25% of the total assets of the Company as at 30 June 2022.

On 28 April 2022, the Company used idle funds generated from its ordinary operation and temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB120 million from the Bank of Beijing (Fangzhuang Branch). The expected annual rate of return of such products was 1.35% or 3.04%. On the same date, the Company subscribe for principal-guaranteed floating-return structured deposit products from the Bank of Beijing (Daxing Branch) with a principal amount of RMB250 million by using the temporary idle proceeds from the public issuance of A shares. The expected annual rate of return of such products were 1.35% or 3.04%.

On 9 June 2022, the Company used idle funds generated from its ordinary operation and temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB120 million from the Bank of Beijing (Fangzhuang Branch). The expected annual rate of return of such products was 1.35% or 3.04%.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 29 June 2022, the Company used temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB248 million from China Construction Bank (Daxing Branch). The expected annual rate of return of such products was 1.60% to 3.15%.

The Company's subscription of the structured deposit products by reasonably and effectively using portions of its temporary idle funds (including funds generated from ordinary operation and proceeds from the public issuance of A shares) is beneficial to enhancing the overall capital gain of the Group, and is consistent with the principles of the Company to safeguard its capital and ensure liquidity. For details, please refer to the announcements of the Company dated 28 April 2022, 9 June 2022 and 29 June 2022.

### SUBSEQUENT EVENTS

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

### FUTURE PROSPECTS

Looking forward, various favourable factors such as aging population, continuous increase in 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. The Company believes that the demand of our products will continue to increase along with the growth of the PRC joint prosthesis market. In the long run, the Company aims 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. The Company plans to implement the following strategies:

#### **Diversify product series**

The Company will continue to optimise and modify its 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. The Company 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 its technical expertise, the Company will continue to diversify and expand the development of joint prosthesis products, knee joint prosthesis products, spinal products and sports medical products.

The Company is currently developing a new customized joint prosthesis product called advanced 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, the Company believes that advanced, customized and individualized joint prosthesis products can generate higher profit margins. In recent years, the relevant regulations issued by the NMPA are also more conducive to the development of customized prostheses. The Company will take this opportunity to promote the rapid development of patents for customized and individualized products.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

In the future, the Company shall continue its focus on the research and development of standard joint prosthesis products, advanced customized and individualized joint prosthesis products, spinal products and sports medical products. The Company plan to establish a product research and development center at its 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, the Company will attract more research and development talents to join its research and development team. In addition, under the support of the academican and expert workstation, post-doctoral scientific research workstation and Beijing Municipal Enterprise Technology Centre, the Company will focus on cultivating the research and development standards and innovation capabilities of research and development personnel, while continuously optimizing the allocation of research and development resources and iterating on corporate innovation mechanism. The Company can also take advantage of the Beijing Municipal Enterprise Technology Centre, post-doctoral scientific research and development workstation and academican and expert workstation to strengthen cooperation with renowned medical institutions in the PRC in order to enhance its professional knowledge, technology and competitiveness.

### **Expand brand influence**

To further strengthen the Company's brand, the Company will continue to implement strict supervision on product quality. At the same time, the Company 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 its products during such seminars. The Company shall 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 its brand influence.

### **Talent development and incentives**

The Company will continue to adhere to its existing talent development policy while establishing a new training system for talent development and attracting high quality talents with competitive remuneration system. On the other hand, the Company has established an effective incentive and appraisal system to motivate the work initiative and enthusiasm of employees.

## EMPLOYEE

As at 30 June 2022, the Company had approximately a total of 1,207 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. For the six months ended 30 June 2022, the total salaries and related costs paid to our employees were approximately RMB101.6 million. The Company 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 the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2022.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

Our Company has committed to maintaining a high standard of corporate governance. The Board believes that, the high standard of corporate governance provides a framework for the Group to safeguard shareholder interest, enhance enterprise value, formulate its business strategy and policy, and is essential to enhancing the transparency and accountability. Our Company has adopted the principles and code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Hong Kong Listing Rules. The Board considers that during the reporting period, the Company complies with all the code provisions contained in the CG Code.

## 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 throughout the six months ended 30 June 2022.

## REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the Company’s consolidated financial statements for the six months ended 30 June 2022, including the accounting principles and practices applied. WUYIGE Certified Public Accountants LLP has reviewed the financial statements.

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

As at 30 June 2022, 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:

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

Name of Director	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)
Mr. Shi Chunbao	A shares	113,685,435	Beneficial owner	39.42%	29.58%
	H shares	1,155,250	Beneficial owner	1.2052%	0.3006%
	A shares	95,447,900	Interest of spouse	33.09%	24.84%
Ms. Yue Shujun	A shares	95,447,900	Beneficial owner	33.09%	24.84%
	A shares	113,685,435	Interest of spouse	39.42%	29.58%
	H shares	1,155,250	Interest of spouse	1.2052%	0.3006%

Saved as disclosed above, as at 30 June 2022, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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 Divisions 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 the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Mr. Shi Chunbao	A shares	113,685,435	Beneficial owner	39.42%	29.58%
	H shares	1,155,250	Beneficial owner	1.2052%	0.3006%
Ms. Yue Shujun		95,447,900	Interest of spouse	33.09%	24.84%
	A shares	95,447,900	Beneficial owner	33.09%	24.84%
		113,685,435	Interest of spouse	39.42%	29.58%
CITIC Securities Co., Ltd. 中信證券股份有限公司	H shares	1,155,250	Interest of spouse	1.2052%	0.3006%
	A shares	19,750,000 (long position)	Interest in a controlled corporation	6.85%	5.14%
中信產業投資基金管理 有限公司	A shares	19,750,000 (long position)	Interest in a controlled corporation	6.85%	5.14%
磐茂(上海)投資中心 (有限合夥)	A shares	17,250,000 (long position)	Beneficial owner	5.98%	4.49%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Director	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)
FIL Limited	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.13%	2.03%
Pandanus Associates Inc.	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.13%	2.03%
Pandanus Partners L.P.	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.13%	2.03%
Taiping Assets Management (HK) Company Limited	H shares	5,743,100 (long position)	Investment manager	5.99%	1.49%
Taiping Trustees Limited	H shares	5,743,100 (long position)	Trustee	5.99%	1.49%
Citigroup Inc.	H shares	4,868,200 (long position)	Person having a security interest in shares	5.07%	1.27%
		4,868,281 (short position)		5.08%	
Brown Brothers Harriman & Co	H shares	4,813,766 (long position)	Person having a security interest in shares	5.02%	1.25%
		4,813,766 (short position)		5.02%	
Fidelity China Special Situations PLC	H shares	4,807,750 (long position)	Beneficial owner	5.02%	1.25%

Notes:

- The calculation is based on the number of 288,428,000 A shares and 95,852,000 H shares of the Company in issue as at 30 June 2022, respectively.
- The calculation is based on the total number of 384,280,000 shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 Divisions 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



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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 2022, the consolidated and parent company’s profit statements from January to June 2022, 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 2022, and notes to the financial statements. The preparation of these financial statements is 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 unit being reviewed as at 30 June 2022, and of its operating results and cash flows from January to June 2022.

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

**Chinese Certified Public Accountant:**

**Chinese Certified Public Accountant:**

25 August 2022



# CONSOLIDATED BALANCE SHEET

30 June 2022

Expressed in RMB

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

Item	Notes	30 June 2022	31 December 2021
<b>Current assets:</b>			
Monetary capital	V (I)	1,106,850,997.71	1,736,493,995.38
Held-for-trading financial assets	V (II)	490,841,808.22	
Derivative financial assets			
Notes receivable	V (III)	79,391,041.63	127,595,937.14
Accounts receivable	V (IV)	603,219,966.20	400,193,012.58
Finance receivables			
Prepayment	V (V)	26,152,587.49	7,656,146.95
Other receivables	V (VI)	4,542,173.03	4,489,954.17
Including: Interests receivable			
Dividends receivable			
Inventories	V (VII)	182,316,417.58	159,677,359.96
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V (VIII)	7,114,731.38	11,657,475.04
<b>Total current assets</b>		<b>2,500,429,723.24</b>	<b>2,447,763,881.22</b>
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets	V (IX)	286,538,382.86	111,389,835.89
Construction in progress	V (X)	163,206,588.00	281,558,992.24
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V (XI)	2,642,244.96	1,798,726.19
Intangible assets	V (XII)	132,037,429.59	131,974,040.11
Development expenditures			
Goodwill			
Long-term prepayments	V (XIII)	18,333.53	128,333.51
Deferred income tax assets	V (XIV)	19,981,725.31	22,882,542.60
Other non-current assets	V (XV)	2,047,905.47	2,161,009.69
<b>Total non-current assets</b>		<b>606,472,609.72</b>	<b>551,893,480.23</b>
<b>Total assets</b>		<b>3,106,902,332.96</b>	<b>2,999,657,361.45</b>

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## CONSOLIDATED BALANCE SHEET

30 June 2022

Expressed in RMB Yuan

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

Item	Notes	30 June 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V (XVI)	172,077,363.73	142,415,529.82
Advances received	V (XVII)	6,892,177.01	6,992,973.01
Contract liabilities	V (XVIII)	77,104,855.39	59,540,669.01
Employee remuneration payable	V (XIX)	21,518,419.64	46,267,095.42
Taxes payable	V (XX)	27,473,455.47	32,302,495.73
Other payables	V (XXI)	93,838,742.65	75,055,164.38
Including: Interests payable			
Dividends payable		10,037,664.00	
Held-for-sale liabilities			
Non-current liabilities due within one year	V (XXII)	1,083,556.72	1,226,469.52
Other current liabilities	V (XXIII)	41,749,718.76	75,818,491.35
<b>Total current liabilities</b>		<b>441,738,289.37</b>	<b>439,618,888.24</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V (XXIV)	683,348.11	
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income	V (XXV)	83,495,443.86	85,558,271.60
Deferred income tax liabilities	V (XIV)	4,881,768.54	5,402,815.13
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>89,060,560.51</b>	<b>90,961,086.73</b>
<b>Total liabilities</b>		<b>530,798,849.88</b>	<b>530,579,974.97</b>
<b>Shareholders' equity:</b>			
Share capital	V (XXVI)	384,280,000.00	384,280,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V (XXVII)	1,051,228,272.24	1,051,228,272.24
Less: Treasury shares			
Other comprehensive income			
Specific reserve			
Surplus reserve	V (XXVIII)	124,721,689.87	124,721,689.87
Undistributed profits	V (XXIX)	1,015,873,520.97	908,847,424.37
Total interests attributable to shareholders of the Parent Company		2,576,103,483.08	2,469,077,386.48
Minority interests			
<b>Total shareholders' equity</b>		<b>2,576,103,483.08</b>	<b>2,469,077,386.48</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,106,902,332.96</b>	<b>2,999,657,361.45</b>

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S BALANCE SHEET

30 June 2022

Expressed in RMB

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

Item	Notes	30 June 2022	31 December 2021
<b>Current assets:</b>			
Monetary capital		1,081,497,013.71	1,723,081,618.53
Held-for-trading financial assets		490,841,808.22	
Derivative financial assets			
Notes receivable		66,202,444.63	113,397,783.94
Accounts receivable	XIV (I)	614,058,900.04	420,248,738.84
Finance receivables			
Prepayment		25,488,096.04	7,016,754.75
Other receivables	XIV (II)	6,422,248.42	4,351,883.00
Including: Interests receivable			
Dividends receivable			
Inventories		175,102,018.36	151,545,441.69
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		6,231,382.25	11,082,709.62
<b>Total current assets</b>		<b>2,465,843,911.67</b>	<b>2,430,724,930.37</b>
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XIV (III)	9,565,263.00	8,165,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		278,940,743.82	103,744,715.91
Construction in progress		162,642,771.37	281,179,943.62
Productive biological assets			
Oil & gas assets			
Right-of-use assets		2,262,748.55	1,194,047.53
Intangible assets		131,965,008.24	131,892,750.82
Development expenditures			
Goodwill			
Long-term prepayments		18,333.53	128,333.51
Deferred income tax assets		17,946,774.37	21,636,747.34
Other non-current assets		556,193.08	2,071,009.69
<b>Total non-current assets</b>		<b>603,897,835.96</b>	<b>550,012,811.42</b>
<b>Total assets</b>		<b>3,069,741,747.63</b>	<b>2,980,737,741.79</b>

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## PARENT COMPANY'S BALANCE SHEET

30 June 2022

Expressed in RMB

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

Item	Notes	30 June 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		182,041,509.16	152,584,454.25
Advances received		6,892,177.01	6,992,973.01
Contract liabilities		75,280,174.35	57,928,064.80
Employee remuneration payable		20,069,193.13	45,414,910.85
Taxes payable		26,655,465.67	31,596,608.25
Other payables		132,460,169.49	125,955,460.58
Including: Interests payable			
Dividends payable		10,037,664.00	
Held-for-sale liabilities			
Non-current liabilities due within one year		852,832.72	771,814.46
Other current liabilities		41,512,510.24	79,290,059.40
<b>Total current liabilities</b>		<b>485,764,031.77</b>	<b>500,534,345.60</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		683,348.11	
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		12,206,161.81	13,805,782.24
Deferred income tax liabilities		4,881,768.54	5,402,815.13
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>17,771,278.46</b>	<b>19,208,597.37</b>
<b>Total liabilities</b>		<b>503,535,310.23</b>	<b>519,742,942.97</b>
<b>Shareholders' equity:</b>			
Share capital		384,280,000.00	384,280,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,051,228,272.24	1,051,228,272.24
Less: treasury shares			
Other comprehensive income			
Specific reserve			
Surplus reserve		124,721,689.87	124,721,689.87
Undistributed profits		1,005,976,475.29	900,764,836.71
<b>Total shareholders' equity</b>		<b>2,566,206,437.40</b>	<b>2,460,994,798.82</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,069,741,747.63</b>	<b>2,980,737,741.79</b>

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# CONSOLIDATED INCOME STATEMENT

January to June 2022

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
<b>I. Operating revenue</b>	V (XXX)	<b>571,391,616.43</b>	482,631,531.05
Less: Operating cost	V (XXX)	<b>145,594,637.37</b>	113,373,144.92
Taxes and surcharge	V (XXXI)	<b>7,527,471.97</b>	4,892,505.52
Selling expenses	V (XXXII)	<b>155,014,781.22</b>	142,639,818.89
Administrative expenses	V (XXXIII)	<b>15,464,147.98</b>	13,620,084.00
Research and development expenses	V (XXXIV)	<b>72,289,835.94</b>	34,229,327.60
Finance expenses	V (XXXV)	<b>-5,778,256.50</b>	-5,350,024.85
Including: Interest expenses			
Interest proceeds		<b>3,290,835.64</b>	5,545,914.58
Add: Other gains	V (XXXVI)	<b>2,593,019.91</b>	13,435,360.61
Investment income (losses are presented as “-”)	V (XXXVII)	<b>3,557,534.25</b>	
Including: investment income from associates and joint ventures			
Income from derecognition of financial assets at amortised cost			
Net profit on hedging exposure (losses are presented as “-”)			
Gains on changes of fair value (losses are presented as “-”)	V (XXXVIII)	<b>3,962,082.19</b>	
Loss on credit impairment (losses are presented as “-”)	V (XXXIX)	<b>-14,310,980.47</b>	-9,599,905.88
Loss on asset impairment (losses are presented as “-”)	V (XL)	<b>-2,468,465.22</b>	-637,613.95
Gains on disposal of assets (losses are presented as “-”)	V (XLI)	<b>25,305.66</b>	8,193.86
<b>II. Operating profit (losses are presented as “-”)</b>		<b>174,637,494.77</b>	182,432,709.61
Add: Non-operating income	V (XLII)	<b>44,033.11</b>	53,551.75
Less: Non-operating expenses	V (XLIII)	<b>2,284,268.26</b>	236,215.51
<b>III. Gross profit (total losses are presented as “-”)</b>		<b>172,397,259.62</b>	182,250,045.85
Less: Income tax expenses	V (XLIV)	<b>15,414,763.02</b>	26,694,826.92
<b>IV. Net profit (net losses are presented as “-”)</b>		<b>156,982,496.60</b>	155,555,218.93
(I) Classified by continuity of operation:			
1. Net profit for continuing operation (net losses are presented as “-”)		<b>156,982,496.60</b>	155,555,218.93
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>156,982,496.60</b>	155,555,218.93
2. Non-controlling shareholders’ profit or loss (net losses are presented as “-”)			



## CONSOLIDATED INCOME STATEMENT

January to June 2022

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
<b>V. Net other comprehensive income after tax</b>			
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company			
1. 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) Change in fair value of other equity instruments investment			
(4) Change in fair value of credit risks of the Company			
2. 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) Financial assets reclassified into other comprehensive income			
(4) Provision of credit impairment of other debt investment			
(5) Cash flow hedging reserve			
(6) Translation difference of foreign currency financial statements			
(7) Others			
(II) Net other comprehensive income after tax attributable to non-controlling shareholders			
<b>VI. Total comprehensive income</b>		<b>156,982,496.60</b>	155,555,218.93
(I) Total comprehensive income attributable to the shareholders of the parent company		<b>156,982,496.60</b>	155,555,218.93
(II) Total comprehensive income attributable to non-controlling shareholders			
<b>VII. Earning per share</b>			
(I) Basic EPS		<b>0.41</b>	0.45
(II) Diluted EPS		<b>0.41</b>	0.45

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S INCOME STATEMENT

January to June 2022

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
<b>I. Operating revenue</b>	XIV (IV)	<b>572,038,992.68</b>	485,394,427.57
Less: operating cost	XIV (IV)	<b>158,507,943.28</b>	120,817,906.70
Taxes and surcharge		<b>7,424,147.52</b>	4,868,599.74
Selling expenses		<b>149,284,869.28</b>	140,116,589.54
Administrative expenses		<b>14,885,330.07</b>	13,158,448.71
Research and development expenses		<b>68,933,987.31</b>	33,914,652.54
Financial expenses		<b>-5,717,873.06</b>	-4,986,107.23
Including: Interest expenses			
Interest proceeds		<b>3,217,768.44</b>	5,169,507.03
Add: Other gains		<b>2,109,857.27</b>	13,103,074.32
Investment income (losses are presented as “-”)	XIV (V)	<b>3,557,534.25</b>	
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortised cost			
Net profit on hedging exposure (losses are presented as “-”)			
Gains on changes of fair value (losses are presented as “-”)		<b>3,962,082.19</b>	
Loss on credit impairment (losses are presented as “-”)		<b>-13,358,438.40</b>	-8,307,881.12
Loss on asset impairment (losses are presented as “-”)		<b>-2,468,465.22</b>	-637,613.95
Gains on disposal of assets (losses are presented as “-”)		<b>25,305.66</b>	8,193.86
<b>II. Operating profit (losses are presented as “-”)</b>		<b>172,548,464.03</b>	181,670,110.68
Add: Non-operating income		<b>43,882.69</b>	53,551.75
Less: Non-operating expenses		<b>2,281,868.26</b>	236,215.51
<b>III. Gross profit (total losses are presented as “-”)</b>		<b>170,310,478.46</b>	181,487,446.92
Less: income tax expenses		<b>15,142,439.88</b>	26,018,938.09
<b>IV. Net profit (net losses are presented as “-”)</b>		<b>155,168,038.58</b>	155,468,508.83
(I) Net profit of continuing operation (net losses are presented as “-”)		<b>155,168,038.58</b>	155,468,508.83
(II) 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. Change 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. Financial assets reclassified into other comprehensive income			
4. Provision of credit impairment of other debt investment			
5. Cash flow hedging reserve			
6. Translation difference of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>155,168,038.58</b>	155,468,508.83

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# CONSOLIDATED CASH FLOW STATEMENT

January to June 2022

Expressed in RMB Yuan

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

Item	Notes	Amount for current period	Amount for previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services		<b>397,678,911.09</b>	408,142,615.41
Receipts of tax refund			
Other cash receipts related to operating activities	V (XLV)	<b>4,249,722.78</b>	11,846,766.27
Subtotal of cash inflow from operating activities		<b>401,928,633.87</b>	419,989,381.68
Cash payments for goods purchased and services received		<b>137,891,229.36</b>	101,154,503.22
Cash paid to and on behalf of employees		<b>101,511,281.95</b>	74,540,876.51
Taxes paid		<b>66,885,008.84</b>	84,202,380.26
Other cash payments related to operating activities	V (XLV)	<b>177,153,843.31</b>	141,142,620.28
Subtotal cash outflow from operating activities		<b>483,441,363.46</b>	401,040,380.27
Net cash flows from operating activities		<b>-81,512,729.59</b>	18,949,001.41
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments		<b>920,000,000.00</b>	
Cash received from return on investments		<b>6,677,808.22</b>	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>63,500.00</b>	34,000.00
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities	V (XLV)		4,379,178.08
Subtotal of cash inflow from investing activities		<b>926,741,308.22</b>	4,413,178.08
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>27,100,429.51</b>	112,898,099.79
Cash payments for investments		<b>1,410,000,000.00</b>	
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Net cash outflow from investing activities		<b>1,437,100,429.51</b>	112,898,099.79
Net cash flows from investing activities		<b>-510,359,121.29</b>	-108,484,921.71

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

## CONSOLIDATED CASH FLOW STATEMENT

January to June 2022

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investments			
Including: cash received by subsidiaries from non-controlling shareholders' investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		36,936,197.42	
Including: cash paid for distribution of dividends and profit by subsidiaries to non-controlling shareholders			
Other cash payments related to financing activities	V (XLV)	1,196,855.47	1,277,869.50
<hr/>			
Subtotal of cash outflow from financing activities		38,133,052.89	1,277,869.50
<hr/>			
Net cash flows from financing activities		-38,133,052.89	-1,277,869.50
<hr/>			
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>361,906.10</b>	-470,104.77
<hr/>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-629,642,997.67</b>	-91,283,894.57
Add: Opening balance of cash and cash equivalents		1,736,493,995.38	690,116,229.19
<hr/>			
<b>VI. Closing balance of cash and cash equivalents</b>		<b>1,106,850,997.71</b>	598,832,334.62

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# PARENT COMPANY'S CASH FLOW STATEMENT

January to June 2022

Expressed in RMB Yuan

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

Item	Notes	Amount for current period	Amount for previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services		<b>391,366,294.71</b>	404,953,402.80
Receipts of tax refund			
Other cash receipts related to operating activities		<b>3,771,887.97</b>	52,675,034.04
Subtotal of cash inflow from operating activities		<b>395,138,182.68</b>	457,628,436.84
Cash payments for goods purchased and services received		<b>143,052,674.20</b>	99,462,807.17
Cash paid to and on behalf of employees		<b>94,551,597.02</b>	71,604,565.45
Taxes paid		<b>65,228,006.34</b>	82,359,570.76
Other cash payments related to operating activities		<b>186,939,628.36</b>	137,245,285.62
Subtotal cash outflow from operating activities		<b>489,771,905.92</b>	390,672,229.00
Net cash flows from operating activities		<b>-94,633,723.24</b>	66,956,207.84
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments		<b>920,000,000.00</b>	
Cash received from return on investments		<b>6,677,808.22</b>	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>63,500.00</b>	34,000.00
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			4,379,178.08
Subtotal of cash inflow from investing activities		<b>926,741,308.22</b>	4,413,178.08
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>24,752,037.01</b>	111,877,695.78
Cash payments for investments		<b>1,411,400,000.00</b>	200,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		<b>1,436,152,037.01</b>	112,077,695.78
Net cash flows from investing activities		<b>-509,410,728.79</b>	-107,664,517.70

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:



## PARENT COMPANY'S CASH FLOW STATEMENT

January to June 2022

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		36,936,197.42	
Other cash payments related to financing activities		965,861.47	945,751.50
<hr/>			
Subtotal of cash outflow from financing activities		37,902,058.89	945,751.50
<hr/>			
Net cash flows from financing activities		-37,902,058.89	-945,751.50
<hr/>			
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>361,906.10</b>	-470,104.77
<hr/>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-641,584,604.82</b>	-42,124,166.13
Add: Opening balance of cash and cash equivalents		1,723,081,618.53	623,083,905.85
<hr/>			
<b>VI. Closing balance of cash and cash equivalents</b>		<b>1,081,497,013.71</b>	580,959,739.72

Legal representative:

Person in charge for accounting work:

Person in charge of the accounting agency:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2022

Expressed in RMB

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

Items	Current period										Total equity	
	Equity attributable to parent company					Non-controlling interest						
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other income	Surplus reserve	Undistributed profit		Subtotal
<b>I. Balance at the end of prior year</b>	384,280,000.00				1,051,228,272.24				124,721,689.87	908,847,424.37	2,469,077,386.48	2,469,077,386.48
Add: Changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
<b>II. Balance at the beginning of current year</b>	384,280,000.00				1,051,228,272.24				124,721,689.87	908,847,424.37	2,469,077,386.48	2,469,077,386.48
<b>III. Amount of current period increase or decrease (decreases are presented as "-")</b>												
(I) Total comprehensive income									107,026,096.60	107,026,096.60		107,026,096.60
(II) Capital contributed and withdrawn by shareholders									156,982,496.60	156,982,496.60		156,982,496.60
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									-49,956,400.00	-49,956,400.00		-49,956,400.00
1. Appropriation of surplus reserve												
2. Distribution to shareholders												
3. Others												
(IV) Internal carry-over within shareholders' equity									-49,956,400.00	-49,956,400.00		-49,956,400.00
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 reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
<b>IV. Balance at the end of current period</b>	384,280,000.00				1,051,228,272.24				124,721,689.87	1,015,873,520.97	2,576,103,483.08	2,576,103,483.08

Legal representative: Person in charge of the accounting agency:

Legal representative: Person in charge of accounting work:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2022

Expressed in RMB

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

Items	Equity attributable to parent company						Previous period		Total equity			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit	Subtotal
<b>I. Balance at the end of prior year</b>	345,852,000.00				22,527,980.01				92,422,736.65	618,785,940.80	1,079,588,357.46	1,079,588,357.46
Add: Changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
<b>II. Balance at the beginning of current year</b>	345,852,000.00				22,527,980.01				92,422,736.65	618,785,940.80	1,079,588,357.46	1,079,588,357.46
<b>III. Amount of current period increase or decrease (decreases are presented as "-")</b>												
(I) Total comprehensive income										155,555,218.93	155,555,218.93	155,555,218.93
(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' equity												
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 reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
<b>IV. Balance at the end of current period</b>	345,852,000.00				22,527,980.01				92,422,736.65	774,340,859.73	1,235,143,576.39	1,235,143,576.39

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

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

# PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January to June 2022

Expressed in RMB

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

Items	Other equity instruments				Current period					Total equity
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	
<b>I. Balance at the end of prior year</b>	384,280,000.00			1,051,228,272.24	124,721,688.87				900,764,836.71	2,460,994,798.82
Add: Changes of accounting policies										
Error correction of prior period										
Others										
<b>II. Balance at the beginning of current year</b>	384,280,000.00			1,051,228,272.24	124,721,688.87				900,764,836.71	2,460,994,798.82
<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										105,211,638.58
2. Capital contributed by holders of other equity instruments										155,168,038.58
3. Amount of share-based payment included in equity										
4. Others										
(III) Profit distribution										
1. Appropriation of surplus reserve										-49,956,400.00
2. Distribution to shareholders										-49,956,400.00
3. Others										
(IV) Internal carry-over within shareholders' equity										
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 reserve										
1. Appropriation of current period										
2. Application of current period										
(VI) Others										
<b>IV. Balance at the end of current period</b>	384,280,000.00			1,051,228,272.24	124,721,688.87				1,005,976,475.29	2,566,206,437.40

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 2022

Expressed in RMB

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

Items	Other equity instruments				Previous period				Total equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve		Surplus reserve
<b>I. Balance at the end of prior year</b>	345,852,000.00			22,527,980.01				92,422,736.65	610,074,257.89	1,070,876,974.35
Add: Changes of accounting policies										
Error correction of prior period										
Others										
<b>II. Balance at the beginning of current year</b>	345,852,000.00			22,527,980.01				92,422,736.65	610,074,257.89	1,070,876,974.35
<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' equity										
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 reserve										
1. Appropriation of current period										
2. Application of current period										
(VI) Others										
<b>IV. Balance at the end of current period</b>	345,852,000.00			22,527,980.01				92,422,736.65	765,542,766.52	1,226,345,483.18

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 12 February 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 RMB384.28 million, and total shares are 384.28 million shares (each with par value of RMB1). The Company’s shares were listed and traded on Hong Kong Stock Exchange on 11 March 2015, with Chunli Medical as its stock abbreviation and 01858.HK as its stock code. The Company’s shares were listed and traded on Shanghai Stock Exchange on 30 December 2021, with Chunli Medical as its stock abbreviation and 688236.SH as its stock code.

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; production of platelet-rich plasma preparation systems, medical centrifuges, repair and reconstruction and replacement implants for soft tissues damaged by sports injury, medical endoscope systems; production of non-medical masks (only for life support during COVID-19); import and export of goods; technology promotion; sales of non-medical masks; technical testing.

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), Hebei Chunli Hangnuo New Materials Technology Co., Ltd.\* (河北春立航諾新材料科技有限公司), Pilot Medical Device Co., Limited, Beijing Shiyue Changsheng Medical Devices Co., Ltd. (北京實躍長盛醫療器械有限公司), Xingtai Langtai Bengyuan Medical Devices Co., Ltd.\* (邢台市琅泰本元醫療器械有限公司), Luangtai Meikang Medical Devices Co., Ltd.\* (琅泰美康醫療器械有限公司) and Beijing Lechi Inspection Technology Co.\* (北京樂馳檢測技術有限公司) 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

**(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 2022, its results of operations and cash flows in January to June 2022.

**(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 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

- 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.
- 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.
- 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.
- 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.
- Accounting for disposal of a 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 fulfills 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 fulfills 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.

##### (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. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company utilises all information available in relation to the performance and operation of the investee after the initial recognition date to determine whether the fair value can be represented by cost.

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 satisfies 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 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

##### 1. *The determination 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 receivables) as well as financial assets (including receivables financing) and lease receivables 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 need not compare with its credit risk at initial recognition and directly assume that credit risk of that instrument has not increased significantly since its initial recognition.

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

## 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)

1. *The determination method of expected credit loss (Continued)*

(2) Measurement of loss provision for accounts receivable and lease receivable

- ① Accounts receivable that exclude significant financing component  
For accounts receivable 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.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. 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 receivable portfolio 1: Bank acceptance note portfolio.

Notes receivable portfolio 2: Commercial acceptance note portfolio.

For the trade receivables 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.

- ② Accounts receivable and lease receivable that include significant financing component  
For accounts receivable 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)

##### 1. The determination 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 took into account the following factors to assess whether credit risk has increased significantly:

While measuring whether a financial instrument has been credit-impaired, the Company took 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.

The Company divides other receivable into certain portfolios based on their nature while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Other receivables portfolio 1: Guarantee deposits, deposits

Other receivables portfolio 2: Petty cash

Other receivables portfolio 3: Others

## 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)

2. *Accounting method for expected credit loss*

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 amortised 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) Contract assets and contract liabilities

1. *Contract assets*

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The provision for impairment of contract assets is made with reference to the expected credit loss on financial instruments. For contract assets that do not contain significant financing components, the Company adopts a simplified method to measure loss provisions. For contract assets that contain significant financing components, the Company uses general methods to measure loss provisions.

Where there is an impairment loss on contract assets, the amount that should be written down is debited to the "asset impairment loss" and credited to the impairment provision for contract assets; when the asset impairment provision already made is reversed, contrary accounting shall be made.

2. *Contract liabilities*

A contract liability is the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group.

The Company presents the contract assets and contract liabilities under the same contract on a net basis.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XIII) 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 equity 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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.

#### (XIV) 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.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XV) 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.

#### (XVI) Borrowing costs

1. *Recognition principles of capitalization of borrowing cost*

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalisation are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss at the amount when incurred. Assets qualified for capitalisation condition refer to the fixed assets, investment property and inventories, which need a rather long acquisition and construction activities or production activities to reach up to the scheduled available or salable state.

2. *Calculation of capitalisation amount*

The capitalisation period refers to the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs is suspended when the acquisition and production activities are interrupted abnormally for a period of more than three months.

For specific borrowings, the capitalized amount shall be the actual interest expense incurred for the specific borrowings, less the interest income from the unused funds of the borrowings deposited in bank or investment income from the temporary investments; and for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from specific borrowings times the capitalisation rate of the general borrowings so occupied. The capitalisation rate is the weighted average rate of the general borrowings; and for borrowings with discount or premium, the discount or premium was amortised over the term of the borrowings to adjust the interest in every accounting period using effective interest rate method.

The effective interest method is based on the effective interest rate of the borrowings to calculate the amortization of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows to the current carrying amount of the borrowings.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XVII) 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 amortised 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 amortised 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 amortised 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 judgement 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 judgements of the indefinite useful life, etc.

3. *Basis for research and development phases for internal research and development project and basis for capitalisation 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. (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.

Specific basis for distinguishing research phase and development phase of an internal research and development project: the planned investigation phase for obtaining new technologies and knowledge shall be determined as research phase as such phase has planned and exploratory features; phases that include the application of research result or other knowledge to certain plan or design to produce a new or substantially improved material, equipment and product before commercial production or usage shall be determined as development phase as such phase are targeted and has a higher possibility of generating result.



## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XVIII) 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 inflow.

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.

#### (XIX) 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 amortised over the benefit period. If a long-term prepayment cannot bring benefit in future accounting periods, its residue value not yet amortised shall be transferred in full to current profit or loss.

#### (XX) 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)

#### (XX) 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 or 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.

#### (XXI) 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 or services. 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.

The satisfaction of performance obligation over time or at a point in time is determined by contractual terms or relevant law. For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, the Company recognises revenue at the point in time at which the customer obtains control of relevant assets.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXI) Revenue (Continued)

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 have 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.

#### *The specific method for recognition of the Company's revenue*

Contracts for the sale of goods between the Company and its customers generally contain only performance obligations for the transfer of goods. As the Company's performance obligations for the transfer of goods do not satisfy three conditions within a certain period of time, the Company's sales of medical device products fall within the scope of performance obligations at a point of time. The Company's major sales models include distribution model, direct sales and delivery model, and overseas sales model.

The specific principles and timing of revenue recognition under each sales model are as follows:

Distribution model: The Company recognizes revenue after the distributor inspected and signed for the receipt of goods.

Direct sales and delivery model: The Company recognizes revenue according to the usage after the actual use of products in the hospital.

Overseas sales model: The Company's policy and timing for revenue recognition for overseas sales is that revenue is recognized when the Company ships the goods and declares them for export.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXII) Contract costs

Contract cost of the Company includes the incremental costs of obtaining a contract and the cost to fulfill a contract. Incremental costs of obtaining a contract (“costs of obtaining a contract”) represents costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

If the costs to fulfill a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
2. the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
3. the costs are expected to be recovered.

The costs to fulfill a contract that Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less
2. the costs to be incurred that relate to providing those goods or services expenses.

If the depreciation factors in the previous period change subsequently, and the difference between the aforementioned two items is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, provided that the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXIII) 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.

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)

#### (XXIV) Deferred income tax assets and deferred income 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXV) Lease

1. *Accounting treatment for leased assets*

On the commencement date of the lease term, the Company recognises the right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases, and separately recognises the depreciation expense and interest expense over the lease term.

The Company adopts the straight-line method for each period of the lease term, and the lease payments for short-term leases and low-value assets leases are included in the current expenses.

(1) Right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for lessee. At the commencement date, the right-of-use is initially measured at cost. The cost of the right-of-use assets shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by categories using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets and estimated residual value rates over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets over the shorter of the lease term and the estimated remaining useful life.

The Company recognizes whether the right-of-use assets are impaired or not and accounts for impairment under relevant regulations of the “Accounting Standard for Business Enterprises No. 8 – Impairment of Asset”.

(2) Lease liabilities

The lease liability is measured at the present value of lease payments that are unpaid at that date. Lease payments include: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate; ③ amounts expected to be paid under residual value of the lessee’s guarantees; ④ the exercise price of a purchase option reasonably certain to be exercised by lessee; ⑤ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company’s incremental borrowing rate is used. The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company’s evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.



## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXV) Lease (Continued)

##### 2. Accounting treatment of assets leased out

###### (1) Accounting treatment of operating leases

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term.

###### (2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables.

#### (XXVI) 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:

The key estimation and key assumption for expected credit loss, key accounting judgement and estimation for provisions of declines in the value of inventories, key accounting judgement and estimation for depreciation of fixed assets, key accounting judgement and estimation for impairment of long term assets, key estimation and key assumption for determination of fair value and and key estimation for revenue recognition and measurement.

##### *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.(XIV), 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 them.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

There was no change in accounting policies and accounting estimates during the period.

### IV. TAXES

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

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Taxable sales	13%, 6%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Enterprise income tax	Taxable income	15%, 25%

Name of Taxable Entity	Income tax rates
Beijing Chunlizhengda Medical Instruments Co., Ltd.	15%
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.	15%
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	25%

Note: The subsidiaries including Beijing Zhao Yi Te Medical Devices Co., Ltd.\* (北京兆德特醫療器械有限公司), Xingtai Langtai Bengyuan Medical Devices Co., Ltd.\* (邢台市琅泰本元醫療器械有限公司), Luangtai Meikang Medical Devices Co., Ltd.\* (琅泰美康醫療器械有限公司) and Beijing Lechi Inspection Technology Co.\* (北京樂馳檢測技術有限公司) were subject to the income tax rates for small and micro firms during the current period.

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

The Company passed the certification of high and new technology enterprise review on 17 December 2021 and obtained the High and New Technology Enterprise Certificate (Certificate No.: GR202111003321; valid for 3 years). The enterprise income tax for the years 2021, 2022 and 2023 are levied at the tax rate of 15%.

Hebei Chunli Hangnuo New Materials Technology Co., Ltd.\* (河北春立航諾新材料科技有限公司), a subsidiary of the Company, passed the certification of high and new technology enterprise review on 18 September 2021 and obtained the High and New Technology Enterprise Certificate (Certificate No.: GR202113001237; valid for 3 years). The enterprise income tax for the years 2021, 2022 and 2023 are levied at the tax rate of 15%.

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

#### (I) Monetary Funds

Type	30 June 2022	31 December 2021
Cash	326,850.71	316,309.33
Cash in bank	1,106,524,147.00	1,736,177,686.05
Total	1,106,850,997.71	1,736,493,995.38
Including: the total amount deposited overseas	42,898,276.87	62,764,579.13

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (II) Held-for trading Financial Assets

Item	Closing balance	Opening balance
Financial assets measured at fair value with changes included in current profit and loss	490,841,808.22	
Including: wealth management products	490,841,808.22	
Total	490,841,808.22	

#### (III) Notes receivable

Type	30 June 2022	31 December 2021
Bank acceptance bills	78,149,354.34	123,479,643.85
Commercial acceptance bills	1,241,687.29	4,116,293.29
Less: bad debt provision		
Total	79,391,041.63	127,595,937.14

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

Note 2: Endorsed or discounted and undue bank acceptance bills at the balance sheet date of the Company at the end of the period are RMB36,854,663.56, of which RMB24,479,970.99 was derecognised and RMB12,374,692.57 was not derecognised.

Note 3: As of 30 June 2022, the Company had no bills receivable under pledge; there was no amount of bills transferred to accounts receivable due to the default of the drawer.

#### (IV) Accounts receivable

##### 1. Disclosure of accounts receivable by category

Type	30 June 2022			
	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	656,698,535.51	100.00	53,478,569.31	8.14
Including: portfolios with similar credit risk features	656,698,535.51	100.00	53,478,569.31	8.14
Total	656,698,535.51	100.00	53,478,569.31	8.14

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (IV) Accounts receivable (Continued)

##### 1. Disclosure of accounts receivable by category (Continued)

Type	31 December 2021			
	Book balance		Bad debt provision	
	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	439,389,881.57	100.00	39,196,868.99	8.92
Including: portfolios with similar credit risk features	439,389,881.57	100.00	39,196,868.99	8.92
<b>Total</b>	<b>439,389,881.57</b>	<b>100.00</b>	<b>39,196,868.99</b>	<b>8.92</b>

##### Accounts receivable with provision made for bad debts using portfolios

##### Portfolios with similar credit risk features

Ages	Book balance	30 June 2022		Book balance	31 December 2021	
		Expected credit loss rate (%)	Bad debt provision		Expected credit loss rate (%)	Bad debt provision
Within 1 year	603,581,180.07	5.00	30,179,059.01	394,752,712.16	5.00	19,737,635.60
1-2 years	29,732,393.04	15.00	4,459,858.96	26,289,006.27	15.00	3,943,350.94
2-3 years	9,090,622.13	50.00	4,545,311.07	5,664,561.39	50.00	2,832,280.70
Over 3 years	14,294,340.27	100.00	14,294,340.27	12,683,601.75	100.00	12,683,601.75
<b>Total</b>	<b>656,698,535.51</b>	<b>8.14</b>	<b>53,478,569.31</b>	<b>439,389,881.57</b>	<b>8.92</b>	<b>39,196,868.99</b>

Note: The aging analysis of accounts receivable is based on the month in which the business bills are 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. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (IV) Accounts receivable (Continued)

- Provisions made, collected or reversed for bad debts during the current period  
Provision for bad debts made in the current period totaled RMB14,281,700.32, and no provision for bad debts were collected or reversed in the current period.
- Details of the top 5 accounts receivable by closing balance of debtors

Name of entity	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
The 1st	39,689,828.50	6.04	1,984,491.43
The 2nd	26,844,352.00	4.09	1,342,217.60
The 3rd	25,458,520.00	3.88	1,272,926.00
The 4th	17,631,339.75	2.68	881,566.99
The 5th	15,793,098.07	2.40	833,664.10
Total	125,417,138.32	19.09	6,314,866.12

#### (V) Prepayments

- Prepayments shown by age

Ages	30 June 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	25,936,601.61	99.17	7,440,161.07	97.18
1-2 years	215,985.88	0.83	215,985.88	2.82
Total	26,152,587.49	100.00	7,656,146.95	100.00

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (V) Prepayments (Continued)

2. Details of the top 5 entities with largest prepayment balances

Name of entity	Closing balance	Proportion to total prepayments (%)
The 1st	5,668,422.73	21.67
The 2nd	3,673,094.00	14.04
The 3rd	2,245,902.09	8.59
The 4th	2,181,787.60	8.34
The 5th	1,539,849.06	5.89
Total	15,309,055.48	58.53

#### (VI) Other receivables

Type	30 June 2022	31 December 2021
Other receivables	8,848,773.37	8,767,274.36
Less: bad debt provision	4,306,600.34	4,277,320.19
Total	4,542,173.03	4,489,954.17

*Other receivables*

(1) Other receivables categorised by nature

Type	Closing balance	Opening balance
Petty cash	19,528.24	104,475.19
Deposit, guarantee deposit	505,696.01	378,571.52
Others	8,323,549.12	8,284,227.65
Less: bad debt provision	4,306,600.34	4,277,320.19
Total	4,542,173.03	4,489,954.17

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (VI) Other receivables (Continued)

Other receivables (Continued)

(2) Aging analysis of other receivables

Ages	30 June 2022		31 December 2021	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	391,796.16	4.43	439,849.15	5.02
1-2 years	134,552.00	1.52	40,000.00	0.46
2-3 years	8,111,194.97	91.66	8,076,194.97	92.12
Over 3 years	211,230.24	2.39	211,230.24	2.40
Total	8,848,773.37	100.00	8,767,274.36	100.00

(3) Bad debt provision

Bad debt provision	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit- impaired	Stage 3 Lifetime expected credit loss – credit- impaired	Total
Balance as at 1 January 2022	4,277,320.19			4,277,320.19
Balance as at 1 January 2022 in the current period after assessment	4,277,320.19			4,277,320.19
– transfer to Stage 2				
– transfer to Stage 3	-4,028,097.49		4,028,097.49	
– transfer back to Stage 2				
– transfer back to Stage 1				
Provision for the current period	29,280.15			29,280.15
Reversal for the current period				
Write-off for the current period				
Other changes				
Closing balance as at 30 June 2022	278,502.85		4,028,097.49	278,502.85



## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (VI) Other receivables (Continued)

*Other receivables (Continued)*

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

Name of entity	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Yuanfeng Metal Technology Hebei Co., Ltd. (元豐金屬科技河北有限公司)	Returns receivable	8,056,194.97	2-3 years	91.04	4,028,097.49
Beijing Dijie Property Management Co., Ltd., Chaoyang Third Branch (北京地杰物業管理有限公司朝陽第三分公司)	Deposit	128,828.00	Over 3 years	1.46	128,828.00
Wuhan Wanfu Hotel Management Co., Ltd., Wuchang Branch (武漢萬富酒店管理有限公司武昌分公司)	Deposit	124,552.00	1-2 years	1.41	18,682.80
深圳龍一供應鏈有限公司	Guarantee deposit	105,558.49	Within 1 year	1.19	5,277.92
Beijing Aikang Dacheng Kemao Development Co., Ltd. (北京愛康大成科貿發展有限公司)	Others	82,402.24	Over 3 years	0.93	82,402.24
Total		8,497,535.70		96.03	4,263,288.45

#### (VII) Inventories

1. *Categories of inventories*

Type of inventories	Book balance	30 June 2022		31 December 2021		
		Provision for write-down/impairment	Carrying amount	Book balance	Provision for write-down/impairment	Carrying amount
Raw material	43,806,928.71	3,540,436.69	40,266,492.02	44,072,936.99	3,700,910.86	40,372,026.13
Goods sold	1,618,954.79		1,618,954.79	2,032,760.61		2,032,760.61
Work in progress	34,475,208.35	123,310.48	34,351,897.87	18,721,759.80	123,310.48	18,598,449.32
Stock inventory	115,373,876.02	9,294,803.12	106,079,072.90	107,440,296.69	8,766,172.79	98,674,123.90
Total	195,274,967.87	12,958,550.29	182,316,417.58	172,267,754.09	12,590,394.13	159,677,359.96

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (VII) Inventories (Continued)

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

Type of inventories	31 December 2021	Provision for the current period	Decrease in the current period		30 June 2022
			Reversal	Write-off	
Raw material	3,700,910.86	262,414.64		422,888.81	3,540,436.69
Work in progress	123,310.48				123,310.48
Stock inventory	8,766,172.79	2,206,050.58		1,677,420.25	9,294,803.12
Total	12,590,394.13	2,468,465.22		2,100,309.06	12,958,550.29

Note: The Company determines the net realizable value inventories based on the estimated selling prices less selling expenses and taxes, and the inventories of the Company are measured at the lower of cost and net realizable value at the end of the year. Full provision for inventories write-down is made for inventories that are no longer used/sold, inventories that are not used/sold and inventories that are slow-moving. The write-off of provision for impairment of inventories is due to the use or obsolescence of inventories for which the Company has made provision for impairment of inventories.

#### (VIII) Other current assets

Item	30 June 2022	31 December 2021
Input tax before deduction	874,661.71	566,078.00
Cost of return receivable	6,051,417.21	11,082,709.62
Prepaid other taxes	188,652.46	8,687.42
Total	7,114,731.38	11,657,475.04

#### (IX) Fixed assets

Type	30 June 2022	31 December 2021
Fixed assets	286,538,382.86	111,389,835.89
Fixed assets clearance		
Less: Provision for impairment		
Total	286,538,382.86	111,389,835.89

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (IX) Fixed assets (Continued)

##### 1. Fixed assets

##### (1) Details of fixed assets

Item	Buildings and structures	Mechanical equipment	Transport facilities	Electronic device	Total
I. Original carrying amount					
1. 1 January 2022	31,313,858.98	138,085,583.34	4,419,159.63	4,007,269.42	177,825,871.37
2. Increase in the current period	162,444,286.00	21,415,904.10	8,200.00	425,616.99	184,294,007.09
(1) Acquisition		3,963,934.22	8,200.00	425,616.99	4,397,751.21
(2) Transferred from construction in progress	162,444,286.00	17,451,969.88			179,896,255.88
3. Decrease in the current period		63,675.21	493,955.20		557,630.41
(1) Disposal or retirement		63,675.21	493,955.20		557,630.41
4. 30 June 2022	193,758,144.98	159,437,812.23	3,933,404.43	4,432,886.41	361,562,248.05
II. Accumulated depreciation					
1. 1 January 2022	6,274,473.90	55,585,441.72	2,363,966.78	2,212,153.08	66,436,035.48
2. Increase in the current period	1,808,183.94	6,570,978.77	300,375.30	424,863.88	9,104,401.89
(1) Provision	1,808,183.94	6,570,978.77	300,375.30	424,863.88	9,104,401.89
3. Decrease in the current period		56,975.48	459,596.70		516,572.18
(1) Disposal or retirement		56,975.48	459,596.70		516,572.18
4. 30 June 2022	8,082,657.84	62,099,445.01	2,204,745.38	2,637,016.96	75,023,865.19
III. Provision for impairment					
1. 1 January 2022					
2. Increase in the current period					
3. Decrease in the current period					
4. 30 June 2022					
IV. Carrying amount					
1. Closing carrying amount	185,675,487.14	97,338,367.22	1,728,659.05	1,795,869.45	286,538,382.86
2. Opening carrying amount	25,039,385.08	82,500,141.62	2,055,192.85	1,795,116.34	111,389,835.89

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB20,013,862.95. Application for property ownership certificate with original closing amount of RMB162,444,286.00 was in process at the end of the period.

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (IX) Fixed assets (Continued)

1. Fixed assets (Continued)

(2) Temporarily idle fixed assets as at 30 June 2022

Type	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Note
Mechanical equipment	1,046,108.89	895,168.10		150,940.79	
Total	1,046,108.89	895,168.10		150,940.79	

#### (X) Construction in progress

Type	30 June 2022	31 December 2021
Projects of construction in progress	163,206,588.00	281,558,992.24
Less: Provision for impairment		
Total	163,206,588.00	281,558,992.24

1. Projects of construction in progress

(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	4,223,268.64		4,223,268.64	121,775,945.84		121,775,945.84
Integrated construction project for orthopedic implant and supporting materials	157,557,595.09		157,557,595.09	142,217,663.20		142,217,663.20
Equipment installation work	1,051,671.58		1,051,671.58	17,534,690.14		17,534,690.14
Other sporadic work	374,052.69		374,052.69	30,693.06		30,693.06
Total	163,206,588.00		163,206,588.00	281,558,992.24		281,558,992.24

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (X) Construction in progress (Continued)

1. *Projects of 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	121,775,945.84	44,891,608.80	162,444,286.00		4,223,268.64
Integrated construction project for orthopedic implant and supporting materials	94,470.38	142,217,663.20	15,339,931.89			157,557,595.09
Total	112,900.03	263,993,609.04	60,231,540.69	162,444,286.00		161,780,863.73

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation 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	95.83	95.83				Self-generated funds and publicly raised funds
Integrated construction project for orthopedic implant and supporting materials	16.68	16.68				Self-generated funds and publicly raised funds

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XI) Right-of-use assets

Item	Buildings and structures	Total
<b>I. Original carrying amount</b>		
1. 1 January 2022	3,557,234.18	3,557,234.18
2. Increase in the current period	1,979,976.31	1,979,976.31
3. Decrease in the current period		
4. 30 June 2022	5,537,210.49	5,537,210.49
<b>II. Accumulated depreciation</b>		
1. 1 January 2022	1,758,507.99	1,758,507.99
2. Increase in the current period	1,136,457.54	1,136,457.54
3. Decrease in the current period		
4. 30 June 2022	2,894,965.53	2,894,965.53
<b>III. Provision for impairment</b>		
1. 1 January 2022		
2. Increase in the current period		
3. Decrease in the current period		
4. 30 June 2022		
<b>IV. Carrying amount</b>		
1. Closing carrying amount	2,642,244.96	2,642,244.96
2. Opening carrying amount	1,798,726.19	1,798,726.19

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XII) Intangible assets

*Intangible assets*

Item	Land use rights	Software	Patent licenses	Total
<b>I. Original carrying amount</b>				
1. 1 January 2022	132,514,410.33	4,154,184.64	8,500,000.00	145,168,594.97
2. Increased amount in the current period			3,000,000.00	3,000,000.00
Acquisition			3,000,000.00	3,000,000.00
3. Decreased amount in the current period				
4. 30 June 2022	132,514,410.33	4,154,184.64	11,500,000.00	148,168,594.97
<b>II. Accumulated amortization</b>				
1. 1 January 2022	10,741,822.82	2,027,732.04	425,000.00	13,194,554.86
2. Increased amount in the current period	1,340,295.54	386,314.98	1,210,000.00	2,936,610.52
Provision	1,340,295.54	386,314.98	1,210,000.00	2,936,610.52
3. Decreased amount in the current period				
4. 30 June 2022	12,082,118.36	2,414,047.02	1,635,000.00	16,131,165.38
<b>III. Provision for impairment</b>				
1. 1 January 2022				
2. Increased amount in the current period				
3. Decreased amount in the current period				
4. 30 June 2022				
<b>IV. Carrying amount</b>				
1. Closing carrying amount	120,432,291.97	1,740,137.62	9,865,000.00	132,037,429.59
2. Opening carrying amount	121,772,587.51	2,126,452.60	8,075,000.00	131,974,040.11

#### (XIII) Long term prepayments

Type	1 January 2022	Increase in the current period	Amortization in the current period	Other decrease	30 June 2022
Renovation costs	128,333.51		109,999.98		18,333.53
Total	128,333.51		109,999.98		18,333.53



## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Item	30 June 2022		31 December 2021	
	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	10,844,386.85	70,743,719.94	8,572,217.19	56,064,583.31
Expected sales rebate	2,689,911.74	17,932,744.90	4,375,879.47	29,172,529.77
Return payables	3,252,397.77	21,682,651.80	7,075,449.12	47,169,660.78
Deferred income	1,830,924.27	12,206,161.81	2,070,867.34	13,805,782.24
Unrealized internal gains and losses	1,364,104.68	9,094,031.19	788,129.48	5,254,196.51
Subtotal	19,981,725.31	131,659,309.64	22,882,542.60	151,466,752.61
Deferred income tax liabilities:				
Cost of return receivable	907,712.58	6,051,417.21	1,662,406.44	11,082,709.62
Accelerated depreciation of fixed assets	3,974,055.96	26,493,706.43	3,740,408.69	24,936,057.95
Subtotal	4,881,768.54	32,545,123.64	5,402,815.13	36,018,767.57

2. *Breakdown of unrecognized deferred income tax assets*

Item	30 June 2022	31 December 2021
Deductible loss	2,894,778.19	1,322,033.71
Total	2,894,778.19	1,322,033.71

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XIV) Deferred income tax assets and deferred income tax liabilities (Continued)

3. *Deductible losses of unrecognized deferred income tax assets will expire in the following years*

Year	Closing balance	Opening balance	Remarks
2022			
2023			
2024			
2025	4,596.90	4,596.90	
2026	1,317,436.81	1,317,436.81	
2027	1,572,744.48		
Total	2,894,778.19	1,322,033.71	

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

Item	30 June 2022	31 December 2021
Prepayment for the acquisition of long-term assets	2,047,905.47	2,161,009.69
Total	2,047,905.47	2,161,009.69

#### (XVI) Accounts payable

1. *Details*

Item	30 June 2022	31 December 2021
Acquired materials and others	97,715,251.17	77,662,764.86
Acquired machines equipment and engineering	74,362,112.56	64,752,764.96
Total	172,077,363.73	142,415,529.82

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XVI) Accounts payable (Continued)

2. *By age*

<b>Item</b>	<b>30 June 2022</b>	31 December 2021
Within 1 year (inclusive)	<b>165,827,570.87</b>	137,123,856.34
Over 1 year	<b>6,249,792.86</b>	5,291,673.48
<b>Total</b>	<b>172,077,363.73</b>	142,415,529.82

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.

3. *Significant accounts payable aging over 1 year*

<b>Name of creditor</b>	<b>30 June 2022</b>	Reason for non-repayment
Chengdu Puchuan Biomaterials Corporation (成都普川生物醫用材料股份有限公司)	<b>4,402,029.43</b>	Not settled
Beijing Yijia Xinchuang Technology Co., Ltd. (北京億佳新創科技有限公司)	<b>1,743,732.90</b>	Not settled
<b>Total</b>	<b>6,145,762.33</b>	

Note: The amount aging within 1 year was RMB3,858,353.22 and the amount aging 1-2 years was RMB2,287,409.11.

#### (XVII) Advances received

<b>Item</b>	<b>30 June 2022</b>	31 December 2021
Within 1 year (inclusive)		
Over 1 year	<b>6,892,177.01</b>	6,992,973.01
<b>Total</b>	<b>6,892,177.01</b>	6,992,973.01

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XVIII) Contract liabilities

Item	30 June 2022	31 December 2021
Within 1 year (inclusive)	<b>49,503,781.01</b>	38,404,470.77
Over 1 year	<b>27,601,074.38</b>	21,136,198.24
Total	<b>77,104,855.39</b>	59,540,669.01

Note: Amount of RMB20,406,674.26 included in contract liabilities at the beginning of the year was recognized as revenue in January to June 2022.

#### (XIX) Employee remuneration payable

##### 1. Employee remuneration payable shown by category

Item	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022
Short-term remuneration	45,597,303.49	71,772,428.63	96,564,484.40	<b>20,805,247.72</b>
Post-employment benefits-defined contribution plan	669,791.93	5,066,653.46	5,023,273.47	<b>713,171.92</b>
Total	46,267,095.42	76,839,082.09	101,587,757.87	<b>21,518,419.64</b>

##### 2. Remuneration of short-term employees

Item	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022
Wage, bonus, allowance and subsidy	38,936,694.64	63,007,002.73	88,255,278.79	<b>13,688,418.58</b>
Employee welfare premium		1,473,053.50	1,473,053.50	
Social welfare premium	445,275.47	3,198,704.70	3,172,100.47	<b>471,879.70</b>
Including: Medicare premium	397,815.81	2,883,425.28	2,859,591.68	<b>421,649.41</b>
Occupational injuries premium	47,459.66	315,279.42	312,508.79	<b>50,230.29</b>
Housing provident funds	6,804.00	1,888,422.60	1,895,226.60	
Labor union fund and employee education fund	6,208,529.38	2,205,245.10	1,768,825.04	<b>6,644,949.44</b>
Total	45,597,303.49	71,772,428.63	96,564,484.40	<b>20,805,247.72</b>

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XIX) Employee remuneration payable (Continued)

##### 3. Defined contribution plan

Item	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022
Basic endowment insurance premium	649,495.20	4,909,720.61	4,867,692.93	<b>691,522.88</b>
Unemployment insurance premium	20,296.73	156,932.85	155,580.54	<b>21,649.04</b>
Total	669,791.93	5,066,653.46	5,023,273.47	<b>713,171.92</b>

#### (XX) Taxes payable

Taxes	30 June 2022	31 December 2021
VAT	<b>20,835,399.20</b>	20,491,504.09
Enterprise income tax	<b>1,486,824.46</b>	10,164,535.28
Urban maintenance and construction tax	<b>727,828.48</b>	426,149.85
Individual income tax	<b>372,871.84</b>	296,395.92
Education surcharge	<b>436,524.75</b>	255,682.92
Local education surcharge	<b>291,034.46</b>	170,455.29
Stamp duty	<b>196,015.59</b>	425,469.98
Environmental protection tax	<b>144,604.80</b>	72,302.40
Withholding and remitting tax	<b>2,982,351.89</b>	
Total	<b>27,473,455.47</b>	32,302,495.73

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXI) Other payables

Type	30 June 2022	31 December 2021
Dividends payable	10,037,664.00	
Other payables	83,801,078.65	75,055,164.38
Total	93,838,742.65	75,055,164.38

#### 1. Dividends payable

Item	Closing balance	Opening balance
Dividends of ordinary shares	10,037,664.00	
Total	10,037,664.00	

#### 2. Other payables

##### (1) Categorized by nature

Nature	30 June 2022	31 December 2021
Sales services fees	62,650,662.64	54,370,909.24
Guarantee deposits	19,272,184.44	19,623,513.44
Others	1,878,231.57	1,060,741.70
Total	83,801,078.65	75,055,164.38

##### (2) Explanation on significant other payables aging over 1 year

Name of entity	30 June 2022	Reason for non-repayment
Shaanxi Lianziquan Technology Co., Ltd. (陝西鏈滋泉科技有限公司)	4,872,712.00	Guarantee deposit
Anhui Weiyi Medical Technology Co., Ltd. (安徽為一醫療科技有限公司)	3,700,000.00	Guarantee deposit
Xingtai Zhucheng Construction and Installation Limited (邢台鑄誠建築安裝有限公司)	2,700,000.00	Guarantee deposit
Fujian Fengkaida Trade Co., Ltd. (福建豐凱達商貿有限責任公司)	2,570,650.00	Guarantee deposit
Fuzhou Rongchangsheng Medical Equipment Co., Ltd. (福州榮昌盛醫療器械有限公司)	2,303,900.00	Guarantee deposit
Total	16,147,262.00	–

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXII) Non-current liabilities due within one year

Item	30 June 2022	31 December 2021
Lease liabilities due within one year	1,083,556.72	1,226,469.52
Total	1,083,556.72	1,226,469.52

#### (XXIII) Other current liabilities

Item	30 June 2022	31 December 2021
Return payables	21,682,651.80	47,169,660.78
Output VAT to be carried forward	7,692,374.39	3,820,615.57
Bills receivable not derecognised	12,374,692.57	24,828,215.00
Total	41,749,718.76	75,818,491.35

#### (XXIV) Lease liabilities

Item	30 June 2022	31 December 2021
Lease payments	1,840,165.44	1,249,739.50
Less: unrecognised financing fee	73,260.61	23,269.98
Less: lease liabilities due within one year	1,083,556.72	1,226,469.52
Total	683,348.11	

#### (XXV) Deferred income

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

Item	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022	Reasons
Government grants	85,558,271.60		2,062,827.74	83,495,443.86	
Total	85,558,271.60		2,062,827.74	83,495,443.86	



## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXV) Deferred income (Continued)

##### 2. Items of government grants

Item	1 January 2022	Amount of grants increased for the period	Amount included in the current profit or loss	Other changes	30 June 2022	Related to assets/related to income
Grant for industrialization of ceramic femoral head on ceramic hip joint prostheses	1,553,115.76		283,500.00		1,269,615.76	Related to assets
Grant for PEEK interbody fusion cage	865,150.00		99,825.00		765,325.00	Related to assets
Grant for innovation ability development on joint prosthesis of Beijing engineering laboratory	3,804,000.00		475,500.00		3,328,500.00	Related to assets
Grant for clinical study and construction project of pilot production capacity of spinal artificial vertebral fixation system	803,066.70		85,399.98		717,666.72	Related to assets
Grant for National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis Achievement	3,346,784.16		250,000.02		3,096,784.14	Related to assets
Incentive payment for 2019 key support program for development of high-precision industry – Medicine and medical Instruments from Beijing Municipal Bureau of Economy and Information Technology (北京市通州區經濟和信息化局2019年度高精尖產業發展重點支撐項目 – 藥品醫療器械獎勵款)	240,000.00		15,000.00		225,000.00	Related to assets
Incentive payment for 2019 key support program for development of high-precision industry – Stable development of enterprise from Beijing Municipal Bureau of Economy and Information Technology (北京市通州區經濟和信息化局2019年度高精尖產業發展重點支撐項目 – 企業平穩發展獎勵款)	575,983.82		34,999.98		540,983.84	Related to assets
Industrial guidance and subsidies (產業引導扶持資金)	70,252,489.36		463,207.31		69,789,282.05	Related to assets/related to income
Development and clinical application of porous tantalum repair materials and implantable products	33,848.51		33,848.51			Related to assets/related to income
Incentive payment for 2020 support program for development of high-precision industry in Tongzhou District	363,833.29		19,000.02		344,833.27	Related to assets/related to income
Joint prosthesis research and industrialization project	1,500,000.00				1,500,000.00	Related to assets/related to income
Transformation project of Tantalum-Modified Biomedical Titanium Alloy Research Achievement	100,000.00		81,013.00		18,987.00	Related to income
2021 key support program for development of high-precision industry – technological innovation and industrialization (construction project of digitalized orthopedic implant workshop) from Tongzhou District (通州區2021年度高精尖產業發展重點支撐項目 – 技術改造和產業化(骨科植入物數字化車間建設項目))	1,920,000.00		21,533.92		1,898,466.08	Related to assets
Grant for 2021 key support program for development of high-precision industry – biomedicine and health industry projects from Tongzhou District (通州區2021年度高精尖產業發展重點支撐項目 – 生物醫藥健康產業專項補助)	200,000.00		200,000.00			Related to income
<b>Total</b>	<b>85,558,271.60</b>		<b>2,062,827.74</b>		<b>83,495,443.86</b>	

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXVI) Share capital

Item	1 January 2022	Movements for the period (+, -)			Subtotal	30 June 2022
		Issue of new shares	Bonus shares	Reserves transferred to shares		
Total shares	384,280,000.00					384,280,000.00

#### (XXVII) Capital reserve

Type	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022
I. Capital premium	1,049,428,272.24			1,049,428,272.24
II. Other capital reserve	1,800,000.00			1,800,000.00
Total	1,051,228,272.24			1,051,228,272.24

#### (XXVIII) Surplus reserve

Type	1 January 2022	Increase in the current period	Decrease in the current period	30 June 2022
Statutory surplus reserve	124,721,689.87			124,721,689.87
Total	124,721,689.87			124,721,689.87

#### (XXIX) Undistributed profits

Item	30 June 2022	
	Amount	Proportion of appropriation or distribution
Balance before adjustment at the end of preceding period	908,847,424.37	
Total balance at the beginning of the adjustment (Increase+, decrease-)		
Balance after adjustment at the beginning of the period	908,847,424.37	
Add: Net profit attributable to owners of the parent company for the current period	156,982,496.60	
Less: Appropriation of statutory surplus reserve		
Appropriation of surplus reserve		
Dividend payable on ordinary shares	49,956,400.00	
Ordinary share dividend transferred to share capital		
Undistributed profits at end of period	1,015,873,520.97	

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Operating revenue and operating cost by major category

Item	January to June 2022		January to June 2021	
	Revenue	Cost	Revenue	Cost
I. Subtotal from main operation	<b>569,856,989.16</b>	<b>145,594,637.37</b>	481,810,282.17	113,373,144.92
Medical device	<b>569,856,989.16</b>	<b>145,594,637.37</b>	481,810,282.17	113,373,144.92
II. Other business income	<b>1,534,627.27</b>		821,248.88	
Total	<b>571,391,616.43</b>	<b>145,594,637.37</b>	482,631,531.05	113,373,144.92

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	<b>569,856,989.16</b>	1,534,627.27
Total	<b>569,856,989.16</b>	1,534,627.27

#### (XXXI) Taxes and surcharges

Item	January to June 2022	January to June 2021
Urban maintenance and construction tax	<b>2,413,688.80</b>	1,732,541.87
Education surcharge	<b>1,447,722.25</b>	1,039,525.09
Local education surcharge	<b>965,148.13</b>	693,016.72
Stamp duty	<b>207,984.01</b>	240,461.44
Housing property tax	<b>142,190.65</b>	175,721.05
Land use tax	<b>2,056,298.53</b>	37,774.39
Vehicle and vessel use	<b>5,230.00</b>	6,763.33
Environmental protection tax	<b>289,209.60</b>	966,701.63
Total	<b>7,527,471.97</b>	4,892,505.52

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXXII) Selling expenses

Item	January to June 2022	January to June 2021
Market development expenses	120,571,455.87	112,552,465.61
Employee benefits	29,979,471.74	24,541,714.18
Office expenses	1,838,507.89	2,360,330.39
Others	2,625,345.72	3,185,308.71
Total	155,014,781.22	142,639,818.89

#### (XXXIII) Administrative expenses

Item	January to June 2022	January to June 2021
Employee remuneration	7,260,360.71	5,678,031.49
Agency fees	2,499,179.23	2,807,222.93
Depreciation and amortization expenses	3,082,976.67	1,607,794.35
Office and traveling expenses	328,693.88	328,524.76
Rentals and property expenses	575,582.57	768,212.94
Business entertainment expenses	9,093.54	424,536.24
Others	1,708,261.38	2,005,761.29
Total	15,464,147.98	13,620,084.00

#### (XXXIV) Research and development expenses

Item	January to June 2022	January to June 2021
Employee remuneration	18,998,214.37	12,112,334.96
Supplies consumed	14,084,404.66	6,023,971.71
Technical services expenses	20,612,672.98	7,763,481.70
Travel and meeting expenses	3,797,340.64	2,053,437.33
Depreciation and amortization	4,050,848.47	2,090,597.31
Fuel expenses	1,031,602.36	758,356.11
Examination and testing expenses	7,029,356.62	1,900,770.00
Others	2,685,395.84	1,526,378.48
Total	72,289,835.94	34,229,327.60

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXXV) Financial expenses

Item	January to June 2022	January to June 2021
Interest expenses		
Less: Interest income	<b>3,290,835.64</b>	5,545,914.58
Foreign exchange losses		64,095.18
Less: Foreign exchange gains	<b>2,615,518.70</b>	
Handling fee and other expenses	<b>128,097.84</b>	131,794.55
Total	<b>-5,778,256.50</b>	-5,350,024.85

Note: Interest expenses of lease liabilities of the current period amounted to RMB34,890.22.

#### (XXXVI) Other income

Item	January to June 2022	January to June 2021	Related to assets/related to income
Grant for industrialization of ceramic femoral head on ceramic hip joint prostheses	<b>283,500.00</b>	283,500.00	Related to assets
Grant for PEEK interbody fusion cage	<b>99,825.00</b>	99,825.00	Related to assets
Grant for innovation ability development on joint prosthesis of Beijing engineering laboratory	<b>475,500.00</b>	475,500.00	Related to assets
Grant for clinical study and construction project of pilot production capacity of spinal artificial vertebral fixation system	<b>85,399.98</b>	85,399.99	Related to assets/related to income
Grant for National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis Achievement	<b>250,000.02</b>	250,000.01	Related to assets
Incentive payment for 2019 key support program for development of high-precision industry – Medicine and medical Instruments from Beijing Municipal Bureau of Economy and Information Technology (北京市通州區經濟和信息化局 2019年度高精尖產業發展重點 支撐項目 – 藥品醫療器械獎勵款)	<b>15,000.00</b>	15,000.00	Related to assets

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXXVI) Other income (Continued)

Item	January to June 2022	January to June 2021	Related to assets/related to income
Incentive payment for 2019 key support program for development of high-precision industry – Stable development of enterprise from Beijing Municipal Bureau of Economy and Information Technology (北京市通州區經濟和信息化局2019年度高精尖產業發展重點支撐項目—企業平穩發展獎勵款)	34,999.98	34,999.98	Related to assets
Incentive payment for 2020 support program for development of high-precision industry in Tongzhou District	19,000.02	504,000.02	Related to assets/related to income
Development and clinical application of porous tantalum repair materials and implantable products	33,848.51	469,634.93	Related to income
Nurturing program for leading scientist at the Capital (首都科技領軍人才培養工程)		258,736.37	Related to income
Industrial guidance and subsidies (產業引導扶持資金)	463,207.31	332,286.29	Related to assets/related to income
Reward under Beijing City Sub-center “Eight-Through (通八條)” policy for the first batch of key enterprises Transformation project of Tantalum-Modified Biomedical Titanium Alloy Research Achievement	81,013.00	10,126,300.00	Related to income
2021 key support program for development of high-precision industry – technological innovation and industrialization (construction project of digitalized orthopedic implant workshop) from Tongzhou District 通州區2021年度高精尖產業發展重點支撐項目—技術改造和產業化(骨科植入物數字化車間建設項目)	21,533.92		
Grant for 2021 key support program for development of high-precision industry – biomedicine and health industry projects from Tongzhou District (通州區2021年度高精尖產業發展重點支撐項目—生物醫藥健康產業專項補助)	200,000.00		Related to income
Subsidy for stable development of enterprises	10,770.64		Related to income
Subsidy for patents		1,800.00	Related to income
Market exploration funds for SMEs		30,000.00	Related to income
Postdoctoral workstation funding subsidy	317,500.00		Related to income
Tax refund	118,055.03	265,081.02	Related to income
Subsidy for insurance	83,866.50	83,434.00	Related to income
Other small grants		119,863.00	Related to income
<b>Total</b>	<b>2,593,019.91</b>	<b>13,435,360.61</b>	

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XXXVII) Investment income

Item	Amount for current period	Amount for previous period
Investment income from disposal of held-for-trading financial assets	3,557,534.25	
Total	3,557,534.25	

#### (XXXVIII) Gains on changes of fair value

Sources of gains on changes of fair value	Amount for current period	Amount for previous period
Held-for-trading financial assets	3,962,082.19	
Total	3,962,082.19	

#### (XXXIX) Credit impairment loss

Item	January to June 2022	January to June 2021
Credit impairment loss of accounts receivable	-14,281,700.32	-9,649,013.44
Credit impairment loss of other receivables	-29,280.15	49,107.56
Total	-14,310,980.47	-9,599,905.88



## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XL) Assets impairment loss

Item	January to June 2022	January to June 2021
Inventory write-down loss	-2,468,465.22	-637,613.95
Total	-2,468,465.22	-637,613.95

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

Item	January to June 2022	January to June 2021
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	25,305.66	8,193.86
Total	25,305.66	8,193.86

#### (XLII) Non-operating income

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

Item	January to June 2022	January to June 2021	Amount charged to the current non-recurring profit or loss
Government grant not related to daily activities	20,000.00		20,000.00
Penalty income and others	24,033.11	53,551.75	24,033.11
Total	44,033.11	53,551.75	44,033.11

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XLIII) Non-operating expenses

Item	January to June 2022	January to June 2021	Amount charged to the current non-recurring profit or loss
External donations	1,608,269.23		1,608,269.23
Others	675,999.03	236,215.51	675,999.03
Total	2,284,268.26	236,215.51	2,284,268.26

#### (XLIV) Income tax expenses

##### 1. Details of income tax expenses

Item	January to June 2022	January to June 2021
Income tax expenses for the current period calculated according to tax laws and relevant requirements	13,034,992.32	24,937,451.36
Deferred income tax expenses	2,379,770.70	1,757,375.56
Total	15,414,763.02	26,694,826.92

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

Item	Amount
Total profit	172,397,259.62
Income tax expenses based on statutory/applicable tax rate	25,859,588.94
Effect of different tax rates applicable to subsidiaries	187,484.82
Effect of prior income tax adjustment	-1,659,667.55
Effect of non-deductible costs, expenses and losses	132,201.93
Effect of using the deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	-72,785.52
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets in current period	159,308.79
Research and development expenses and additional deductions	-9,191,368.39
Income tax expenses	15,414,763.02

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (XLV) Cash flow statement

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

Item	January to June 2022	January to June 2021
Other cash receipts related to operating activities	<b>4,249,722.78</b>	11,846,766.27
Including: Net receipts from current accounts	<b>384,661.86</b>	
Amount of government grant received	<b>550,192.17</b>	10,626,478.02
Interest receipts from deposit and others	<b>3,314,868.75</b>	1,220,288.25
Other cash payment related to operating activities	<b>177,153,843.31</b>	141,142,620.28
Including: Expenses of cash payment	<b>174,776,367.43</b>	138,458,230.49
Net current amount paid		2,355,497.61
Handling fee and other expenses	<b>2,377,475.88</b>	328,892.18

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

Item	January to June 2022	January to June 2021
Other cash receipts related to investment activities		4,379,178.08
Including: Interest receipts from fixed deposit		4,379,178.08

3. *Cash receipts or payments related to investment activities*

Item	January to June 2022	January to June 2021
Cash received from disinvestments	<b>920,000,000.00</b>	
Including: wealth management products	<b>920,000,000.00</b>	
Cash payments for investment	<b>1,410,000,000.00</b>	
Including: wealth management products	<b>1,410,000,000.00</b>	

4. *Other cash receipts or payment related to fundraising activities*

Item	January to June 2022	January to June 2021
Other cash payment related to fundraising activities	<b>1,196,855.47</b>	1,277,869.50
Including: payment of lease fee	<b>1,196,855.47</b>	1,277,869.50

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

##### 1. Supplemental information to the cash flow statement

Item	January to June 2022	January to June 2021
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	156,982,496.60	155,555,218.93
Add: Provision for assets impairment	2,468,465.22	637,613.95
Credit impairment loss	14,310,980.47	9,599,905.88
Depreciation of fixed assets, oil and gas assets, productive biological assets, investment properties	9,104,401.89	6,327,106.54
Depreciation of right-of-use assets	1,136,457.54	801,052.52
Amortization of intangible assets	2,936,610.52	1,488,582.05
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 “-”)	-25,305.66	-8,193.86
Fixed assets retirement loss (Gain represented by “-”)		
Net loss on hedging exposure (Gain represented by “-”)		
Losses on changes in fair value (Gain represented by “-”)	-3,962,082.19	
Financial expenses (Gain represented by “-”)	-327,202.57	-3,869,955.43
Investments losses (Gain represented by “-”)	-3,557,534.25	
Decrease of deferred income tax assets (Increase represented by “-”)	2,900,817.29	1,373,250.23
Increase of deferred income tax liabilities (Decrease represented by “-”)	-521,046.59	384,125.33
Decrease in inventories (Increase represented by “-”)	-25,107,522.84	-11,806,285.11
Decrease in operating receivables (Increase represented by “-”)	-220,515,350.53	-85,129,647.94
Increase of operating payables (Decrease represented by “-”)	-17,446,914.47	-56,513,771.66
Others		
Net cash flow from operating activities	-81,512,729.59	18,949,001.41
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 leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	1,106,850,997.71	598,832,334.62
Less: Opening balance of cash	1,736,493,995.38	690,116,229.19
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-629,642,997.67	-91,283,894.57

## NOTES TO FINANCIAL STATEMENTS

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

### V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

##### 2. Cash and cash equivalents

Item	30 June 2022	31 December 2021
I. Cash	<b>1,106,850,997.71</b>	1,736,493,995.38
Including: Cash on hand	<b>326,850.71</b>	316,309.33
Cash in bank on demand for payment	<b>1,106,524,147.00</b>	1,736,177,686.05
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	<b>1,106,850,997.71</b>	1,736,493,995.38

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

##### 1. Monetary items in foreign currencies

Item	30 June 2022	Exchange rate	Closing balance converted to RMB
Monetary funds			<b>11,007,255.62</b>
Including: USD	<b>1,231,003.68</b>	<b>6.7114</b>	<b>8,261,758.10</b>
HKD	<b>3,161,662.81</b>	<b>0.85519</b>	<b>2,703,822.42</b>
EUR	<b>5,946.45</b>	<b>7.0084</b>	<b>41,675.10</b>
Accounts receivable			<b>36,711,434.34</b>
Including: USD	<b>5,469,995.71</b>	<b>6.7114</b>	<b>36,711,329.21</b>
EUR	<b>15.00</b>	<b>7.0084</b>	<b>105.13</b>

## NOTES TO FINANCIAL STATEMENTS

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

### VI. CHANGE IN SCOPE OF CONSOLIDATION

There was no change in the scope of consolidation of the Company during the period.

### VII. INTEREST IN OTHER ENTITIES

#### (I) Interest in subsidiaries

1. *Composition of the corporate group*

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Beijing Zhao Yi Te Medical Devices Co., Ltd.*	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.*	Hebei Province	Hebei Province	Manufacture and sales of alloy materials	100.00		Through capital contribution to establish a new company
Pilot Medical Device Co., Limited	Hong Kong	Hong Kong	Development and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.	Hebei Province	Hebei Province	Manufacture and sales of medical devices	100.00		Through capital contribution to establish a new company
Luangtai Meikang Medical Devices Co., Ltd.	Hebei Province	Hebei Province	Manufacture and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司)	Beijing	Beijing	Inspection and testing services	100.00		Through capital contribution to establish a new company

## NOTES TO FINANCIAL STATEMENTS

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

### 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 2022, 19.09% (31 December 2021: 26.79%) 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.

#### (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 optimise financing structures, and finally maintains a balance between financing sustainability and flexibility.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (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.

### 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 to monitor the condition of capital management. The Company has no interest bearing debt, and calculates the gearing ratio based on the carrying amount of the debt. The gearing ratio of the Company is shown below:

Item	30 June 2022	31 December 2021
① Total liabilities	530,798,849.88	530,579,974.97
② Total assets	3,106,902,332.96	2,999,657,361.45
③=①/② Gearing ratio	17.08%	17.69%



## NOTES TO FINANCIAL STATEMENTS

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

### 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	Executive Director	29.88	29.88
Yue Shujun	PRC	Executive Director and Deputy General Manager	24.84	24.84

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
Beijing Meizhuo Medical Instruments Co. Limited	Guo Fuxiang, person-in-charge of the business is the husband of Shi Chunbao's cousin

Note: According to the relevant laws and regulations and accounting standards, Beijing Meizhuo Medical Instruments Co. Limited\* (北京美卓醫療器械有限公司) is not a legal related party. Li Junxia, the cousin of the Company's actual controller Shi Chunbao, and Guo Fuxiang, the husband of Shi Chunbao's cousin, are the persons in charge of the business of Meizhuo. They do not have the majority control over Meizhuo and influence on the operating decisions of Meizhuo and cannot exert significant influence. The Company makes related disclosures as if they are related parties based on the principle of prudence.

## 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

1. *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 Meizhuo Medical Instruments Co. Limited	Sale of goods	Medical devices	Market price	2,564,968.32	0.45	2,443,974.99	0.51

2. *Remuneration of key management*

Remuneration of key management	Amount for the current period	Amount for the previous period
Total	2,109,438.92	1,938,194.52

#### (V) Receivables from or payables to related parties

1. *Receivables*

Item	Related party	30 June 2022		31 December 2021	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Beijing Meizhuo Medical Instruments Co. Limited	6,347,113.49	317,355.67	5,334,131.79	266,706.59
Total		6,347,113.49	317,355.67	5,334,131.79	266,706.59

## NOTES TO FINANCIAL STATEMENTS

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

### XI. COMMITMENTS AND CONTINGENCIES

**(I) Commitments**

As of 30 June 2022, the Company has no commitments needed to be disclosed.

**(II) Contingencies**

As of 30 June 2022, the Company has no contingencies needed to be disclosed.

### XII. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of the issuance of the report, there are no other matters that need to be explained after the balance sheet date.

### 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**

<b>Auditor's remuneration</b>	<b>Amount for the current period</b>	Amount for the previous period
Annual audit services	<b>580,000.00</b>	500,000.00
Total	<b>580,000.00</b>	500,000.00

## 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

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

Director/ supervisor	Wage, allowance, subsidy and bonus						Total
	Fees	Basic salary	Allowance and subsidy	Bonus	Social insurance premium and housing provident fund	Pension	
<b>Director</b>							
Shi Chunbao		300,934.00			11,019.00		311,953.00
Yue Shujun		210,934.00			11,019.00		221,953.00
Xie Feng Bao		107,142.00		7,680.00	11,019.00		125,841.00
Shi Wenling		71,641.47	-	-	5,509.50	-	77,150.97
Ge Changyin	50,000.00						50,000.00
Wang Xin	50,000.00						50,000.00
Weng Jie	50,000.00						50,000.00
Wong Tak Shing	87,900.00						87,900.00
Subtotal for directors	237,900.00	690,651.47		7,680.00	38,566.50		974,797.97
<b>Supervisor</b>							
Zhang Lanlan		61,752.28		31,680.00	10,788.00		104,220.28
Zhang Jie		105,922.00		800.00	10,788.00		117,510.00
Wei Zhangli		103,466.75			11,019.00		114,485.75
Subtotal for supervisors		271,141.03		32,480.00	32,595.00		336,216.03
Total	237,900.00	961,792.50		40,160.00	71,161.50		1,311,014.00

##### 2. Five highest paid employees

The five highest paid employees of the Company for the period include one director, their emoluments are reflected in the emoluments of directors and supervisors. The emoluments of the five highest paid employees for the period are as follows:

Item	Amount for the current period
Wage and other emoluments	684,287.79
Discretionary bonus	1,037,276.67
Contributions to pension scheme	42,957.12
Incentives to absorb high paid individuals	
Compensation for dismissal	
Total	1,764,521.58

During the period, the emoluments paid to the above five employees were within RMB1,000,000.00.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (I) Accounts receivable

1. Disclosure of accounts receivable by category

Type	30 June 2022			
	Book balance		Bad debt provision	
	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	664,703,038.28	100.00	50,644,138.24	7.62
Including: portfolios with similar credit risk features	603,582,631.32	90.80	50,644,138.24	8.39
Portfolio of related parties within the scope of consolidation	61,120,406.96	9.20		
<b>Total</b>	<b>664,703,038.28</b>	<b>100.00</b>	<b>50,644,138.24</b>	<b>7.62</b>

Type	31 December 2021			
	Book balance		Bad debt provision	
	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	457,570,657.98	100.00	37,321,919.14	8.16
Including: portfolios with similar credit risk features	401,890,884.42	87.83	37,321,919.14	9.29
Portfolio of related parties within the scope of consolidation	55,679,773.56	12.17		
<b>Total</b>	<b>457,570,657.98</b>	<b>100.00</b>	<b>37,321,919.14</b>	<b>8.16</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. Disclosure of accounts receivable by category (Continued)

Accounts receivable with provision made for bad debts using portfolios

Portfolios with similar credit risk features

Ages	30 June 2022			31 December 2021		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	552,251,634.38	5.00	27,612,581.72	357,253,715.01	5.00	17,862,685.75
1-2 years	27,946,034.54	15.00	4,191,905.18	26,289,006.27	15.00	3,943,350.94
2-3 years	9,090,622.13	50.00	4,545,311.07	5,664,561.39	50.00	2,832,280.70
Over 3 years	14,294,340.27	100.00	14,294,340.27	12,683,601.75	100.00	12,683,601.75
Total	603,582,631.32	8.39	50,644,138.24	401,890,884.42	9.29	37,321,919.14

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.

2. Provisions made, collected or reversed for bad debts during the current period

Provision for bad debts made in the current period totaled RMB13,322,219.10, 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 entity	30 June 2022	Proportion to total receivables (%)	Balance of provision for bad debts
The 1st	57,037,242.10	8.58	
The 2nd	39,689,828.50	5.97	1,984,491.43
The 3rd	26,844,352.00	4.04	1,342,217.60
The 4th	25,458,520.00	3.83	1,272,926.00
The 5th	17,631,339.75	2.65	881,566.99
Total	166,661,282.35	25.07	5,481,202.02

## 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

Type	30 June 2022	31 December 2021
Other receivables	10,643,163.82	8,536,579.10
Less: Bad debt provision	4,220,915.40	4,184,696.10
Total	6,422,248.42	4,351,883.00

Other receivables:

#### (1) Other receivables categorised by nature

Nature of receivables	30 June 2022	31 December 2021
Within the scope of combination	1,922,446.64	56,144.03
Petty cash	6,604.80	12,160.27
Deposit, guarantee deposit	495,696.01	368,571.52
Others	8,218,416.37	8,099,703.28
Less: Bad debt provision	4,220,915.40	4,184,696.10
Total	6,422,248.42	4,351,883.00

#### (2) Aging analysis of other receivables

Age	30 June 2022		31 December 2021	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	2,273,991.95	21.37	291,556.13	3.41
1-2 years	129,148.90	1.21	40,000.00	0.47
2-3 years	8,111,194.97	76.21	8,076,194.97	94.61
Over 3 years	128,828.00	1.21	128,828.00	1.51
Total	10,643,163.82	100.00	8,536,579.10	100.00

## 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)

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

##### (3) Bad debt provision

Bad debt provision	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit- impaired	Stage 3 Lifetime expected credit loss – credit- impaired	Total
Balance as at 1 January 2022	4,184,696.10			4,184,696.10
Balance as at 1 January 2022 in the current period	4,184,696.10			4,184,696.10
– transfer to Stage 2				
– transfer to Stage 3				
– transfer back to Stage 2				
– transfer back to Stage 1				
Provision for the current period	36,219.30			36,219.30
Reversal for the current period				
Write-off for the current period				
Other changes				
Closing balance as at 30 June 2022	4,220,915.40			4,220,915.40

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

Name of entity	Nature of receivables	30 June 2022	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Yuanfeng Metal Technology Hebei Co., Ltd. (元豐金屬科 技河北有限公司)	Returns receivables	8,056,194.97	2-3 years	75.69	4,028,097.49
Xingtai Langtai Bengyuan Medical Devices Co., Ltd. (邢台市琅泰本元醫療器械 有限公司)	Current accounts within the scope of combination	1,707,155.74	Within 1 year	16.04	
Luangtai Meikang Medical Devices Co., Ltd. (琅泰美康 醫療器械有限公司)	Current accounts within the scope of combination	210,694.00	Within 1 year	1.98	
Beijing Dijie Property Management Co., Ltd. Chaoyang Third Branch (北京地杰物業管理有限公 司朝陽第三分公司)	Deposit	128,828.00	Over 3 years	1.21	128,828.00
Wuhan Wanfu Hotel Management Co., Ltd., Wuchang Branch (武漢萬富 酒店管理有限公司武昌分 公司)	Deposit	124,552.00	1-2 years	1.17	18,682.80
Total		10,227,424.71		96.09	4,175,608.29



## 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

Items	30 June 2022			31 December 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	9,565,263.00		9,565,263.00	8,165,263.00		8,165,263.00
Total	9,565,263.00		9,565,263.00	8,165,263.00		8,165,263.00

#### 1. Investment in subsidiaries

Investees	1 January 2022	Increase for the period	Decrease for the period	30 June 2022	Provision for impairment made in current period	Closing 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.*	3,000,000.00			3,000,000.00		
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	100,000.00			100,000.00		
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.	4,100,000.00	900,000.00		5,000,000.00		
Luangtai Meikang Medical Devices Co., Ltd.*	300,000.00			300,000.00		
Beijing Lechi Inspection Technology Co.*		500,000.00		500,000.00		
Total	8,165,263.00	1,400,000.00		9,565,263.00		

## 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)

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

1. Operating revenue and operating cost by major category

Item	January to June 2022		January to June 2021	
	Revenue	Cost	Revenue	Cost
I. Subtotal from main operation	<b>565,743,482.94</b>	<b>155,454,139.43</b>	482,623,254.86	119,328,804.05
Medical device products	<b>565,743,482.94</b>	<b>155,454,139.43</b>	482,623,254.86	119,328,804.05
II. Other business income	<b>6,295,509.74</b>	<b>3,053,803.85</b>	2,771,172.71	1,489,102.65
Total	<b>572,038,992.68</b>	<b>158,507,943.28</b>	485,394,427.57	120,817,906.70

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	<b>565,743,482.94</b>	<b>6,295,509.74</b>
Total	<b>565,743,482.94</b>	<b>6,295,509.74</b>

#### (V) Investment income

Item	Amount for current period	Amount for previous period
Investment income from disposal of held-for-trading financial assets	<b>3,557,534.25</b>	
Total	<b>3,557,534.25</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

Item	Amount	Remarks
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	25,305.66	
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)	2,613,019.91	
3. Other non-operating income and expenses other than aforesaid items	-2,260,235.15	
4. Impact of income tax	-57,474.67	
Total	320,615.75	

#### (II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS			
	Current period	Previous period	Basic EPS		Diluted EPS	
			Current period	Previous period	Current period	Previous period
Net profit attributable to shareholders of ordinary shares	6.16	13.44	0.41	0.45	0.41	0.45
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	6.15	12.47	0.41	0.42	0.41	0.42

Beijing Chunlizhengda Medical Instruments Co., Ltd.\*  
25 August 2022

The Notes to Financial Statements from page 33 to page 102 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: \_\_\_\_\_