



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



2024

ANNUAL REPORT

* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Shi Wenling (*Chairman*)
Mr. Shi Chunbao
Ms. Yue Shujun
Mr. Xie Feng Bao

Non-executive Director

Mr. Wang Xin

Independent non-executive Directors

Ms. Xu Hong (appointed on 27 June 2024)
Mr. Weng Jie
Mr. Wong Tak Shing
Ms. Yao Lijie (retired on 27 June 2024)

General Manager

Mr. Shi Chunsheng

SUPERVISORS

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

AUDIT COMMITTEE

Ms. Xu Hong (*Chairman*) (appointed on 27 June 2024)
Mr. Weng Jie
Mr. Wang Xin
Mr. Wong Tak Shing

REMUNERATION COMMITTEE

Mr. Weng Jie (*Chairman*)
Ms. Shi Wenling
Ms. Xu Hong (appointed on 27 June 2024)

NOMINATION COMMITTEE

Ms. Xu Hong (*Chairman*) (appointed on 27 June 2024)
Ms. Yue Shujun
Mr. Weng Jie

STRATEGY COMMITTEE

Mr. Shi Chunbao (*Chairman*)
Ms. Shi Wenling
Mr. Xie Feng Bao
Mr. Wang Xin

COMPANY SECRETARY

Mr. Ip Pui Sum



CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Ms. Yue Shujun
Mr. Ip Pui Sum

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

<http://www.clzd.com>

AUDITORS

WUYIGE Certified Public Accountants LLP

LEGAL ADVISOR AS TO HONG KONG LAW

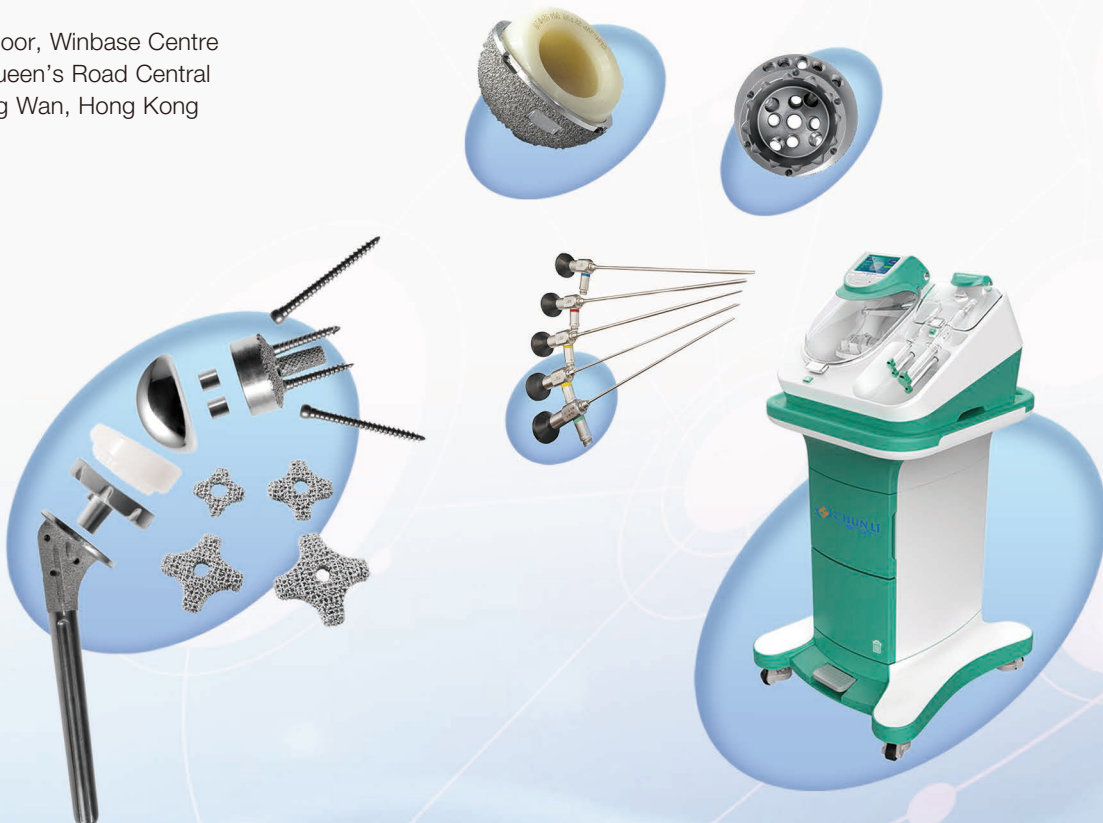
Zhong Lun Law Firm LLP

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

Fang Zhuang Branch of Bank of Beijing
No. 6, Court No. 3, Zone 2A, Fangxing Garden
Fangzhuang, Fengtai District
Beijing
The PRC



FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				2024 RMB'000
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	
Total current assets	1,251,994	2,447,764	2,779,089	3,005,360	2,840,481
Total non-current assets	289,854	551,893	630,678	644,201	625,254
Total assets	1,541,847	2,999,657	3,409,767	3,649,561	3,465,735
Total current liabilities	368,845	439,619	595,805	676,673	546,745
Total non-current liabilities	93,414	90,961	94,262	93,653	97,646
Total liabilities	462,259	530,580	690,067	770,325	644,391
Total interests attributable to shareholders of the parent company	1,079,588	2,469,077	2,719,700	2,877,467	2,819,902
Net current assets	883,148	2,008,145	2,183,284	2,328,687	2,293,736
Total assets less current liabilities	1,173,002	2,560,038	2,813,962	2,972,888	2,918,990
Revenue	937,686	1,108,140	1,201,604	1,208,524	805,857
Operating profit	330,096	367,592	328,909	305,975	130,715
Profit before tax for the year	329,847	367,379	336,880	305,906	131,599
Net profit for the year	283,373	322,361	307,719	277,818	124,661

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board (the “**Board**”) of Directors of **Beijing Chunlizhengda Medical Instruments Co., Ltd.** (the “**Company**”), I am pleased to propose the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 (“**during the year**”).

In 2024, China continued to promote the centralized procurement of high-value orthopedic consumables, which is an important initiative for continuous advancement of national healthcare and pharmaceutical reform. The Company had actively responded to the new trend, on the one hand, it continued to make efforts in innovation and research and development, firmly insisting to focus on the orthopedic business; on the other hand, the Company continuously expanded its product lines, moving towards diversification.

1. THE DEVELOPMENT OF THE COMPANY IN 2024

In 2024, China's policies on centralized procurement of high-value orthopedic consumables were gradually implemented, which had a certain impact on the development of the orthopedic industry. The Company actively implemented the national centralized volume-based procurement policy, resulting in a decrease in the prices of related products. In order to cope with the changing industry policies and ensure the stable supply of products that won the bidding in centralized procurement, the Company adjusted the prices of channel inventory before the implementation of centralized procurement, resulting in the decrease of the Company's total revenue. In 2024, we recorded a revenue of RMB805.8570 million, representing a year-on-year decrease of 33.32%. Net profit attributable to shareholders of the listed company and the net profit attributable to shareholders of the listed company (net of non-recurring profit and loss) were RMB124.9880 million and RMB94.5360 million respectively, representing a year-on-year decrease of 55.01% and 62.80% respectively.

Net assets and total assets attributable to shareholders of the listed company were RMB2,819.9023 million and RMB3,465.7350 million respectively, representing a decrease of 2.00% and 5.04% as compared with the end of the previous year. Basic earnings per share was RMB0.33 while diluted earnings per share was RMB0.33, and the basic earnings per share after deducting non-recurring profit and loss was RMB0.25, representing a year-on-year decrease of 54.17%, 54.17% and 62.12% respectively.

The progresses of each key task of the Company during the reporting period are as follow:

(1) Marketing and development

In 2024, the Company adopted offline distribution mode, direct sales and distributor mode for domestic market promotion. In international markets, the Company also accelerated the establishment of a system that is favorable to the swift development of international sales and recruitment of international sales personnel. These efforts have laid a solid foundation for the development of international sales. The Company obtained international product registration certificates in many countries. Meanwhile, the three product series of the Company of hip, knee and spine successfully passed the CE annual system audit and supervision audit. Obtaining these certificates is a guarantee for the Company's increasing international sales and a manifestation of its strong competitiveness in the international market. The Renewal in Centralized Volume-based Procurement for Artificial Joints was opened for bidding in Tianjin. The Company achieved great performance in the bid process, all the three product systems for hip joints as well as the total knee products of it have been successfully selected. The Company fully ensured a stable supply of selected products and ensured the stability and reliability of supplied products in terms of quality.

CHAIRMAN'S STATEMENT

(2) Product research and development

The Company has always attached great importance to technological innovation and continued to increase investment in research and development (“R&D”). In 2024, the Company's R&D investment was RMB133,096,848.59, accounting for 16.52% of the revenue. The Company enjoyed fruitful results in the establishment of laboratory, product research and development and works from postdoctoral workstation.

The Company received the CNAS Laboratory Accreditation Certificate (Registration No. CNASL14515) from the China National Accreditation Service for Conformity Assessment and completed the additions to the CNAS laboratory. As of 31 December 2024, the Company has obtained a total of 21 testing capacity qualifications for testing standards, and passed the laboratory CNAS review and obtained the China National Accreditation Service for Conformity Assessment — Laboratory Accreditation Decision and Accreditation Certificate. The Company's laboratories will undertake major national (including Beijing) research and development plans and actively participate in the national (including Beijing) popularisation of science and technology, while accelerating the research and development of the Company's new products and further improving the safety and scientificity of new product designs.

As of 31 December 2024, the Company held 188 medical device registration certificates and recordation certificates in the PRC, covering joint products, spinal products, sports medicine products, dental products, PRP products, orthopedic surgical robots and other products). These certificates include 98 registration certificates for Class III medical devices, 40 registration certificates for Class II medical devices and 50 recordation certificates for Class I medical devices. A number of products have become the first or exclusive product in China to fill the domestic gaps or innovate, which has improved the Company's core competitiveness and industry recognition. The Company obtained registration certificates for femoral head reconstruction rods, tantalum metal filler blocks, hip joint prosthesis components, and porous tantalum metal interbody fusion devices, signaling a breakthrough for the Company in the development of chemical vapor deposition (CVD) porous tantalum, breaking the monopoly of foreign brands and achieving the localisation of CVD porous tantalum products. The various registration certificates such as that for orthopedic surgical robots further diversified the Company's product lines and expanded the Company's layout in the medical field to constantly meet the diversified market and clinical needs. This will strengthen the Company's comprehensive competitiveness and be conducive to further enhancing the Company's market expansion capability.

CHAIRMAN'S STATEMENT

In 2024, the Company was awarded as an Enterprise Leading an Individual Field of the Manufacturing Industry at the National Level by the Ministry of Industry and Information Technology. It was recognized as one of the “Outstanding Units in the Innovation Task of Artificial Intelligence Medical Devices (人工智能醫療器械創新任務揭榜優勝單位)” jointly announced by the Ministry of Industry and Information Technology and the National Medical Products Administration, and its project team for “developing the active 3D-printed acetabular cup with rhBMP-2 (研發rhBMP-2的活性3D打印髖臼杯)” was awarded the title of “Outstanding Young Engineers Innovation Studio in Beijing for 2024 (2024年北京市優秀青年工程師創新工作室)”. The Company was also included in the list of Top 100 Specialised and Sophisticated Enterprise with Unique and Innovative Technologies in Beijing (北京專精特新企業百強榜單) for 2024; the list of Top 100 High-end Precise and Advanced Enterprise in Beijing (北京高精尖企業百強榜單) for 2024; and the list of Top 100 Enterprises in Manufacturing Industry in Beijing (北京製造業企業百強榜單) for 2024.

In 2024, projects of the Company recognized by the government include: “Research on the In Situ Construction and Antifriction Mechanism of Composite Ceramic Thick Film on the Surface Gradient of Pulse Laser-induced Medical Zirconium Alloy” of National Natural Science Foundation of China; “Clinical Application Scenario Project for Robotic-Arm-Free Orthopedic Surgical Navigation System (脈衝激光誘導醫用鈷合金表面梯度復合陶瓷厚膜的原位構建及減磨抗磨機理研究)”, a key application scenario project supported by Zhongguancun National Innovation Demonstration Zone Innovative Application Scenario Incubation Program; “Research and Development of and Performance Study on Copper-nickel-titanium Memory Alloy Orthodontic Wire (研發銅鎳鈦記憶合金正畸絲及性能研究)”, a funding project of the Golden Bridge Project by Beijing Association for Science and technology; “Design, Mechanism and Application of Light-Responsive Solid-State Organic Light-Emitting Materials (光響應型固態有機發光材料的設計、機理及應用研究)”, a project funded by Beijing Postdoctoral Research Activity Funding; “Orthopedic Surgical Navigation Robot System Research and Development Project (骨科手術導航機器人系統研發項目)”, a typical application scene project under the “Robot+” Program of the Department of Industry and Information Technology of Hebei Province; “Orthopedic Surgical Navigation Robot System Research and Development Project (骨科手術導航機器人系統研發項目)”, the “Unveiling and Hailing” Project of “Robot+” Application of the Department of Industry and Information Technology of Hebei Province; and “Hebei Engineering Research Center of Orthopedic Medical Robots (骨科醫療機器人河北省工程研究中心)” of Hebei Development and Reform Commission.

CHAIRMAN'S STATEMENT

(3) Intellectual properties

As of 31 December 2024, the Company had obtained 698 domestic intellectual properties, including 149 invention patents, 529 utility model patents, 6 design patents and 14 software copyrights. The abundant patent licenses manifest the Company's innovation ability and core competitiveness. In 2022, the "New Axis Knee Joint Prosthesis (《新軸心式膝關節假體》)" of the Company was 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.

In 2023, our Company was honored as a National Intellectual Property Advantage Enterprise by the China National Intellectual Property Administration. This recognition followed our previous achievement of being designated as a "Beijing Intellectual Property Demonstration Unit (北京市知識產權示範單位)" in 2022. It represented another significant milestone in our journey within the field of intellectual property. This recognition served as a testament to the Company's innovative capabilities and intellectual property achievements, highlighting the high regard for our innovation-driven and intellectual property strategic initiatives.

(4) Capital market and information disclosure

The Company is actively working on the disclosure of securities information, and works on the communication in capital market and the reception of external investors. The Company leverages the capital market platform to widen the channel for capital operation, improve the corporate awareness, and strengthen its risk appetite, thus enhancing its competitiveness and industry integration capability, which are favourable to the further promotion of the business development of the Company, and provide assistance in the long-term sustainable development of the Company in the future.

Relying on the state's industry policy on encouraging the domestic innovative medical equipment products, and leveraging the industry experience and technological advantages accumulated over the years, the Company is devoted to developing and producing products with outstanding performance, including joint prosthesis and spine implants, and seeks to become an international top manufacturing enterprise on comprehensive medical orthopedic device as early as possible.

CHAIRMAN'S STATEMENT

(5) Return to shareholders

While continuing to expand its orthopedics product line, the Company continued to innovate in research and development, strengthened its strategic layout in the fields of dental, PRP products and orthopedic power, and improved its operating results by continuously expanding its product lines. Under the context of the national volume-based procurement, in order to ensure the return of investors, the Company continued to increase the proportion of cash dividends to reward investors. Combined with the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) and the Dividend Distribution and Return Plan for Shareholders within Three Years after Listing (《上市後三年內股東分紅回報規劃》) formulated by the Company, the Company has formulated a reasonable profit distribution policy after taking into account factors such as industry characteristics, business model, development stage and profitability. In 2024, considering the current business conditions and the capital requirements for business growth, the Company proposed to distribute a cash dividend of RMB0.49 per 10 shares (tax included). By actively allocating profits to investors, the Company strived to strengthen investor confidence, contribute to market stability, and promote overall market sentiment. This decision also reflected the Company's confidence in its own financial capabilities. The proposed profit distribution plan for 2024 will be subject to review at the general meeting.

2. PROSPECTS ON THE FUTURE DEVELOPMENT OF THE COMPANY

The Company is devoted to the research and development and production of products with outstanding performance, including joint prosthesis and spine implants. On the one hand, the Company maintains its leading position in the field of joint prosthesis in the PRC, and seeks to increase its market share continuously, while on the other hand, it begins to expand and improve the series of orthopedic products, in order to achieve the sustainable, healthy and swift development of the Company and constantly enhance the value of the Company.

In 2025, the Company will commence its work on the following key areas:

(1) Focusing on the development of the main business and continuously innovating research and development

In 2025, the Company will carefully evaluate the situation faced by various business sectors, deeply focus on the main business, optimise and strengthen the whole product line of orthopedics. In addition, the Company will continue to invest in the research and development of diversified product lines, improve the management level of research and development projects, optimise the direction of research and development investment, and devote resources to the development of new products and new technologies with good market prospects and in line with the Company's long-term planning. The Company will also further improve the protection of intellectual property rights, implement the patent application reward mechanism, and improve the number and quality of invention patent applications. The Company will consolidate and enhance its competitiveness in the field of orthopedics, strive to achieve high-quality development and sustainable development of the Company, and reward investors with excellent performance.

CHAIRMAN'S STATEMENT

(2) Improving corporate governance and enhancing management efficiency

The Company attaches great importance to the improvement of the governance structure and the effectiveness of the internal control system. In 2025, in view of the amendments to the Management Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), the Guideline No.1 on the Self-regulatory of Listed Companies on the Science and Technology Innovation Board of Shanghai Stock Exchange-Regulated Operation (《上海證券交易所科創板上市公司自律監管指引第1號-規範運作》) and other rules, and in order to continue to meet regulatory requirements, the Company revised the Working Rules for Independent Directors (《獨立董事工作細則》) based on its actual situation. The Company has published social responsibility reports for many years. In the future, the Company will continue to fulfil its social responsibilities, coordinate the interests of shareholders, staff, customers and other stakeholders in its operation and management, and promote the integration of the concept of sustainable development into corporate strategic decisions, daily functional management and business operations.

(3) Continue to provide good investor service and to build a good corporate image

In strict accordance with relevant regulations, the Company actively fulfilled its information disclosure obligations. Guided by the needs of investors, the Company optimised the content of information disclosure, and on the basis of truthful, accurate, complete, timely and fair disclosure of information, so as to achieve concise, clear and easy-to-understand information, continuously improve the quality of information disclosure, and improve the transparency of listed companies. We maintain a wide range of communication with investors through different channels like phone interaction, online Meeting, reception on visit and the "Shanghai Stock Exchange e-Interaction (上證e互動)", and provide feedback on the enquiry from investor patiently, thus establishing a better communication relationship with investors. The Company fully demonstrates its rationale and work status on providing services to investors wholeheartedly, thus establishing a good corporate image in the capital market.

CHAIRMAN'S STATEMENT

(4) Form a professional sales team

The Company will continue to implement the people-oriented human resources strategy, and to introduce and cultivate talents with different capabilities to the existing talent team. The Company will establish the sales channels for numerous product pipelines covering joint, spine, sports medicine, trauma and dentistry on the basis of a diversified production line layout. The Company will establish a standardized and professional training system that is applicable to different product lines, and fully motivates the enthusiasm and creativity of its staff, fully exerting the potential of its staff and cultivate their expertise in a proactive manner, thus promoting the development of each product pipelines.

(5) Accelerate the construction of new factory area

The Company accelerates the construction of Daxing Biomedicine Industrial Base (大興生物醫藥產業基地) and Wei County New Production Base (威縣生產基地). The plants of “Chunli Zhengda Medical Equipment and Bio-material Incubation Park Project (春立正達醫療器械及生物材料孵化園項目)” and some of Daxing's plants can be ready for operation during the year.

In 2025, the management of the Company will firmly follow the strategy of the Board. Being committed to insisting in the continuous update and iteration of products and the innovation on research and development, the Company will consolidate its leading position in domestic market, enhance the market influence of the brand of the Company, narrow the distance with the leading peers in international markets and surpass them, and devotes to be an internationally top innovative orthopedic enterprise.

On behalf of the Board, I would like to express my heartfelt gratitude to our honourable shareholders.

Shi Wenling
Chairman

30 April 2025

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

The main products of the Company are orthopedic medical devices^(note 1) and tissue repair products, including spine, trauma, joint, sports medicine and bone repair material implants, surgical instrumentation products, as well as platelet-rich plasma (PRP) preparation kits and closed wound negative pressure drainage kits. According to “the Guidelines for the Industry Classification of Listed Companies (2012 Revision)” (《上市公司行業分類指引(2012年修訂)》) issued by the China Securities Regulatory Commission, the industry in which the Company operates is “special equipment manufacturing industry” (classification code: C35). According to the “Classification of Strategic Emerging Industries (2018)” (《戰略性新興產業分類(2018)》), the Company falls under “4.2.2 Manufacture of Interventional Biomedical Materials and Equipment” in “4.2 Biomedical Engineering Industry”. According to “Industrial Classification for National Economic Activities” (《國民經濟行業分類》) (GB/T4754–2017), the industry in which the Company operates is “implantable (interventional) medical devices manufacturing” under “other medical equipment and instruments manufacturing” (classification code: C3589) in “medical instruments, equipment and instruments manufacturing” (classification code: C358).

The topic of health has become a global hotspot, with the continuous social and economic development, the increasing degree of population aging, coupled with the gradual enhancement of awareness for healthcare. In this context, people’s demand for high-quality medical treatment is increasingly urgent, which has in turn effectively promoted the prosperous development of the global medical device market. In China, the healthcare reform continues to advance and medical devices have been included in medical care insurance coverage, which has significantly increased the market demand and patient’s acceptance for orthopedic implants^(note 2). Meanwhile, various favorable factors such as the accelerating progress of aging population, the continuous growth in healthcare expenditure and the continuous improvements in public healthcare infrastructure have jointly propelled the rapid growth of the orthopedic medical industry in the PRC.

In 2024, China continued to promote the centralized procurement of high-value orthopedic consumables, which is an important initiative for continuous advancement of national healthcare and pharmaceutical reform. The Company had actively responded to this new trend, on the one hand, it continued to make efforts in innovation and research and development, firmly insisting to focus on the orthopedic business; on the other hand, the Company also continuously expanded its product lines, moving towards diversification.

During the reporting period, the Company proactively implemented the national volume-based procurement policy by actively participating in the biddings of centralized procurement. In May 2024, the Renewal in Centralized Volume-based Procurement for Artificial Joints was opened for bidding in Tianjin. The Company achieved great performance in the bid process, all the three product systems for hip joints as well as the total knee products of it have been successfully selected. The Company fully ensured a stable supply of selected products and ensured the stability and reliability of supplied products in terms of quality.

Notes:

1. Orthopedic medical devices refer to medical devices that are used for orthopedic disease treatment and recovery, mainly including orthopedic medical implant instruments and orthopedic operation instruments.
2. 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 joints, shoulder joints and elbow joints), spine implants (such as lumbar cage), sports medicine implants (such as suture anchors, looped titanium plates and door-shaped anchor) and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company attached great importance to the research and development, continued to conduct in-depth research of new materials, products, technologies and processes, and continued to demonstrate and invest in research and development projects. The Company had made strategic arrangements for the research and development of new materials such as porous tantalum, magnesium alloy and PEEK. Besides, the Company also actively enhanced the research and development of products for new pipelines including surgical robots, sports medicine, PRP and oral cavity. Through these initiatives, the Company aims to continue to improve and diversify its product lines, and thereby comprehensively enhancing its competitiveness in the market.

While the Company had made comprehensive and in-depth strategic deployment in the field of high-value orthopedic consumables, it also actively sought expansion in orthopedic-related fields, vigorously searched for advanced technologies and excellent products, and continuously enriched its product reserves. Through this series of initiatives, the Company strives to further increase its market share and realize its long-term, stable and sustainable development in the medical field.

II. BUSINESS REVIEW

Revenue

The Company's revenue was approximately RMB805.86 million for the year ended 31 December 2024, a decrease of 33.32% as compared to approximately RMB1,208.52 million for the same period of last year.

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

Product category	Year ended 31 December		Growth over corresponding period
	2024 (RMB'000)	2023 (RMB'000)	
Medical device products	805,216	1,207,484	-33.31%
Other businesses	641	1,039	-38.31%
Total	805,857	1,208,523	-33.32%

Gross profit

For the year ended 31 December 2024, the Company's gross profit amounted to approximately RMB536.90 million, a decrease of 38.70% from approximately RMB875.89 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the implementation of the PRC's bulk purchase of high-value consumables.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

For the year ended 31 December 2024, the Company's selling expenses were approximately RMB240.25 million, a decrease of 37.29% from approximately RMB383.14 million for the same period of last year, which was mainly attributable to the decrease in marketing expenses resulted from the implementation of the PRC's bulk purchase of high-value consumables.

Administrative expenses

For the year ended 31 December 2024, the Company's administrative expenses were approximately RMB45.29 million, an increase of 1.84% from approximately RMB44.47 million for the same period of last year.

Research and development expenses

For the year ended 31 December 2024, the Company's research and development expenses were approximately RMB133.10 million, a decrease of 15.47% from approximately RMB157.45 million for the same period of last year, which was mainly attributable to the Company's ongoing commitment to investing in and optimising the management of the research and development to improve the relevant efficiency and the quality of results.

Impairment loss of credits

For the year ended 31 December 2024, the Company's impairment loss of credits was approximately RMB4.19 million, a decrease of 3.01% from approximately RMB4.32 million for the same period of last year, which was mainly attributable to the decrease in trade receivables, leading to a corresponding decrease in the provision for impairment of trade receivables in accordance with the policy on bad debt provision for trade receivables.

Impairment loss of assets

For the year ended 31 December 2024, the Company's impairment loss of assets was approximately RMB33.78 million, an increase of 63.11% from approximately RMB20.71 million for the same period of last year, which was mainly attributable to the provision for the impairment loss of goodwill.

Income tax expenses

For the year ended 31 December 2024, the Company's income tax expenses were approximately RMB6.94 million, a significant decrease from approximately RMB28.09 million for the same period of last year, which was mainly attributable to the decrease in the profit of the Company.

Net profit for the year

For the year ended 31 December 2024, the Company achieved a net profit attributable to shareholders of the parent company of approximately RMB124.99 million, a decrease of 55.01% from approximately RMB277.82 million for the same period of last year, which was mainly attributable to the active implementation of the national centralized volume-based procurement policy by the Company as the centralized procurement policy continued to deepen, resulting in a decrease in the prices of related products and a decline in gross margin. Meanwhile, in order to cope with the changing industry policies and ensure the stable supply of products that won the bidding in centralized procurement, the Company adjusted the prices of channel inventory before the implementation of centralized procurement, resulting in the decrease in the profit of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and capital resources

The Company's monetary funds decreased from approximately RMB1,266.37 million as of 31 December 2023 to approximately RMB1,139.78 million as of 31 December 2024.

The Company's principal sources of liquidity are generated from our operations. The Board is of the opinion that the Company has sufficient resources to support its management and to meet its foreseeable capital expenditure demands.

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 30 August 2024.

Item	Proportion	Amount available (RMB'000)	Net (expenses)/ interest income as of 31 December 2024 (RMB'000)	Outstanding amount as of 31 December 2024 (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	(442,666.09)	17,333.91	December 2026
Research and development centre construction project	39.36%	420,000.00	(407,427.83)	12,572.17	December 2026
Marketing network construction project	1.87%	20,000.00	(817.11)	19,182.89	December 2026
Replenishment of working capital project	15.66%	167,128.29	(167,058.99)	69.30	N/A
Sub-total	100%	1,067,128.29	(1,017,970.02)	49,158.27	

On 30 August 2024, the Company held the sixteenth meeting of the fifth session of the Board and the tenth meeting of the fifth session of the Supervisory Committee, at which the Resolution on the Extension and Change of Certain Proceeds-funded Projects (《關於募投項目延期及變更的議案》) was considered and approved. The resolution approved the Company to extend the timeline for the proceeds-funded projects to reach the expected conditions for use and make adjustments including addition of main implementation entities and places. The sponsor issued verification opinions of no objection on this matter.

This change is mainly due to the Company, taking into account the actual progress of the current proceeds-funded projects, has extended the date for the proceeds-funded projects to reach the expected conditions for use after prudent study, on the premise of no change in the investment scale in the proceeds-funded projects. Adjustment was made to the date of "Integrated construction project of orthopedic implant and ancillary materials" from August 2024 to December 2026, the date of "Research and development centre construction project" from December 2024 to December 2026, and the date of "Marketing network construction project" from December 2024 to December 2026 for the project's expected conditions for use.

MANAGEMENT DISCUSSION AND ANALYSIS

Integrated construction project of orthopedic implant and ancillary materials has added two wholly-owned subsidiaries, Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司) and Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司) and Chunli Medical as the joint implementation entities of the “Integrated construction project of orthopedic implant and ancillary materials”, to Chunli Medical as the project implementation entity for the original fundraising investment. Research and development centre construction project has added two wholly-owned subsidiaries, Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司) and Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司) and Chunli Medical as the joint implementation entities of the “Research and development centre construction project”, to Chunli Medical as the project implementation entity for the original fundraising investment. The project has added an implementation place, Tongzhou Economic Development Zone, Tongzhou District, Beijing, and changed the implementation mode to 1. The R&D center construction for projects will be conducted in Beijing through owned space and leasing, as well as the purchase of R&D and inspection devices, 2. A new R&D center is proposed to be established in Wei County, Hebei Province.

Notes receivables

The Company's notes receivables increased from approximately RMB35.83 million as of 31 December 2023 to approximately RMB160.05 million as of 31 December 2024, mainly resulted from the increase in notes receivables of the Company.

Inventory

The Company's inventory increased from approximately RMB434.49 million as of 31 December 2023 to approximately RMB550.84 million as of 31 December 2024, which was mainly attributable to the Company's reserve of inventory according to market needs.

Fixed assets and construction in progress

The Company's fixed assets and construction in progress increased from approximately RMB463.07 million as of 31 December 2023 to approximately RMB467.79 million as of 31 December 2024, which was mainly attributable to the increase in construction in progress.

Net current assets

The Company's net current assets decreased from approximately RMB2,328.69 million as of 31 December 2023 to approximately RMB2,293.74 million as of 31 December 2024, representing a relatively small change in general.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital and financial resources

Cash flow analysis

As of 31 December 2024, the Company's net cash outflow generated from operating activities for the year was approximately RMB1.90 million, which was mainly attributable to the decrease in sales returns of the Company as compared to the same period of last year and the increase in cash paid to and for employees as compared to the same period of last year during the reporting period; the net cash inflow generated from investment activities was approximately RMB55.84 million, which was mainly due to a year-on-year increase in the net recoveries of financial investments in 2024; the net cash outflow generated from financing activities was approximately RMB183.14 million, which was mainly due to the payment of cash dividends during the period; and the cash and cash equivalents decreased by approximately RMB127.00 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 31 December 2024, the Company did not have any significant contingent liabilities or guarantees.

OTHER DISCLOSURES

Significant Investments

Pursuant to paragraph 32(4A) of Appendix D2 to the Listing Rules, the Company would like to provide information in respect of its significant investments with a value of 5% or more of the Group's total assets as at 31 December 2024 and its financial assets at fair value through profit or loss, which consisted of certain structured deposit products (the "**Structured Deposit Products**") subscribed by the Group from Bank of Beijing.

The subscription of the Structured Deposit Products by the Company is a reasonable and effective use of certain portion of its temporarily idle capitals out of proceeds from the public offering of A Shares and its internal resources, which is conducive to enhancing the Group's overall capital return, and in line with the Company's core objective of safeguarding its capital while ensuring liquidity.

Except for the following structured deposit products, the Company has no future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

All redeemed as of 31 December 2024:

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management (RMB0'000)	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital source	Annualised yield	Actual gains or (losses) (RMB0'000)	Actual recovery
Bank of Beijing — Daxing Sub-branch	Structured deposits	35,000.00	18 October 2023	16 January 2024	Idle capital	1.30% or 2.76%	238.19	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	14,000.00	18 October 2023	16 January 2024	Idle capital	1.30% or 2.76%	95.28	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	12,500.00	18 October 2023	16 January 2024	Internal funds	1.30% or 2.76%	85.07	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	21,500.00	9 November 2023	11 March 2024	Idle capital	1.30% or 2.78%	201.42	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	12,000.00	22 January 2024	20 May 2024	Idle capital	1.30% or 2.78%	108.76	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	12,500.00	22 January 2024	20 May 2024	Internal funds	1.30% or 2.78%	113.29	Full Redemption
Bank of Beijing — Daxing Sub-branch	Structured deposits	33,500.00	22 January 2024	20 May 2024	Idle capital	1.30% or 2.78%	303.63	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	16,000.00	14 March 2024	15 July 2024	Idle capital	1.30% or 2.78%	149.89	Full Redemption
Bank of Beijing — Daxing Sub-branch	Structured deposits	33,500.00	27 May 2024	18 October 2024	Idle capital	1.30% or 2.80%	370.06	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	12,000.00	27 May 2024	18 October 2024	Idle capital	1.30% or 2.80%	132.56	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	12,500.00	27 May 2024	18 October 2024	Internal funds	1.30% or 2.80%	138.08	Full Redemption
Bank of Beijing — Fang Zhuang Sub-branch	Structured deposits	18,000.00	18 July 2024	21 October 2024	Idle capital	1.30% or 2.72%	127.43	Full Redemption

MANAGEMENT DISCUSSION AND ANALYSIS

Unredeemed as of 31 December 2024:

Trustee	Name of product	Type of entrusted wealth Trustee management	Amount of entrusted wealth management (RMB'0'000)	Fair value as at 31 December 2024 (RMB'0'000)	Size of fair value relative to the Group's value of the assets	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital source	Annualised yield	Actual recovery
Bank of Beijing – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	32,700.00	32,780.36	9.46%	23 October 2024	27 February 2025	Idle capital	1.3% or 2.57%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	12,000.00	12,029.49	3.47%	23 October 2024	27 February 2025	Idle capital	1.3% or 2.57%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	12,500.00	12,530.72	3.62%	23 October 2024	27 February 2025	Internal funds	1.3% or 2.57%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	17,200.00	17,239.21	4.97%	28 October 2024	10 March 2025	Idle capital	1.3% or 2.4%	Undue, not redeemed at the end of the reporting period
Sub-total			74,400.00	74,579.78	21.52%					

Note: Bank of Beijing is a licensed bank in the PRC and a joint stock company established under the laws of the PRC, which provides corporate and personal banking business, treasury business, finance leasing, asset management and other financial services in the PRC. Its shares are listed on the Shanghai Stock Exchange (stock code: 601169). Bank of Beijing (Fangzhuang Branch) and Bank of Beijing (Daxing Branch) are branches of Bank of Beijing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Bank of Beijing and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Fluctuations in RMB exchange rates and exchange risks

The majority business of the Company is denominated and accounted for in RMB. Therefore, the Company does not have significant exposure to foreign exchange fluctuation.

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Company. The Company will closely monitor the foreign exchange market and take reasonable and effective measures from time to time to eliminate any negative impact from exchange-rate risk to the furthest extent.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 implements the following strategies:

Diversify our product series

The Company will continue to optimize 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 strengthen production, operation and internal management, enhance its product innovation capacity and reinforce marketing promotion. The Company will develop new markets on the basis of consolidating existing markets consistently and strive to improve the market share of the related 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. The Company has continued to lead the high-value orthopedic implant products in China and carried out innovative research and development of joints as main business to provide a more various and tailor-made product series for the Chinese people and to stay ahead in the domestic joint implants market. In addition, the Company has expanded and perfected the product line in the field of orthopedic, for instance, the orthopedic robots, spine, trauma and sports medicine products, and boosted the strategic layout in dentistry, and PRP products. Furthermore, the Company has also closely focused on the development of related new technologies, such as new bio-materials and drug-device combinations and other products. As maintaining its leading position in the domestic market, the Company has also improved its international business team building and increased investment in marketing promotion with a view to developing the international market.

The development of domestic orthopedic medical devices is moving towards customization, minimally invasiveness and intelligence approaches. With the development of China's national economy, there will be more demand domestically for customized products. The customized joint prosthesis products of the Company primarily include two categories: traditional customized joint prosthesis products and assembled customized joint prosthesis products. Traditional customized joint prosthesis products are designed and manufactured in accordance with the skeletal structure data of specific patients based on the needs of the patients. Assembled customized joint prosthesis products are designed and manufactured based on the statistical analysis of numbers of patients' clinical data and clinically assembled from off-the-shelf components of various specifications and sizes. Compared to traditional customized joint prosthesis products, assembled customized joint prosthesis can be manufactured and assembled in a shorter period of time to meet the needs of different patients, thus minimizing the delays in medical procedures.

The Company possesses a full range of customized joint technologies, including 3D printed osteotomy guide boards for the hip, knee, shoulder, elbow, spine, small joints of the extremities and maxillofacial positions, which are intended to be used for the position, guide and protection during osteotomies at the joint site. The 3D printed osteotomy guide boards can be highly compatible with the anatomical shape of the patients' bone tissue with its customized design and additive manufacturing and position and guide accurately during osteotomies, which can greatly reduce the time of osteotomy in joint surgery, minimize surgical errors and boost the surgery success rate and patient satisfaction to a significant extent. 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 National Medical Products Administration ("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 the Company's 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, orthopedic robots, spinal products, trauma, sports medicine products, PRP products and dental products. The Company plans to establish a product research and development center at Daxing New Production Base, which is expected to consist of research and development centers on joint product, spinal product and orthopedic trauma product. Meanwhile, the Company would continue to recruit more research and development talents to join its research and development team and continue to increase its expenditure on the verification of the research and development projects. In addition, under the support of the post-doctoral scientific research workstation, National Enterprise Technology Centre* (國家企業技術中心), Beijing Municipal Enterprise Technology Centre and Beijing Engineering Laboratory of Joint Prosthesis* (人工關節北京市工程實驗室), 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 make good use of the National Enterprise Technology Centre* (國家企業技術中心) and post-doctoral scientific research workstation, etc. 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 its 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 will also strengthen the cooperation with different academic institutes, university scientific research teams and hospitals and organize academic seminars at different levels and in various aspects.

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 31 December 2024, the Group had approximately a total of 1,237 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. For the year ended 2024, the total salaries and related costs paid to our employees were approximately RMB246.88 million. The Group enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

2024 FINAL DIVIDEND

The Company proposes to distribute a final dividend of RMB0.49 (tax inclusive) per 10 shares to all shareholders (31 December 2023: RMB3.62 (tax inclusive) per 10 shares). As of 31 December 2024, the total share capital of the Company was 383,568,500 shares, and after deducting the number of shares held by the A-share repurchase account of 868,145 shares, the actual number of shares participating in the profit distribution was 382,700,355 shares, and based on this calculation, a total of RMB18,752,317.40 (tax inclusive) was proposed to be paid out as final dividend. The amount of such final dividend accounts for 15.00% of the net profit attributable to ordinary shareholders of the listed company in the consolidated statement. As the Company had distributed an interim dividend of RMB31,764,129.47, the total amount of cash dividend for the year shall be RMB50,516,446.87 (tax inclusive), accounting for 40.42% of the net profit attributable to ordinary shareholders of the listed company in the consolidated statement. If the total share capital of the Company changes as a result of conversion of convertible bonds, share repurchase, share buyback and cancellation of share repurchase under share incentive scheme, share buyback and cancellation of share repurchase under major asset reorganization during the period from the date of disclosure of this announcement to the date of registration of the rights to implementation of the profit distribution, the Company intends to maintain the amount of the final dividend per share as it is and adjust the total amount of the distribution accordingly, and will make a separate announcement of the specific adjustments. The Company did not distribute bonus shares and carry out any capitalization of capital reserve in 2024. The above proposed profit distribution has been considered and approved at the 22nd meeting of the fifth session of the Board of Directors of the Company and is subject to the approval of the general meeting of the Company for implementation.

The final dividend payable to the shareholders of H Shares will be paid in Hong Kong dollars, while the final dividend payable to the shareholders of A Shares will be paid in Renminbi. The applicable exchange rate shall be the mid-rate of the average exchange rate of the relevant foreign exchange published on the website of the People's Bank of China seven business days prior to the date of approval of the dividend. The final dividend is expected to be paid on or before 31 July 2025 to shareholders whose names appear on the register of members of the Company as at 3 July 2025 in respect of H Shares. The notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company. In case of any changes in the expected distribution dates and the closure period of the register of members of H Shares, the Company will make further announcements in respect to those changes in due course. The Company will publish a separate announcement on the Shanghai Stock Exchange regarding the payment of final dividend to shareholders of A Shares after the annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 26 June 2025. Shareholders of H Shares should read the details of the circular relating to the annual general meeting, the notice of the annual general meeting and the accompanying proxy form, which will be published on the websites of the Stock Exchange and the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Closure of the register of members of H Shares for the shareholders of H Shares

(1) Entitlement to attend and vote at the annual general meeting

In order to determine the shareholders who are entitled to attend and vote at the annual general meeting, the Company's register of members of H Shares will be closed from 23 June 2025 to 26 June 2025 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified to attend and vote at the annual general meeting, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 20 June 2025 (being the business day before the first day of closure of the register of members of H Shares) for registration.

(2) Entitlement to final dividend

In order to determine the entitlement to the final dividend, the Company's register of members of H Shares will be closed from 3 July 2025 to 7 July 2025 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified for the final dividend, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 2 July 2025 (being the business day before the first day of closure of the register of members of H Shares) for registration.

CORPORATE GOVERNANCE

The Board has been 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. The Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Board considers that during the reporting period, the Company has complied with all the code provisions contained in the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 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 year ended 31 December 2024.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Shi Wenling (史文玲), aged 27, is currently an executive Director and Chairman of the Board of the Company. She is responsible for the business and operations of our Group. Ms. Shi worked at the user expansion department of ByteDance in 2021 and joined Chunli Medical in March 2022 as assistant to the Chairman. Ms. Shi graduated from Ohio State University in United States of America with a double degree in marketing and operation management in 2020.

Mr. Shi Chunbao (史春寶), aged 55, is currently an executive Director, chief engineer and chairman of the Strategy Committee of the Company. He is responsible for providing strategic advice and guidance on the business and operations of our Group. Mr. Shi became our Director in September 2010 and was redesignated as our executive Director on 16 April 2014. In February 1998, Mr. Shi together with his wife, Ms. Yue, established Chunli Limited. Mr. Shi was appointed as the general manager and a director of Chunli Limited in February 1998. Mr. Shi has been the chairman of the Board and the general manager of our Company since September 2010, as well as the sales and marketing director of our Company since December 2010. Mr. Shi has resigned as the chairman of the Board with effect from 2 June 2022 and has resigned as the general manager of the Company with effect from 28 March 2022. Prior to the establishment of the Group, Mr. Shi worked as a technician for plasma spraying in Beijing Peace Joint Prosthesis Factory (北京市和平人工關節廠) from 1991 to 1993, the principal business activities of which covered the production and sales of implantable orthopedic medical devices, and was responsible for the spraying of joint prosthesis products. He then worked as a sales representative at the sales department of the factory from 1993, and as the head of the sales department of the factory from 1995 to 1997, being responsible for the sales of joint prosthesis products. He gained access to and possessed knowledge and experience in the medical device industry from his aforesaid previous working experience.

Mr. Shi obtained a Master degree in Business Administration from Concordia University, Wisconsin, the USA in August 2010.

Ms. Yue Shujun (岳術俊), aged 54, is currently an executive Director and deputy general manager of the Company. She is responsible for the internal operations of our Group, including logistics, inventory and day-to-day management. Ms. Yue became our Director in September 2010 and was redesignated as our executive Director in April 2014. In February 1998, Ms. Yue together with her husband, Mr. Shi, established Chunli Limited. She held the position of administration manager of Chunli Limited from February 1998 to January 2001. Ms. Yue then held the position of manager of the sales and marketing department of Chunli Limited from February 2001 to October 2002, the manager of the finance department of Chunli Limited from November 2002 to August 2008, supervisor from February 1998 to September 2010 of Chunli Limited. She has been the deputy general manager of our Company since September 2010. Prior to the establishment of the Group, Ms. Yue worked in Beijing Peace Joint Prosthesis Factory (北京市和平人工關節廠) from 1994 to 1997, the principal business activities of which covered the production and sales of implantable orthopedic medical devices, and was responsible for the sales of joint prosthesis products. She gained access to and possessed knowledge and experience in the medical device industry from her aforesaid previous working experience.

Ms. Yue completed a course of Advanced Study in Modern Economics and Management (現代經濟管理高級研修班) at the School of Continuing Education at Tsinghua University, Beijing (清華大學) in September 2006 and a course of Master Financial Manager (高級財務經理人課程) at the School of Economics and Management at Tsinghua University, Beijing in September 2009. Ms. Yue obtained a certificate for Senior International Finance Manager (高級國際財務管理師) jointly awarded by the China Association of Chief Financial Officers (中國總會計師協會) and International Financial Management Association (國際財務管理協會) in April 2009.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xie Feng Bao (解鳳寶), aged 43, is currently the deputy chief engineer and executive Director of the Company. His major responsibilities include participating in the formulation of the company's annual plan, the research and development of infrastructure for each department, and improving the research and development process and regulatory system. He is also involved in the coordination of the internal and external research and development projects of the Company and the application for national research and development projects. He joined the Company in March 2001 and worked as a research and development engineer until August 2009. He was a research and development manager of the Company from September 2009 to June 2019. He was promoted to his current role as deputy chief engineer in July 2019.

Mr. Xie graduated from China University of Geosciences (中國地質大學) majoring in mechanical engineering and automation (機械設計製造及其自動化).

Non-executive Director

Mr. Wang Xin (王鑫), aged 49, is currently a non-executive Director of the Company. He participated in a number of experiments and clinical tasks for scientific research, and won third-class merit citation for two times, outstanding medical practitioner for 5 times, and provincial technological advancement award for 6 times. He was the resident doctor, doctor in-charge, deputy chief doctor and chief doctor consecutively of the Department of Orthopedics of the Urumqi General Hospital of Lanzhou Military Region from July 1999 to March 2017. He was the chief doctor of the Institute of orthopedics, PLA General Hospital from April 2017 to May 2018. Mr. Wang has been a consultant of Far East Horizon Health Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) from May 2018 to June 2023. He has been a full-time expert consultant of AT&M Environmental Engineering Technology Co., Ltd. since March 2022, the general manager of Beijing Sibohai Technology Co., Ltd. (北京思博海斯科技有限公司) since October 2022, and a Director of the Company since June 2020.

Mr. Wang graduated from the People's Liberation Army Air Force Military Medical University, formerly the Fourth Military Medical University (中國人民解放軍空軍軍醫大學(原第四軍醫大學)) with a bachelor degree of clinical medicine in July 1999 and a master degree in orthopedics in June 2007. He further obtained a doctorate degree in surgery from the Institute of orthopedics, PLA Medical College/PLA General Hospital (解放軍醫學院(解放軍總醫院)) in July 2014.

Independent Non-executive Directors

Ms. Xu Hong (徐泓), aged 70, obtained the qualification as a Certified Public Accountant granted by the Chinese Institute of Certified Public Accountants in February 1999 and worked at Zhongsheng Certified Public Accountants Co., Ltd. (中盛會計師事務所有限責任公司) from 1999, the principal business activities of which are the provision of audit and consulting services. In May 2005, she obtained the qualification as a Certified Tax Agent from the Registered Taxation Administration Center of Xinjiang Uygur Autonomous Region (新疆維吾爾族自治區註冊稅務管理中心). Ms. Xu has been a teacher at the Department of Accounting at the School of Business at Renmin University of China (中國人民大學) since 1990 and then a professor at that university since 1999. Ms. Xu obtained a degree of bachelor of Economics and a degree of master in Economics from Beijing College of Finance and Trade (北京財貿學院) and Beijing College of Economics (北京經濟學院) (now known as Capital University of Economics and Business (首都經濟貿易大學)) in July 1983 and November 1986, respectively. Ms. Xu completed a training course for independent directors of public companies jointly held by the CSRC and the School of Economics and Management of Tsinghua University (清華大學) in May 2002. As at the Latest Practicable Date, Ms. Xu is an independent Director of Tianjin Keyvia Electric Co., Ltd. (天津凱發電氣股份有限公司) (stock code: 300407), a company listed on the Shenzhen Stock Exchange and mainly engaged in research and development, production, sales and technical services of railway power supply and urban rail transit automation equipment and systems. She was also the independent Director of Beijing Science Sun Pharmaceutical Co., Ltd. (北京賽升藥業股份有限公司) (stock code: 300485) from February 2018 to January 2024, a company listed on the Shenzhen Stock Exchange and mainly engaged in research and development, production and sales of injections.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Weng Jie (翁杰), aged 62, is currently an independent non-executive Director of the Company and currently working at the Southwest Jiaotong University (西南交通大學). He is mainly responsible for the teaching, scientific research and management of the biomedical engineering. He joined Sichuan University (四川大學) as a trainee researcher in July 1983, before taking up the positions of a research assistant in November 1988 and an associate research fellow in November 1992. Afterwards, he assumed the position of a research fellow at Sichuan University in November 1996. He then joined the Nanyang Technological University (南洋理工大學) in Singapore as a research fellow in July 1999. From March 2001 to December 2001, Mr. Weng started working as an associate research fellow in Queen's University, Canada. Since March 2002, Mr. Weng has been the professor, doctoral tutor and deputy executive director (was removed from his post in November 2020 for the reason of age) of the Faculty of Medicine of Southwest Jiaotong University (西南交通大學). Mr. Weng graduated from the Sichuan University (四川大學) with a bachelor degree of science majoring in solid-state physics (固體物理) in July 1983 and a master degree in science in solid-state physics in July 1988. He then obtained a doctorate degree in biomedical engineering from the Faculty of Medicine of Leiden University in December 1995.

Mr. Wong Tak Shing (黃德盛), aged 62, is currently an independent non-executive Director of the Company and has over 30 years of experience in accounting, corporate finance, personnel and administration. Mr. Wong is currently an independent non-executive director of China Weaving Materials Holdings Limited (Stock Code: 3778). He was previously an executive director of China Ocean Group Development Limited (formerly Palmpay China (Holdings) Limited) (Stock Code: 8047), an independent non-executive director of Pa Shun International Holdings Limited (Stock Code: 0574) and Digital Domain Holdings Limited (formerly Sun Innovation Holdings Limited) (Stock Code: 0547). These companies are listed on the Stock Exchange.

From March 2011 to August 2019, Mr. Wong worked for Greentech Technology International Limited with his last position as regional chief financial officer. Mr. Wong was a consultant of Chu Lung Hai, Jimmy & Co. CPA from January 2004 to April 2006. From July 1991 to April 1999, he worked for Asia Television Limited with his last position as controller personnel and administration. From January 1990 to June 1991, he worked for Jademan Enterprises Limited with his last position as accounting manager.

From January 1989 to June 1989, he was a semi-senior accountant in Deloitte Haskins & Sells (subsequently renamed as Deloitte Touche Tohmatsu) in Hong Kong. From November 1985 to January 1988, he worked in PriceWaterhouse (subsequently renamed as PriceWaterhouseCoopers) in Hong Kong as an audit assistant. Mr. Wong graduated from the University of New England, Australia in 1989 with a Diploma in Financial Management and from the University of Southampton, U.K. with a bachelor's degree of Science in the Social Sciences in Business Economics and Accounting in 1985. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

SUPERVISORS

Mr. Zhang Jie (張杰), aged 35, is currently a supervisor of the Company and currently the in charge of the ninth unit of our research and development department and the Robot Intelligence Center. Mr. Zhang Jie joined the Company in December 2011 as the head of the trial production group of the process department (工藝部試製組長) of the Company. From October 2012 to July 2013, he worked as a numerical control turner in the workshop (車間數控車工) of the Company. From July 2013 to December 2018, he worked at the production department of the Company. From December 2018 to July 2021, Mr. Zhang is responsible for the procurement department and the ninth unit of the research and development department and robot intelligence center of the Company, and since July 2021, he has been mainly responsible for the latter two departments. Mr. Zhang Jie graduated from Beijing Institute of Technology (北京理工大學) in July 2018, majoring in computer science and technology.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wei Zhangli (魏章利), aged 46, a supervisor of the Company and has been the manager of the quality management department of the Company since October 2015. Mr. Wei joined the Company in October 1998 as a workshop worker studying at the production process post of the workshop. From August 2000 to May 2012, Mr. Wei successively served as an assistant, workshop head, vice-director and director of the production department of the Company. From June 2012 to November 2015, Mr. Wei worked as the director of the procurement department of the Company. Mr. Wei obtained the bachelor's degree of corporate management from China Science and Technology Operation and Management College (中國科技經營管理學院) in July 2000. Mr. Wei graduated from China Science and Technology Operation and Management College (中國科技經營管理學院) in July 2000, majoring in corporate management. Mr. Wei also graduated from Beijing Institute of Technology (北京理工大學) in January 2018, majoring in business management.

Ms. Zhang Lanlan (張蘭蘭), aged 37, is the employee supervisor of our Company. Ms. Zhang worked in Chunli Limited's finance department from January 2008 to September 2010 and has been working as the chief personnel officer of the department of administration (行政人事專員) of our Company since 2011. Ms. Zhang has been the employee supervisor of our Company since September 2010, responsible for supervising the compliance of our Company. Ms. Zhang graduated from Vocational Skills Education Center of Yi County (易縣職業技術教育中心), China, a secondary vocational school, majoring in microcomputer in June 2007. Ms. Zhang graduated from Renmin University of China in June 2015, from which she obtained the certificate of professional degree of International Economic and Trade.

SENIOR MANAGEMENT

Ms. Shi Wenling (史文玲), is an executive Director and Chairman of the Board of the Company. For further details, please see the subsection headed "Executive Directors" above.

Mr. Shi Chunbao (史春寶), is an executive Director, chief engineer and chairman of the Strategy Committee of the Board of the Company. For further details, please see the subsection headed "Executive Directors" above.

Ms. Yue Shujun (岳術俊女士), is an executive Director and deputy general manager of the Board of the Company. For further details, please see the subsection headed "Executive Directors" above.

Mr. Shi Chunsheng (史春生), aged 40, is the general manager of the Board of the Company. Mr. Shi has successively worked as a workshop worker, a quality control personnel, deputy manager of quality control department, manager of enterprise management department, manager of production department and assistant to factory manager since joining the Company. Mr. Shi Chunsheng was the deputy general manager of the Company from January 2014 and was the secretary to the Board from August 2020 to March 2022. He has been the general manager of the Company since 28 March 2022. Mr. Shi Chunsheng graduated from the Beijing Institute of Technology majoring in business administration in January 2018.

COMPANY SECRETARY

Mr. Ip Pui Sum (葉沛森), aged 65, has been the company secretary of the Company since 11 March 2015. Mr. Ip has been a practising certified public accountant in Hong Kong and the founding partner of Sum, Arthur & Co., since 1993 whose scope of services include the provision of financial statements audit, accounting and company secretary services. Mr. Ip has been appointed as the company secretary of companies listed on the Hong Kong Stock Exchange including Tingyi (Cayman Islands) Holding Corp. (stock code: 0322), Triumph New Energy Company Limited (stock code: 1108), Golden Solar New Energy Technology Holdings Limited (stock code: 1121), Asiaray Media Group Limited (stock code: 1993) and China Tianrui Automotive Interiors Co. Ltd (stock code: 6162) since January 1996, August 2008, April 2017, June 2017 and May 2018 respectively. Mr. Ip obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic University in November 1982 and obtained a Master degree in Business Administration from Brunel University and Henley Management School, United Kingdom in May 1997. Mr. Ip is a certified public accountant (practising) in Hong Kong, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants & Auditors, the Chartered Institute of Management Accountants, the Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in China and has its principal place of business in Hong Kong at 20th Floor, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the research and development, production and sale of implantable orthopedic medical devices.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the aggregated sales of the Group to the largest customer and the top five customers accounted for 23.17% (2023: 22.61%) and 49.74% (2023: 47.12%), respectively, of the total income of the Group for the year.

For the year ended 31 December 2024, the aggregated purchases of the Group from the largest supplier and the top five suppliers accounted for 15.19% (2023: 49.06%) and 35.10% (2023: 71.79%), respectively, of the total purchases of the Group.

At no time during the year did a director, a close associate of a director or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the top five customers, suppliers of raw materials and subcontractors of the Group.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2024 and the affair of the Company and the Group as at that date are set out in the consolidated financial statements on page 75 to page 92 of this annual report.

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2024 are set out in note V.(XXVI) to the consolidated financial statements.

ADDITIONAL INFORMATION OF BUSINESS REVIEW

Additional information of business review, discussion and analysis in respect of the Group's performance during the year and the material factors relevant to its results and financial position are set out in the section headed "Management Discussion and Analysis" in this annual report.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES

1. Risks relating to volume-based procurement

Due to the potential impact of the national centralized procurement policy, the Company may face the risk of declining product market prices, leading to a decrease in gross profit margin and potential negative effects on the revenue from products involved in volume-based procurement. The Company will closely monitor the trends of centralized procurement policies, continuously enhance its operations and internal management, enhance the Company's product innovation capabilities. The Company will also strengthen market promotion and continue to develop new markets while consolidating existing ones. Efforts will be made to improve the market share of relevant products as well.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in properties, plants and equipment of the Group for the year ended 31 December 2024 are set out in notes V.(IX) to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company convened the 14th meeting of the fifth session of the Board of Directors of the Company on 17 June 2024, at which the Resolution on Repurchase of Shares of the Company through Centralized Bidding Trading was considered and approved, and agreed that the Company use its own funds to repurchase part of the issued RMB ordinary shares of the Company by means of centralized bidding trading through the trading system of the Shanghai Stock Exchange. The purpose of the repurchase of shares is to implement employee stock ownership plan or equity incentive scheme. As at the end of the period, the Company had repurchased a total of 868,145 shares of the Company through the trading system of the Shanghai Stock Exchange by way of centralized bidding trading, representing 0.226% of the total share capital of the Company, with the highest repurchase price of RMB15.96 per share and the lowest repurchase price of RMB12.09 per share, and the total payment amounting to RMB12,018,864.19 (transaction fees exclusive).

Details of the repurchase of shares are as follows:

Month	Total numbers of shares	Price per Share Highest (RMB)	Lowest (RMB)	Total consideration (RMB)
July 2024	227,145	14.16	13.38	3,108,211.77
August 2024	45,000	12.25	12.09	546,695.02
September 2024	100,000	13.89	13.16	1,383,924.61
October 2024	496,000	15.96	12.61	6,980,032.79
	868,145			12,018,864.19

RESERVES

Details of movements in reserves of the Company during the year are set out in note V.(XXVII) and note V.(XXIX) to the financial statements, of which details of reserves distributable to shareholders of the Company are set out in note V.(XXX) to the financial statements.

REPORT OF THE DIRECTORS

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.49 per 10 shares in cash (tax inclusive) for the year ended 31 December 2024 (31 December 2023: RMB3.62 per 10 shares in cash (tax inclusive)). The dividend declared is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend payable to the shareholders of H Shares will be paid in Hong Kong dollars, while the final dividend payable to the shareholders of A Shares will be paid in Renminbi. The applicable exchange rate shall be the mid-rate of the average exchange rate of the relevant foreign exchange published on the website of the People's Bank of China seven business days prior to the date of approval of the dividend. The final dividend is expected to be paid on or before 31 July 2025 to shareholders whose names appear on the register of members of the Company in respect of H Shares. The notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched, together with a circular, to the H Share shareholders of the Company in due course in accordance with the requirements of the Listing Rules. In case of any changes in the expected distribution dates and the closure period of the register of members of H Shares, the Company will make further announcements in respect to those changes in due course. The Company will publish a separate announcement on the Shanghai Stock Exchange regarding the payment of final dividend to shareholders of A Shares after the annual general meeting.

SUFFICIENT OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the directors of the Company as of the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") at any time up to the date of this annual report.

DIRECTORS AND SUPERVISORS

The following table sets forth the information relating to the Directors and Supervisors of the Company during the year and up to the date of this report.

Name	Age	Position	Appointment date
Ms. Shi Wenling	27	Executive Director and Chairman	June 2023
Mr. Shi Chunbao	55	Executive Director, chief engineer and chairman of the Strategy Committee	June 2023
Ms. Yue Shujun	54	Executive Director and deputy general manager	June 2023
Mr. Xie Feng Bao	43	Executive Director and deputy chief engineer	June 2023
Mr. Wang Xin	49	Non-executive Director	June 2023
Ms. Xu Hong	70	Independent non-executive Director	June 2024
Mr. Weng Jie	62	Independent non-executive Director	June 2023
Mr. Wong Tak Shing	62	Independent non-executive Director	June 2023
Mr. Zhang Jie	35	Chairman of the Board of Supervisors	June 2023
Mr. Wei Zhangli	46	Employee Supervisor	June 2023
Ms. Zhang Lanlan	37	Employee Supervisor	June 2023

The Company has received, from each of the independent non-executive Director, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules, and considered that all independent non-executive Directors are independent of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the directors, supervisors and senior management of the Company are set out on page 24 to page 27 in this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years effective from the date of appointment.

Save as disclosed above, none of the directors or supervisors of the Company has or is proposed to have a service contract with the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the directors and supervisors of the Company are set out in note XVI to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2024.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SECURITIES

As at 31 December 2024, 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 for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), will be as follows:

REPORT OF THE DIRECTORS

INTERESTS OF THE DIRECTORS IN THE SHARES OF OUR COMPANY

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage of the relevant class of share capital (Note 1)	Percentage of the total share capital (Note 2)
Mr. Shi Chunbao	A shares	114,766,497 (long position)	Beneficial owner	39.79%	29.92%
		95,447,900 (long position)	Interest of spouse	33.09%	24.88%
	H shares	4,003,250 (long position)	Beneficial owner	4.21%	1.04%
Ms. Yue Shujun	A shares	95,447,900 (long position)	Beneficial owner	33.09%	24.88%
		114,766,497 (long position)	Interest of spouse	39.79%	29.92%
	H shares	4,003,250 (long position)	Interest of spouse	4.21%	1.04%

Notes:

1. The calculation is based on the number of 288,428,000 A shares and 95,140,550 H shares of the Company in issue as at 31 December 2024.
2. The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 31 December 2024.

Saved as disclosed above, as at 31 December 2024, 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.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, 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 of the relevant class of share capital (Note 1)	Percentage of the total share capital (Note 2)
Mr. Shi Chunbao	A shares	114,766,497 (long position)	Beneficial owner	39.79%	29.92%
		95,447,900 (long position)	Interest of spouse	33.09%	24.88%
	H shares	4,003,250 (long position)	Beneficial owner	4.21%	1.04%
Ms. Yue Shujun	A shares	95,447,900 (long position)	Beneficial owner	33.09%	24.88%
		114,766,497 (long position)	Interest of spouse	39.79%	29.92%
	H shares	4,003,250 (long position)	Interest of spouse	4.21%	1.04%
Panmao (Shanghai) Equity Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合伙))	A shares	17,250,000 (long position)	Beneficial owner	5.98%	4.50%
Taiping Assets Management (HK) Company Limited	H shares	5,743,000 (long position)	Investment manager	6.04%	1.50%
Taiping Trustees Limited	H shares	5,743,000 (long position)	Trustee	6.04%	1.50%
Pandanus Associates Inc.	H shares	5,679,750 (long position)	Interest in a controlled corporation	5.97%	1.48%
Pandanus Partners LP	H shares	5,679,750 (long position)	Interest in a controlled corporation	5.97%	1.48%
Fil Ltd.	H shares	5,679,750 (long position)	Interest in a controlled corporation	5.97%	1.48%
Fidelity China Special Situations Plc	H shares	4,807,750 (long position)	Beneficial owner	5.05%	1.25%

REPORT OF THE DIRECTORS

Notes:

1. The calculation is based on the number of 288,428,000 A shares and 95,140,500 H shares of the Company in issue as at 31 December 2024, respectively.
2. The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, 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.

CONTINUING CONNECTED TRANSACTIONS

The Company has no continuing connected transactions during the year. The Directors consider that the related party transactions disclosed in note XIII(IV) to the consolidated financial statements do not fall under the definition of non-exempt connected transaction or non-exempt continuing connected transaction pursuant to Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2024 and up to the date of this annual report, was there, any permitted indemnity provision in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or any directors and supervisors of an associated company (if made by the Company). The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as the related party transactions disclosed in note XIII(IV) to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a director or supervisor of the Company or an entity connected with a director or supervisor of the Company had a material interest, subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

CONTRACTS OF SIGNIFICANCE

During the year, there had been no contract of significance (as defined in the Listing Rules) for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

COMPETING BUSINESS

During the year, none of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries.

REPORT OF THE DIRECTORS

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC provincial and municipal government authorities for the Group's eligible employees in the PRC. The Group's employees are required to make contributions to the retirement benefit schemes in an amount equivalent to certain percentage of their salaries. The only obligation of the Group with respect to the defined contribution retirement benefit schemes is to make the specified contributions. The Group did not forfeit any defined contribution retirement benefit schemes contributions, and there are no forfeited contributions under the Group's defined contribution retirement benefit schemes that can be used to deduct the existing contributions or contributions payable in future years. The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong.

DONATIONS

Donation made by the Group during the year amounted to approximately RMB52,400.

TAX RELIEF

The holders of listed securities of the Company were not entitled to tax relief or concessions due to the holding of listed securities of the Company in accordance with the PRC laws.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remunerations of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

In accordance with the requirements of Rule E.1.5 of Appendix C1 to the Listing Rules, the remuneration of senior management by remuneration band and other remuneration related matters for the year are disclosed as follows:

	No. of people
Directors	9
Non-directors	9
Total	18
Range of emoluments (RMB)	
0–1,000,000.00	17
1,000,001–1,500,000	1
Total	18

REPORT OF THE DIRECTORS

Five highest paid employees

In accordance with the requirements of Rule 25 of Appendix D2 to the Listing Rules, five highest paid employees during the accounting year are as follows:

Item	RMB
Wage and other emoluments	1,519,394.46
Discretionary bonus	2,454,169.22
Contributions to pension scheme	130,670.40
Incentives to absorb high paid individuals	
Compensation for dismissal	
Total	4,104,234.08

The five highest paid employees of the Company for the year include two Directors, their emoluments are reflected in the emoluments of Directors and supervisors. The emoluments paid to the above four employees ranging from RMBNil to RMB1,000,000.00, and one employee ranging from RMB1,000,001.00 to RMB1,500,000.00 for the period.

For the year ended 31 December 2024, no emoluments were paid by the Group to any Director or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors waived or agreed to waive any emoluments in the year ended 31 December 2024.

PROPERTIES

Address	Stage of completion	Expected completion date	Existing use	Site area	Floor area	% ownership
1. Tongzhou Second Production Base: No. 10 Xinmi Xi Er Road, Tongzhou District, Beijing, the PRC	Completed in 2015	Completed in 2015	Production plant	Approximately 5,000 sq. m.	Approximately 6,400 sq. m.	100%
2. Daxing New Production Base: Daxing Biomedicine Industrial Base of the Zhongguancun Science Park in Beijing, the PRC	Phase I: construction work in progress Phase II: construction adjustment and optimization	Phase I: TBD Phase II: TBD	Will be used as production plant, headquarter, sales and marketing center and research and development centers	Approximately 45,000 sq. m.	Approximately 48,000 sq. m.	100%
3. Wei County New Production Base and Research and Development Center: east end of Kuayue Road and south end of Northern 1st Ring Road, Wei County, Xingtai City, Hebei Province	Under construction	TBD	Will be used as production plant and research and development center	Approximately 333,333 sq.m.	Approximately 107,232 sq.m.	100%

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH EMPLOYEE, SUPPLIERS AND CUSTOMERS

The Group is committed to maintaining long-term sustainable development, continuously creating value for employee and customers, and maintaining good relationships with suppliers. The Group provided generous social security benefits to its employees to motivate them while heightening their sense of belonging. The Company continues to work with suppliers to maintain a high level of raw material quality and strives to deliver quality products to customers. The Company maintains close and long-term relationships with its major customers and suppliers. During the year, there were no material disputes between the Company and its suppliers and customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Company strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. To the best knowledge of the Directors, the Group has complied in material respects with all the relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2024.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2024, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the directors to be pending or threatened against the Company.

SUBSEQUENT EVENTS

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

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters, which include, the review of the Group's consolidated annual results for the year ended 31 December 2024.

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by WUYIGE Certified Public Accountants LLP, who shall be retired and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of WUYIGE Certified Public Accountants LLP as the auditor of the Group is to be proposed at the AGM. In the preceding three years, the Company has not changed auditor.

By order of the Board
Beijing Chunlizhengda Medical Instruments Co., Ltd.
Shi Wenling
Chairman

Beijing, PRC, 28 March 2025

REPORT OF THE BOARD OF SUPERVISORS

During 2024, the Board of Supervisors of Beijing Chunlizhengda Medical Instruments Co., Ltd. has executed its duties in accordance to laws, regulations and relevant requirements including the Company Law, the Articles of Association and the Rules of Procedures of the Board of Supervisors (《監事會議事規則》) and in a committed and diligent manner, thus performing its supervising function and safeguarding the legal rights and interests of shareholders, the Company and its staff in a better manner. The Board of Supervisors supervises the operating activities, financial conditions, guarantees provided to external parties, connected transactions, convening procedure of the Board and the condition on performing duties by directors and senior management efficiently, therefore safeguarding the legitimate interest of the Company and all shareholders and promoting standardized operation of the Company. The major tasks handled by the Board of Supervisors of the Company in 2024 are reported as follows:

1. MEETINGS OF THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors of the Company convened 9 meetings, particulars of such meetings are as follows:

Session of meeting	Date of convening	Resolutions at the meeting
Fourth meeting of the fifth session	28 February 2024	1. To consider and approve the resolution on the preliminary annual results for 2023
Fifth meeting of the fifth session	28 March 2024	1. To consider and approve the resolution on the Company's profit distribution plan for the year 2023 2. To consider and approve the resolution on the granting of a general mandate to the Board to repurchase H shares 3. To consider and approve the resolution on the 2023 internal control assessment report 4. To consider and approve the resolution on the 2023 special report on the deposit and actual use of funds raised 5. To consider and approve the resolution on the Company's projected day-to-day related party transactions for 2024 6. To consider and approve the resolution on the remuneration of the supervisors of the Company for 2024 7. To consider and approve the resolution on the Company's annual report for the year 2024 and its summary 8. To consider and approve the resolution on the Company's financial report for the year 2023 9. To consider and approve the resolution on the report of the Board of Supervisors for the year 2023 10. To consider and approve the resolution on the social responsibility report for 2023 11. To consider and approve the resolution on supplementary confirmation of the amount of temporary idle funds raised to be used for cash management
Sixth meeting of the fifth session	29 April 2024	1. To consider and approve the resolution on the 2024 first quarterly report
Seventh meeting of the fifth session	27 May 2024	1. To consider and approve the resolution on the reappointment of accounting firms for the 2023 financial statement audit and internal control audit (domestic and overseas)
Eighth meeting of the fifth session	17 June 2024	1. To consider and approve the resolution on the plan of repurchase of shares of the Company through centralized price bidding

REPORT OF THE BOARD OF SUPERVISORS

Session of meeting	Date of convening	Resolutions at the meeting	
Ninth meeting of the fifth session	16 July 2024	1.	To consider and approve the resolution on the Company's arrangement of structured deposit wealth management products
		2.	To consider and approve the resolution on the disclosable transaction announcement in relation to the subscription of structured deposit wealth management products
Tenth meeting of the fifth session	30 August 2024	1.	To consider and approve the resolution on the Company's 2024 interim report and its summary
		2.	To consider and approve the resolution on the profit distribution plan for the half year 2024
		3.	To consider and approve the resolution on the 2024 half year special report on the deposit and actual use of funds raised
		4.	To consider and approve the resolution on the extension and adjustment of the Company's fundraising investment projects
		5.	To consider and approve the resolution on using a portion of idle funds raised and self-generated funds for cash management
Eleventh meeting of the fifth session	18 October 2024	1.	To consider and approve the resolution on the Company's arrangement of structured deposit wealth management products
		2.	To consider and approve the resolution on the disclosable transaction announcement in relation to the subscription of structured deposit wealth management products
Twelfth meeting of the fifth session	30 October 2024	1.	To consider and approve the resolution on the Company's 2024 third quarterly report

2. PERFORMANCE OF DUTIES BY THE BOARD OF SUPERVISORS

(1) Operations of the Company complies with laws

During the reporting period, the Board of Supervisors of the Company attended all the Board meetings in 2024 and all the general meetings in strict compliance with the duties and powers conferred by the Company Law (《公司法》), the Articles of Association (《公司章程》), the Rules of Procedures of the Board of Supervisors (《監事會議事規則》) and other laws and regulations. The Board of Supervisors performed its supervisory duties diligently and conscientiously in the interests of the Company, its shareholders and its employees.

The Board of Supervisors considers that the operation standard and decision-making procedures of the Board of the Company is legitimate, while each resolution from the general meeting is being implemented earnestly, and performed its obligations on integrity in a faithful manner. The Company established a more comprehensive internal control system, and the directors and senior management did not breach laws, regulations and the Articles of Association or damaging the interests of the Company or infringing the interest of shareholders in performing their duties.

(2) Inspecting the financial conditions of the Company

The Board of Supervisors of the Company supervises and inspects the financial condition and the implementation of financial management system of the Company in 2024 in an earnest and meticulous manner, and the quarterly, half yearly and annual financial report are being inspected earnestly. The Board of Supervisors considers that the Company possesses a sound financial system with standardized financial operation, and is in a sound financial condition during the reporting period, the financial reports of the Company for each period gives an objective and true view on the financial condition and operating results of the Company, and is free from false representations, misleading statements or material omission.

REPORT OF THE BOARD OF SUPERVISORS

(3) Related party transactions of the Company

The Board of Supervisors of the Company has supervised and verified the related party transactions of the Company in 2024. The Board of Supervisors of the Company is of the view that the related party transactions of the Company during the reporting period were in line with the actual needs of the Company's operation, the pricing of the transactions was fair and reasonable, and the decision-making procedures were in compliance with laws and regulations. There was no violation of laws, regulations, the Articles of Association and other relevant provisions, and there was no damage to the interests of the Company and the shareholders.

(4) Use of proceeds

The fifth meeting of the fifth session of the Board of Supervisors of the Company was held on 28 March 2024. After deliberation, the Board of Supervisors of the Company is of the view that the Company conducts cash management on the premise of ensuring no impact on the construction of fundraising projects, no change in the use of proceeds and ensuring the safety of proceeds and effective risk control, and there is no disguised change in the use of proceeds and no prejudice to the interests of the Company and the shareholders. In view of the above, the Board of Supervisors of the Company agreed to ratify the Company's over-utilisation of idle proceeds for cash management, and to adjust the amount of idle proceeds for cash management. In order to facilitate management, the term of authorization shall remain the same as the term of using idle proceeds for cash management as considered and approved at the fifth meeting of the fifth session of the Board. Save as aforesaid, the deposit and use of the proceeds of the Company in 2024 are true, and there is no violation or damage to the interests of the Company and its shareholders.

(5) Internal control of the Company

The Board of Supervisors is of the view that, in accordance with the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Company has established an internal control system that can effectively cover the Company's various financial and operational management activities in accordance with the basic principles of internal control, taking into account its own industry characteristics and the actual situation of operation, which ensures the normal operation of the Company's various business activities and the effective control of operational risks, and ensures the safety and completeness of the Company's assets. The Company's internal control system is complete, reasonable and effective, and there is no major defect. The Company's internal control system can provide guarantee for the Company's operating activities. The 2024 Internal Control Assessment Report (《2024年度内部控制評價報告》) of the Company truly, completely and objectively reflected the construction and operation of the Company's internal control system.

(6) Implementation of insider information management system

During the reporting period, the Company strictly executed and implemented the insider information registration management in accordance with the Insider Registration and Management System (《内幕信息知情人登記管理制度》) to standardize the information transmission process. The directors, supervisors, senior management and other relevant insiders of the Company have strictly complied with the insider information management system, and no insiders have been found to have traded the Company's shares with inside information and other violations of laws and regulations.

REPORT OF THE BOARD OF SUPERVISORS

(7) Guarantees provided by the Company to the external parties

During the reporting period, the Company and its subsidiaries did not provide guarantees to other companies.

3. WORK PLAN OF THE BOARD OF SUPERVISORS FOR 2025

In 2025, the Board of Supervisors of the Company will continue to strictly comply with the requirements of laws and regulation, including the Company Law, the Articles of Association and the Rules of procedures of the Board of Supervisors (《監事會議事規則》), in order to perform the duties of the Board of Supervisors faithfully and maintain its independence to further promote the standardized operation of the Company and provide protection to the interests of different stakeholders, including shareholders, the Company and its staff.

Meanwhile, in 2025, the members of the Board of Supervisors will enhance their professional skills, perform their duties conscientiously and improve the level of supervision by strengthening the study of laws and regulations promulgated by the state, internal rules and regulations of the Company, as well as relevant professional skills and expertise, and actively carrying out work exchanges, so as to play their due role in promoting the healthy and sustainable development of the Company and effectively safeguard and protect the legitimate interests of the Company and its shareholders.

Zhang Jie

Chairman of the Board of Supervisors

28 March 2025

CORPORATE GOVERNANCE REPORT

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. During the reporting period and up to the date of this report, the Company has complied with all applicable principles and code provisions of the Corporate Governance Code. Corporate governance practices adopted by the Company are summarized below:

1. BOARD OF DIRECTORS

1.1 Composition of the Board of Directors

Ms. Xu Hong obtained the legal advice letter regarding the appointment of a independent Director on 27 June 2024. Ms. Xu Hong confirmed that she understands her responsibilities as a Director of the Company.

As at the date of this annual report, the Board of Directors comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The members of the Board of Directors of the Company are set out as follows:

Name	Position
Ms. Shi Wenling	Executive Director
Mr. Shi Chunbao	Executive Director
Ms. Yue Shujun	Executive Director
Mr. Xie Feng Bao	Executive Director
Mr. Wang Xin	Non-executive Director
Ms. Yao Lijie (resigned on 27 June 2024)	Independent non-executive Director
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director
Mr. Weng Jie	Independent non-executive Director
Mr. Wong Tak Shing	Independent non-executive Director

During the reporting period and up to the date of this annual report, the Board of Directors has complied with the requirement of the Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of members of the Board of Directors and at least one of whom shall have relevant professional qualifications, or accounting or relevant financial management expertise. The qualifications of the three independent non-executive Directors of the Company fully comply with Rules 3.10(1) and (2) of the Listing Rules.

None of the independent non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as per Rule 3.13 of the Listing Rules. The Company is of the opinion that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

The details of the Directors' resumes are set out on pages 24 to 26 of this report. The relationship of the Chairman Mr. Shi Chunbao and executive Director Ms. Yue Shujun is husband and wife, and Ms. Shi Wenling is the daughter of Mr. Shi Chunbao and Ms. Yue Shujun. Other than that, other members of the Board of Directors do not have any relations between each other (including financial, business, family or other material or related relations). The Board of Directors is well-balanced in structure and each of its members is knowledgeable, richly experienced and talented in the business operation and development of the Company. All the Directors understand their joint and several responsibilities for shareholders of the Company.

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company consists of three independent non-executive Directors, each of whom has years of experience in corporate monitoring, financial management, and medical engineering. The independent non-executive Directors can provide independent and appropriate opinions to the Board of Directors to ensure that the Board of Directors can obtain independent views and opinions it needs when exercising its powers and making major decisions. In addition, all Directors have the right to seek independent professional advice on resolutions voted on the Board of Directors, and the expenses will be borne by the Company. During the year, the independent non-executive Directors of the Company regularly attended the board meetings and provided independent views and opinions when the Board of Directors performed its duties. The Board of Directors concluded after reviewing that its mechanism for obtaining independent opinions had been effectively implemented during the year.

1.2 Board Meetings

The Board of Directors held Board meetings regularly, at least four meetings in each year. A notice of a regular Board meeting was delivered to all the Directors at least 14 days in advance for them to arrange the attendance for the meeting, with the matters to be discussed specified in agenda of the meeting.

A Board meeting shall be attended by more than half of the Directors. Directors shall personally attend the meeting. In the event that any Director is unable to attend a meeting for any reason, he may appoint another Director by a written power of attorney.

During the year ended 31 December 2024, the Board of Directors held 14 meetings in total, with details of the attendance of Directors specified as follows:

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Mr. Shi Chunbao	Executive Director	14/14	100%
Ms. Yue Shujun	Executive Director	14/14	100%
Ms. Shi Wenling	Executive Director, Chairman	14/14	100%
Mr. Xie Feng Bao	Executive Director	14/14	100%
Mr. Wang Xin	Non-executive Director	14/14	100%
Ms. Yao Lijie (retired on 27 June 2024)	Independent non-executive Director	6/6	100%
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director	8/8	100%
Mr. Weng Jie	Independent non-executive Director	14/14	100%
Mr. Wong Tak Shing	Independent non-executive Director	14/14	100%

1.3 Functions and powers exercised by the Board of Directors and the management

The qualifications and obligations of the Board of Directors and the management are specified in the Articles of Association, so as to guarantee an adequate balance and restriction mechanism for the excellent governance and internal control of the Company.

The Board of Directors shall be responsible for determining the Company's operation plans and investment programs and the setting of its internal management organizations, formulating basic management system of the Company, receiving the regular or irregular working reports of the Company's general manager or entrusted senior management, and approving general manager's working report.

CORPORATE GOVERNANCE REPORT

The management is delegated with responsibility for managing the day-to-day operations of the Group. In order to ensure that the Board of Directors can make appropriate reviews and decisions, the main responsibilities of the Management include (I) implementing the Company's corporate strategies and business plans; (II) providing and updating reports to the Board of Directors on a quarterly basis; (III) the daily management and operations of the Group.

The Board of Directors admits that it is the common responsibility of all Directors to perform the duty of corporate governance, including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to the Company's Directors, Supervisors and employees;
- (e) to review the Company's compliance with Corporate Governance Code and disclosure in the corporate governance report;
- (f) to review the adequacy and effectiveness of risk management and internal control system; and
- (g) to review significant matters related to accounting practices and all material controls, and provide its results and recommendations for improvements made by the Audit Committee.

1.4 Chairman and Chief Executive Officer

The role of chairman and the chief executive officer are held by Mr. Shi Wenling and Mr. Shi Chunsheng, respectively. The chairman is responsible for an efficient operation of the Board of the Company, leading the overall management of the Board and the Company, making decisions for the Company and its operation and overseeing the regulatory and commercial applicability and sustainability of the Company. The chief executive focuses on the business development, daily management and operation of the Company and overseeing the regulatory and commercial applicability and sustainability of the Company.

CORPORATE GOVERNANCE REPORT

1.5 Directors' Appointment and Re-election

Pursuant to article 100 of the Articles of Association, the term of office of directors is three years and is subject to re-election and reappointment.

The nomination of new Directors of the Company shall be deliberated by the Nomination Committee and the Remuneration Committee and then submitted to the Board of Directors, subject to the approval by the general meeting.

On 27 June 2024, Ms. Yao Lijie resigned as an independent non-executive Director of the fifth session of the Board of the Company, and Ms. Xu Hong was appointed as an independent non-executive Director of the fifth session of the Board of the Company. The terms of office of the above Director will be three years.

1.6 Board Diversity Policy

The Board of Directors adopted the Board Diversity Policy on 14 February 2015. The Nomination Committee of the Board shall review, at its discretion, the Board Diversity Policy of the Company. For designing the composition of the Board of Directors, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board of Directors. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

As of the date of this report, the Board of Directors of the Company has three female members, accounting for 37.5%. Therefore, the Company believes that gender diversity of the Board of Directors has been achieved.

The Board of Directors has ensured that the board diversity policy was effectively implemented by way of annual reviews.

In addition, the gender ratio of all employees (including senior management) is approximately 63% male and approximately 37% female. The Company encourages and advocates equal opportunities and gender diversity, and believes that it has gradually met the requirements of gender diversity. The Company will continue to monitor and measure the performance of various departments in terms of equal opportunities and gender diversity.

CORPORATE GOVERNANCE REPORT

1.7 Training for Directors

Apart from updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional trainings and seminars to develop and refresh their knowledge and skill. During the year, the Company provided reading materials and other updated information regarding latest development of the Listing Rules and other applicable regulations to Directors for their reference and studying.

Name of Directors	Attending Training/Conference/ Reading Regulatory Updates on Corporate Governance
Executive Directors	
Mr. Shi Chunbao	✓
Ms. Yue Shujun	✓
Ms. Shi Wenling	✓
Mr. Xie Feng Bao	✓
Non-Executive Director	
Mr. Wang Xin	✓
Independent Non-Executive Directors	
Ms. Xu Hong	✓
Ms. Yao Lijie	✓
Mr. Weng Jie	✓
Mr. Wong Tak Shing	✓

1.8 Directors' Insurance

The Company has arranged appropriate insurance coverage in respect of legal litigation against its Directors.

CORPORATE GOVERNANCE REPORT

2. BOARD COMMITTEES

There are four committees under the Board of Directors including Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee.

2.1 Audit Committee

The Audit Committee consists of four Directors including Ms. Yao Lijie (independent non-executive Director), Mr. Weng Jie (independent non-executive Director), Mr. Wang Xin (non-executive Director) and Mr. Wong Tak Shing (independent non-executive Director). Ms. Xu Hong is the chairman of the Audit Committee. The principal duties of the Audit Committee are making recommendations on the appointment, re-appointment and removal of the external auditors; reviewing and monitoring the independence and objectiveness of the external auditors and the effectiveness of the audit procedure in accordance with applicable standards; reviewing the preparation and disclosure of financial information of the Company; overseeing the financial reporting system and internal control system of the Company. During the year ended 31 December 2024 the Audit Committee held five meetings, the details of which are as follows:

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Ms. Yao Lijie (retired on 27 June 2024)	Independent non-executive Director	3/3	100%
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director	2/2	100%
Mr. Weng Jie	Independent non-executive Director	5/5	100%
Mr. Wang Xin	Non-executive Director	5/5	100%
Mr. Wong Tak Shing	Independent non-executive Director	5/5	100%

During the year, the performance of the Audit Committee is as follows:

1. Reviewed and approved the Resolution on the Company's Annual Audit Plan for the Year 2023;
2. Reviewed and approved the Resolution on the Company's Profit Distribution Plan for the Year 2023;
3. Reviewed and approved the Resolution on the Granting of a General Mandate to the Board to Repurchase H Shares;
4. Reviewed and approved the Resolution on the 2023 Internal Control Assessment Report;
5. Reviewed and approved the Resolution on the 2023 Special Report on the Deposit and Actual Use of Funds Raised;
6. Reviewed and approved the Resolution on the Proposal of Projected Day-to-day Related Party Transactions for 2024;
7. Reviewed and approved the Resolution on the Company's Annual Report for the Year 2023 and Its Summary;
8. Reviewed and approved the Resolution on the Company's Financial Report for the Year 2023;
9. Reviewed and approved the Resolution on Report on the Performance of the Audit Committee of the Board for the Year 2023;

CORPORATE GOVERNANCE REPORT

10. Reviewed and approved the Resolution on the Supplemental Confirmation of the Amount of Cash Management Using Temporarily Idle Funds Raised;
11. Reviewed and approved the Resolution on the Report of the Audit Committee on the Fulfillment of Its Supervisory Duties over the Accounting Firm;
12. Reviewed and approved the Resolution on the Company's 2024 First Quarterly Report;
13. Reviewed and approved the Resolution on the Company's 2024 Interim Report and Its Summary;
14. Reviewed and approved the Resolution on the 2024 Semi-annual Profit Distribution Plan;
15. Reviewed and approved the Resolution on the Company's 2024 Half Year Special Report on the Deposit and Actual Use of Funds Raised;
16. Reviewed and approved the Resolution on the Semi-Annual Evaluation Report on the Company's 2024 Special Action Plan for Quality and Efficiency Improvement as well as Return Enhancement;
17. Reviewed and approved the Resolution on the Extension and Change of the Company's Investment Projects;
18. Reviewed and approved the Resolution on Using a Portion of Idle Funds Raised and Self-generated Funds for Cash Management;
19. Reviewed and approved the Resolution on the Company's 2024 Third Quarterly Report.

2.2 Nomination Committee

The Nomination Committee consists of three Directors including Ms. Xu Hong (independent non-executive Director), Ms. Yue Shujun (executive Director) and Mr. Weng Jie (independent non-executive Director). Ms. Xu Hong is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are reviewing the selection requirements and procedures, structure, number, composition and diversity of the directors and senior management; identifying and selecting qualified candidates to be nominated as directors and senior management or making recommendations to the Board; making recommendations to the Board on the appointment or reappointment of and the succession planning for directors and senior management; reviewing, at its discretion, the board diversity policy; reviewing the independence of independent non-executive Directors; and carrying out other duties as authorized by the Board. During the year ended 31 December 2024, the Nomination Committee held two meetings to review the structure, size, composition and diversity of the Board of Directors, and review the re-appointment and new appointment of Directors.

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director	1/1	100%
Ms. Yue Shujun	Executive Director	2/2	100%
Mr. Weng Jie	Independent non-executive Director	2/2	100%
Ms. Yao Lijie (retired on 27 June 2024)	Independent non-executive Director	1/1	100%

CORPORATE GOVERNANCE REPORT

2.3 Remuneration Committee

The Remuneration Committee consists of three Directors including Mr. Weng Jie (independent non-executive Director), Mr. Shi Wenling (executive Director) and Ms. Xu Hong (independent non-executive Director) and Mr. Weng Jie is the chairman of the Remuneration Committee.

The Company has adopted the model recommended by the Remuneration Committee to the Board of Directors to recommend the remuneration packages of executive Directors, Supervisors and senior management. The Company has a remuneration and incentive system with reference to employee's positions, the Company's performance and market conditions.

The principal duties of the Remuneration Committee are evaluating the appointment, remuneration policies and assessment criteria for the directors and senior management, conducting such assessment and providing advice. It shall include setting the overall remuneration policy and structure for the directors and senior management of the Company and to propose to the Board in respect of establishing remuneration policy through a formal and transparent procedure; reviewing and approving the remuneration proposals for the management with reference to the corporate goals and objectives made by the Board; making recommendations to the Board on the remuneration packages of Directors and senior management; and carrying out other duties as authorized by the Board. During the year ended 31 December 2024, the Remuneration Committee held two meetings to review the remuneration packages of the Board of Directors and senior management, as well as the remuneration of the proposed new directors.

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Mr. Weng Jie (Chairman)	Independent non-executive Director	2/2	100%
Ms. Shi Wenling	Executive Director, Chairman	2/2	100%
Ms. Yao Lijie (retired on 27 June 2024)	Independent non-executive Director	2/2	100%
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director	0/0	N/A

Directors' remuneration policy and details of senior management's remuneration disclosed by pay scale are set out in the section headed "Emolument Policy" of the Report of the Directors.

CORPORATE GOVERNANCE REPORT

2.4 Strategy Committee

The Strategy Committee consists of four Directors including Mr. Shi Chunbao (executive Director), Ms. Shi Wenling (executive Director, Chairman), Mr. Xie Feng Bao (executive Director) and Mr. Wang Xin (non-executive Director). Mr. Shi Chunbao is the chairman of the Strategy Committee.

The main duties and authorities of the Strategy Committee are to improve the corporate governance structure, improve the efficiency and effective operation of the Board, and ensure the scientificity, accuracy and legitimacy of the Board's decisions. During the year ended 31 December 2024, the Strategy Committee held one meeting.

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Mr. Shi Chunbao (Chairman)	Executive Director	1/1	100%
Ms. Shi Wenling	Executive Director, Chairman	1/1	100%
Mr. Xie Feng Bao	Executive Director	1/1	100%
Mr. Wang Xin	Non-executive Director	1/1	100%

3. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors has confirmed its responsibility for preparing the annual financial statements of the Company for the year ended 31 December 2024.

The Board of Directors is responsible for submitting a well-defined assessment on the interim and annual reports, share price sensitive information, and other matters that need to be disclosed according to the Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information to the Board of Directors so that the Board of Directors could make informed assessment on the financial data and position of the Company for examination and approval.

The Company does not have any significant uncertainty likely to give rise to the significant doubt of the Company's capability of sustained operations. The responsibility of the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

CORPORATE GOVERNANCE REPORT

4. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules). The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the period of this report. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

5. COMPANY SECRETARY

Mr. Ip Pui Sum, the company secretary, is an external service provider of the Company and a certified public accountant in Hong Kong. Ms. Yue Shujun, the executive Director of the Company, is the main contact person between the Company and Mr. Ip Pui Sum.

According to Rule 3.29 of the Listing Rules, the company secretary must take no less than 15 hours of relevant professional training in each financial year. Mr. Ip Pui Sum, has submitted his training records to the Company, indicating that he has taken no less than 15 hours of relevant professional training through attending seminars and reviewing relevant guideline materials during the year ended 31 December 2024.

6. AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under the review, the Company's payment paid or payable to the external auditor for audit and non-audit services is as follows:

Type of service	RMB'000
Annual audit services	1,000
Non-audit services	250
Total	1,250

During the year ended 31 December 2024, the Board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors.

CORPORATE GOVERNANCE REPORT

7. GENERAL MEETINGS

Date	Name of meeting	Resolution No.	Matters voted on (Matters considered and approved)
27 June 2024	2023 Annual General Meeting	1	To consider and approve the Resolution on the Company's Profit Distribution Plan for the Year 2023
		2	To consider and approve the Resolution on the Remunerations of the Directors of the Company for the Year 2024
		3	To consider and approve the Resolution on the Company's Annual Report for the Year 2023 and Its Summary
		4	To consider and approve the Resolution on the Company's Financial Report for the Year 2023
		5	To consider and approve the Resolution on the 2023 Performance Report of the Independent Directors
		6	To consider and approve the Resolution on the Report of the Board of Directors for the Year 2023
		7	To consider and approve the Resolution on the Company's Remuneration of the Supervisors for the Year 2024
		8	To consider and approve the Resolution on the Report of the Board of Supervisors for the Year 2023
		9	To consider and approve the Resolution on Re-appointment Company's Auditors (Domestic and Overseas) and Internal Control Auditors for 2024
		10	To consider and approve the Resolution on the Election of Independent Directors
5 July 2024	2024 First H Shareholders' Class Meeting	1	To consider and approve the Resolution on the Granting of a General Mandate to the Board to Repurchase the H shares of the Company
15 October 2024	The First Extraordinary General Meeting 2024	1	To consider and approve the Resolution on the Company's 2024 Semi-annual Profit Distribution Plan
		2	To consider and approve the Resolution on the Extension and Change of the Company's Investment Projects

Attendance of Directors in General Meeting

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Mr. Shi Chunbao	Executive Director	3/3	100%
Ms. Yue Shujun	Executive Director	3/3	100%
Ms. Shi Wenling	Executive Director, Chairman	3/3	100%
Mr. Xie Feng Bao	Executive Director	3/3	100%
Mr. Wang Xin	Non-executive Director	3/3	100%
Ms. Yao Lijie (retired on 27 June 2024)	Independent non-executive Director	1/1	100%
Mr. Weng Jie	Independent non-executive Director	3/3	100%
Mr. Wong Tak Shing	Independent non-executive Director	3/3	100%
Ms. Xu Hong (appointed on 27 June 2024)	Independent non-executive Director	2/2	100%

CORPORATE GOVERNANCE REPORT

8. DIVIDEND POLICY

The Company strives to strike a balance between fulfilling the expectation of shareholders and taking prudent capital management by a sustainable dividend policy. The dividend policy of the Company aims at enabling shareholders to share the profits of the Company while retaining adequate reserves for development of the Company. The Company will take various factors into account for proposed declaration and payment of dividends, including the actual and expected financial results of the Group, the liquidity level and future development plans of the Group, overall economic and financial conditions, commercial delinquency of the Group, those internal or external factors that may cause an impact on the operations or financial results and conditions of the Group, and other factors considered relevant by the Board.

9. COMMUNICATIONS WITH SHAREHOLDERS

Where the Company convenes an annual general meeting, a notice of the meeting in written form or in electronic form (by posting on, including but not limited to, the website of the Stock Exchange and the website of the Company, same below) shall be given at least 20 clear business days before the date of the meeting to notify all of the shareholders in the shareholders' register of the matters to be considered and the date and venue of the meeting to be held.

9.1 Shareholders' Rights to Propose Resolutions

When the Company convenes a general meeting, meeting of the Board of Directors and Board of Supervisors, shareholders severally or jointly holding more than 3% of the total number of shares shall have the right to propose resolutions.

When the Company convenes an annual general meeting, shareholders severally or jointly holding more than 3% of the total number of shares shall have the right to propose extraordinary resolutions in writing to the Company and the Company shall include the matters therein falling within the scope of functions and powers of the general meeting into the agenda of such meeting. An extraordinary resolution proposed by shareholders shall be subject to and conditional upon the substance of the resolution proposed not being in conflict with the laws and regulations, and shall fall within the scope of operation of the Company and the functions and powers of general meetings; there is a clear subject matter of discussion and specific matters to be resolved; and the resolution shall be submitted or served to the Board in writing 10 days before the date of the general meeting.

CORPORATE GOVERNANCE REPORT

9.2 Shareholders' Right to Requisition a Meeting

Shareholders requisitioning an extraordinary general meeting or class meeting of shareholders shall abide by the following procedures:

- (a) Two or more shareholders severally or jointly holding 10% or more of the shares carrying the right to vote at the meeting sought to be held, by signing one or more counterpart requisition in writing stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall as soon as possible proceed to convene the extraordinary general meeting or the class meeting after receiving such requisition in writing. The shareholdings referred to above shall be calculated as of the date of the deposit of the requisition by the shareholders.
- (b) If the Board fails to issue a notice of convening such a meeting within 30 days from the date of the receipt of such requisition in writing, the shareholders individually or jointly holding more than 10% of shares carrying voting rights at the meeting intended to be held have the right to propose to the Board of Supervisors to convene an extraordinary general meeting or class meeting and shall request the Board of Supervisors in writing. If the Board of Supervisors fails to convene the meeting within 10 days from the date of the receipt of such requisition in writing, the shareholders individually or jointly holding more than 10% of shares for over 90 consecutive days may themselves convene such a meeting with the procedures as similar as possible as that in which shareholders' meetings are to be convened by the Board within 4 months from the date of the receipt of the requisition by the Board.

9.3 Inquiry and Communication of Shareholders

The shareholder communication policy of the Company includes a variety of formal communication channels with shareholders and other stakeholders. The Company's announcements, financial data, circulars of general meetings and notices, and other materials published in accordance with relevant laws, regulations and the Listing Rules and other regulatory requirements. If shareholders have any enquiries, they can use the message function on the Company's website or write directly to the Company's principal place of business in Hong Kong. The Company will endeavor to handle shareholders' enquiries.

The Board of Directors welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly express misgivings that they may have to the Board of Directors and the management. Usually, the chairman of the Board of Directors and the chairmen of respective committees would attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Detailed procedures for voting at general meetings and resolutions by way of vote will be circulated to shareholders through shareholder circular.

During the year, the Company has reviewed the above shareholder communication policy and confirmed that it has included channels for shareholders to express their opinions on various matters affecting the issuer, and that the Company has taken appropriate and sufficient measures to solicit and understand the opinions of shareholders and stakeholders. Therefore, the Company believes that the relevant policies have been effectively implemented.

CORPORATE GOVERNANCE REPORT

10. ARTICLES OF ASSOCIATION AND AMENDMENTS

During the year, there were no amendments to the Articles of Association of the Company.

11. NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Mr. Shi Chunbao and Ms. Yue Shujun are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the “**Controlling Shareholders**”). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) which directly or indirectly competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-competition undertaking in the Group’s favour on 14 February 2015 (the “**Deed of Non-competition**”). Relevant details were disclosed in the section headed “Relationship with Controlling Shareholders and Directors — Deed of Non-competition” in the prospectus of the Company dated 27 February 2015. Each of the Controlling Shareholders has confirmed to the Company that he/she has complied with the Deed of Non-competition, and the independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the Deed of Non-competition and confirmed that all the undertakings thereunder have been complied with.

12. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code. During the year ended 31 December 2024, the Board had reviewed the Company’s corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company’s compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

13. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing the effectiveness of such system. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company’s strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines to define authority for key business processes and office functions, including policy on securities trading, safety control system for production and fire, methods of prevention from occupational disease, guidelines regarding using official seal, policy on confidential control (updated version), policy on employees’ external training and guidelines regarding information management and transition.

CORPORATE GOVERNANCE REPORT

All divisions/departments conduct internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management and division/departments heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2024.

The internal control team is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal control team examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, conducted the annual review on the risk management and internal control systems for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns such as criminal offence, financial impropriety or other matters of the Company.

The Company has developed its inside information policy which provides a general guide to the Company's Directors, officers and all relevant employees of the Company to ensure inside information of the Company to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board is responsible for determining the Group's ESG risks and developing ESG strategies. The General Manager directly manages and oversees the effective implementation of all ESG activities and reports to the Board, while the ESG Working Group is responsible for dedicated implementation.

The Board identifies significant ESG issues from annual materiality assessments involving a wide range of stakeholders, including senior management, key employees and business partners, and reviews progress against the relevant emission targets and internal systems set by the Company.

This report provides an overview of the environmental and social performance of Beijing Chunlizhengda Medical Instruments Co., Ltd. and its subsidiaries from 1 January 2024 to 31 December 2024. The scope of information disclosed and the statistical methods used in this report remain consistent with those of the previous year.

I. ABOUT THIS REPORT

Beijing Chunlizhengda Medical Instruments Co., Ltd., founded in 1998, has been focusing on research and development, production and sales of implantable orthopedic medical devices for 20 years. We are one of the medical device enterprises that holds the most comprehensive registration certificates for joint prosthesis products in China and the first enterprise in mainland China to obtain BIOLOX®delta ceramic joint prosthesis, covering both full ceramics and half-ceramics joint prosthesis. Additionally, we were recognized as a manufacturing single champion enterprise in artificial joint prostheses by China's Ministry of Industry and Information Technology in 2024.

Over the past 20 years, the Company is committed to fulfil corporate social responsibility while maintaining a healthy and rapid development and serving orthopedic patients all over the world. This report is a consolidated summary about the environmental, design and governance performance of the Company in the financial year 2024, which is prepared in accordance with the related requirement of Appendix C2 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and has complied with the "comply or explain" provision set forth in the Guide.

II. ENVIRONMENT AND NATURAL RESOURCES

The impact of the business activities of the Company on the environment and natural resources includes consumption of energy and resources, wastes and pollutant emissions. The Company has established the Environmental Protection Management System (《環保管理制度》), including the Environmental Protection Management System in Production Process (《生產過程中環境保護管理制度》), the Environmental Facility Maintenance and Management System (《環保設施檢修與管理制度》), the Environmental Monitoring Management System (《環境監測管理制度》), the Environmental Protection Training and Education Management System (《環境保護培訓教育管理制度》) and the Contingency Plan for Shutdown of Production during Heavy Air Pollution (《空氣重污染期間車間停產應急預案》), and has established the Environmental Protection Supervision and Assessment Management System (《環保監督與考核管理制度》) and other corresponding environmental protection management-related systems. The Company believes that hazardous waste should be centrally processed and promptly handed over to professional organizations with operating permits for safe disposal. The Company has effectively reduce the impact of its business activities on the environment and natural resources through the following measures and management on air pollution and solid waste disposal and usage of water resources and energy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Management of emissions and wastes

The Company attaches great importance to the management of emissions and wastes. We strictly comply with the relevant laws and regulations, such as “Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》)”, “Water Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國水污染防治法》)”, “Detailed Rules for the Implementation of the Water Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國水污染防治法實施細則》)”, “Integrated Wastewater Discharge Standard (《污水綜合排放標準》)”, “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China (new) (《中華人民共和國大氣污染防治法(新)》)”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)” by such doings: dust-proof treatment and recycling system are setup to improve the working environment; professional waste recycling companies are engaged to recycle hazardous wastes. We keep optimizing the management approaches of emissions and wastes at institution level and specific implementation level.

The pollutants generated by the Company in the production process are mainly air pollutants and solid wastes. The Company has installed dust removal equipment in the fitter workshop, achieving a dust removal efficiency of over 98%. This exceeds the national environmental regulations, such as the Comprehensive Emission Standard of Air Pollutants of the People’s Republic of China (中華人民共和國大氣污染物綜合排放標準) and the Hygienic Standard for Design of Industrial Enterprises (工業企業設計衛生標準), and a third-party testing agency is entrusted to conduct environmental testing on the workshop, which is higher than the requirements. The hazardous waste generated in production is centrally processed and handed over to a professional institution with business licence for safe disposal in a timely manner, and the Hazardous Waste Transfer Manifest (《危險廢物轉移聯單》) is issued, so that the hazardous waste generated in production is effectively and reasonably recycled. The Company has entered into waste recycling contracts with professional firms to recycle 100% of harmless wastes including titanium production wastes, cobalt-chromium-molybdenum (CoCrMo, 鈷鉻鉬) production wastes, and polyethylene wastes.

In 2024, 7.437 tons of titanium production waste was produced, with an output value of 0.068 kg per product of RMB10,000. 0.452 tons of CoCrMo (鈷鉻鉬) production waste was produced, with an output value of 0.0041 kg per product of RMB10,000. 14.855 tons of cutting fluid was produced, with an output value of 0.136 kg per product of RMB10,000. 79.8 kg of polyethylene waste was produced, with output value of 0.00073 kg per product of RMB10,000. Total amount of non-hazardous waste was 5.103 tons, and the amount of hazardous waste was 10.773 tons.

In 2024, greenhouse gas emissions: Scope 1 (direct energy emissions) carbon dioxide emissions were 18.10 tons, and Scope 2 (indirect energy emissions) carbon dioxide emissions were 3,005.6 tons. 0.0277 tons of carbon dioxide was emitted per product of RMB10,000 of product. Waste emissions include 58.710 kg of ammonia nitrogen (NH₃), 0.00054 kg per product of RMB10,000, 167.675 kg of suspended solids (SS), and 0.00153 kg per product of RMB10,000.

According to the characteristics of industry development and the Company’s business development plan, the Company has formulated a carbon dioxide emission indicator, which decreased by 35% from 0.0243 tons of carbon dioxide per product of RMB10,000 in 2020 to 0.0157 tons in 2030.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Response to climate changes

Global climate changes have resulted in some extreme weather and climate events that are more intense, more frequent and last longer. The Company anticipates that heavy rainfall, frost, sandstorm, extremely low and high temperature will have a certain degree of impact on the construction of plants, stability of energy and safe production.

The risk of the business operation of the Company being materially affected by climate changes is relatively low, and the Company has formulated corresponding internal contingency procedures and measures against the risks which could be brought by natural disasters.

During the year, the Company did not experience any climate change and relevant incident which would have a material adverse impact on the operation of the Company.

In addition, the Company adheres to the philosophy of sustainable development and actively responds to the national call for a “carbon neutral” policy by regularly disclosing carbon emissions, including calling on its employees to conserve paper, go paperless in the office and adopt “green travel” to actively explore the potential of reducing carbon emissions and contribute to environmental improvement and sustainable development.

3. Water saving

Water is the source of life and the indispensable resources used in production and used domestically. The Company always pays special attention to the water preservation and water saving as well as sewage treatment, recycling and reuse. As for sewage treatment, the Company has established sewage treatment stations, so that the standard of water used in production and used domestically discharged after filtration and sedimentation can satisfy, and be even higher than, the national discharge standard. The Company hires professionals to conduct maintenance on sewage treatment equipment per annum to ensure the quality of the water treatment. The Company will pay continuous attention to these issues.

In 2024, 9,846.9 tons of sewage were produced and treated during production and 15,915.9 tons of water resources were used (volume of water usage per output value of RMB10,000 was 0.146 tons). The Company looked for suitable sources of water based on its production plan, and has not experienced any special restriction in respect of water sourcing. Based on the development characteristics of the industry and our business development plan, the Company has set a water consumption target of 0.13 tons of water consumption per RMB10,000 of output value in 2030, a decrease of 27.8% when compared to 0.180 tons of water consumption per RMB10,000 of output value in 2020. The Company optimized its production processes, established and strictly enforced the Environmental Facility Maintenance and Management System (《環保設施檢修與管理制度》) and the Environmental Protection Management System in Production Process (《生產過程中環境保護管理制度》) to strengthen the operation and management of wastewater treatment facilities. The Company enhanced employee water conservation awareness through measures such as training programs based on the Environmental Protection Training and Education Management System (《環境保護培訓教育管理制度》) in order to achieve the water conservation goals mentioned above.

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4. Energy saving

The Company's products are Class III orthopedic implant products and Class I surgical tools. The main resources consumed include titanium alloy, CoCrMo, polyethylene, stainless steel required for the production process, as well as cartons, packaging boxes and plastic films for product storage and packaging. Energy consumed is indirect energy power. The Tongzhou Second Production Base of the Company and the Wei County New Production Base have built up geothermal heat pump air-conditioning. No water is consumed or polluted and no boiler, cooling tower and areas for piled up fuel waste is required during the operation of geothermal heat pump unit, which achieves in effective energy saving and environmental protection. The Company built lots of solar power generation facilities during the construction of Daxing New Production Base, which will result in effective power saving in the future.

In 2024, during the production and processing of products, the main raw materials consumed include: 79.07 tons of titanium alloy, 104.33 tons of CoCrMo alloy, 31.76 tons of polyethylene, 79.43 tons of stainless steel were used.

In 2024, packaging materials used include 82.215 tons of carton box, 60.69 tons of product packaging box and 19.74 tons of plastic film; the packaging material consumption per product of RMB10,000 was 1.49 kg and the consumption of others was 12.50 tons.

In 2024, the main energy consumed is indirect energy power, with an electricity consumption of 5,249,500 kWh and an electricity consumption of 48.06 kWh per RMB10,000.

Based on the development characteristics of the industry and the business development plan of the Company, the Company have set an electricity consumption target to 43 kWh per RMB10,000 in 2030, a decrease of 29.4% when compared to 60.9 kWh per RMB10,000 in 2020. In 2023, the Company optimized its production processes, established and strictly enforced the Environmental Facility Maintenance and Management System (《環保設施檢修與管理制度》), the Environmental Protection Management System in Production Process (《生產過程中環境保護管理制度》) and the Environmental Facility Maintenance and Management System (《環保設施檢修與管理制度》) to strengthen the operation and management of the production facilities. The Company enhanced employee electricity conservation awareness through measures such as training programs based on the Environmental Protection Training and Education Management System (《環境保護培訓教育管理制度》) in order to achieve the electricity conservation goals mentioned above. Under the 2024 National Volume-Based Procurement (VBP) policy, the Company proactively implemented the centralized bulk-purchasing mandate. This led to price reductions on related products, a subsequent decline in revenue, and consequently, an increase in electricity consumption per RMB10,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. EMPLOYEE

1. Recruitment and promotion

The Company values the protection of employees' legitimate rights and interests and strictly abides by the requirements of "Labor Law" (《勞動法》), "Labor Contract Law" (《勞動合同法》) and other laws and regulations. The Company insists on the recruitment concept of "persons with both virtue and talent should be given accelerated promotion; persons with virtue but lacking talent should be retained with training; persons with talent but lacking virtue should be rehabilitated and guided for appropriate use; and persons with neither virtue nor talent shall be resolutely not employed (有德有才、提拔重用；有德無才、培養使用；有才無德、修正使用；無德無才、堅決不用)". The Company recruits and trains its employees based on their virtue and ability. We strongly oppose discrimination against employees for their nationality, race, sex, age, marriage, etc. The Company recruits its employees through diversified channel in order to give fair chance to each applicant. We emphasize the legal rights of the employees and the employees are managed through contract. Our working hours comply with the requirement of the laws and regulations while our holidays are in accordance with the national statutory holidays. The Company does not employ child labor and forced labor. The Company has established a labor union to protect the legitimate rights and interests of the employees and handle labor related matters. The Company is concerned about the development of employees and thus there are numerous channels for promotion, such as the technological path and the management path.

As of 31 December 2024, the Company had a total of 1,237 employees, with 1,223 located in Mainland China and 14 located in foreign countries. During 2024, 286 employees left office, representing a turnover rate of 23.12%. 774 employees were male, including 197 employees who left office, representing a turnover rate of 25.45%. 463 employees were female, including 89 employees who left office, representing a turnover rate of 19.22%. 643 employees were aged under 30, including 178 employees who left office, representing a turnover rate of 27.68%. 427 employees were aged between 30 to 39, including 93 employees who left office, representing a turnover rate of 21.78%. 136 employees were aged between 40 to 49, including 12 employees who left office, representing a turnover rate of 8.82%. 31 employees were aged over 50, including 3 employees who left office, representing a turnover rate of 9.68%.

2. Health and safety

The Company adopts medical examination policy for both new employees and old employees. Newly recruited employees are required to bring along medical examination report when they report to work. Welfare medical examination card is issued to employee that work for more than a year to ensure employees' medical examination result and build personal health record.

In order to ensure employees' health, the Company provides lunch on normal working days. The lunch meals are arranged by the administrative department which ensure employees' nutritional balance. The Company strictly supervises the procurement of food so that food unfit for health will not be procured.

The Company encourages sport activities and provides table tennis, basketball, badminton sports ground and other facilities to its employees. The administrative department of the Company held interesting sports competition every month to enrich the employees' life and motivate employees to actively persist in sport activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We place great emphasis on our responsibility for safety. Production safety is the lifeline of the Company, which we always hang on to. As a responsible medical instruments company, the Company communicates with relevant departments on its responsibilities to ensure that safe and high standards are maintained during production. The Company has signed the Safe Production Target Letter of Responsibility (《安全生產目標責任書》), which stipulates the main steps and targets for safe production. All departments shall abide by and implement the measures and activities stipulated in the Letter of Responsibility. The Company carries out production safety inspection activities every month to investigate whether there is any safety risk in the workplace. Based on the results of investigation, corrective and preventive recommendations will be passed on to responsible departments within a pre-determined period of time for rectification. At the same time, in order to protect the safety of the employee and enhance their self-help ability, fire safety trainings are held on a half-yearly basis to train the team to achieve “safety development, prevention first (安全發展·預防為主)”. The Company will continue to provide safety funds annually for the upgrade of protective equipment and the maintenance of safety and protective facilities.

In order to reduce the rate of accidents, the Company has implemented a safety management system and formulated a safety manual, which covers various aspects including the duties and responsibilities of each department, organizations, trainings, inspection system, special equipment management, fire safety facilities management and hazardous substances management, as well as a set of contingency plans such as fire safety production, environmental protection, food poisoning, fights and electric shock. The Company has also established a contingency team for the immediate and effective control and treatment of emergency cases. In 2017, the Company was awarded the “Work Safety Standardization Certificate (《安全生產標準化證書》)” (Certificate No.: BJ112JX000500) and recognized as III-Grade Enterprise of Work Safety Standardization. In 2018, the Company was awarded the Certificate of “‘Golden Safety Enterprise’ in Work Safety Standardization (《安全生產標準化「金安企業」》)”. In 2019, the Company was awarded the Certificate of “Outstanding Award in ‘Ankang Cup’ Knowledge Competition (《「安康杯」知識競賽中榮獲優秀獎》)”. From 2020 to 2023, the Company obtained the “Safety Standardization Certificate” (《安全標準化證書》).

The Company has conducted layout planning and alteration on the overall fire facilities. The fire facilities and equipment are divided into different areas and managed separately. According to the principle of “who is in charge, who bears the responsibility (誰主管·誰負責)”, the Company ensures that the fire facilities and equipment will be in good standby condition at all time. Regular fire equipment inspection is conducted by the professionals on a yearly basis to ensure that they will be in a good standby condition.

In order to improve the working environment, the Company inputs significant manpower, materials and financial resources to grow different kinds of plants such as magnolia, chrysanthemum, boxwood and bamboo in the Company to purify air while concrete flooring is used in other areas to eliminate dust.

In 2024, neither the Company encountered any employees’ death in relation to work and work injury, nor did any losses in working days due to employees’ work injury and death.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Development and training

The Company insists on the principle of corporate culture development of “make the factory our home and be proud of it so as to build a harmonious development between corporate and employees (以廠為家·以廠為榮·企業與員工和諧發展)”. The Company pays special attention to employees’ development and provides sufficient opportunities of internal and external training. The Company strongly believes that development of talent is the fundamentals of the development of the Company.

The Company has provided multiple development paths for the development of the employees, such as the technological development path and management development path and has established the employment qualification management system. The Company has also enhanced the ability of the employees through continuous internal training within the Company and external training. As for the newly recruited employees, the Company conducts corporate culture training to help the employees to understand the corporate culture and organizational structure of the Company, its main products, Company’s value, concept and quality principle and also the Company’s systems related to attendance and office environment management, etc. Targeting employees with demands for different professional skills, the trainings are conducted in different approaches and channels. For example, the skill training provided to new workshop employees adopts a “one-to-one teaching” mode to ensure the learning efficiency and quality of the newly recruited employees.

In 2024, 65% of male employees received training, with an average of 65 hours, while 35% of female employees received training, with an average of 40 hours. 100% of senior management members received training, with an average of 75 hours. 75% of middle managers received training, with an average of 75 hours; and 95% of junior staff received training, with an average of 50 hours. In total, 217 trainings were completed: 80 trainings on professional knowledge, 9 trainings on laws and regulations, 12 trainings on safety, 57 trainings for new employees and 59 trainings on other topics. Among them, 100% of the new employees received training and the average training hours were 45 hours. 41% of the new female employees and 59% of the new male employees were trained with a total completion rate of 100%.

4. Employee care

The Company persists in the principle of corporate culture development of “a harmonious development between corporate and employees (企業與員工和諧發展)”. We pay attention to the physical and mental health of the employees and build a healthy, safe and comfortable working environment so as to practically fulfil its duty of employee care.

The Company insists on holding monthly birthday party for employees during their birthday month to give the employees the feeling of home. Hostel is provided to employees who are in need. The newly constructed Daxing New Production Base is equipped with enough number of hostel to ensure the living environment of the employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Labor Standards

The Company has been paying attention to the prohibition of child labor and mandatory labor consistently. We strictly adhere to “Labor Law of the People’s Republic of China (《中華人民共和國勞動法》)”, “Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》)”, and “Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》)” by the State Council. We also understand laws and regulations such as “Measures for Lump-sum Compensation to the Disabled or Deceased Employees of Entities Involving Illegal Employment (《非法用工單位傷亡人員一次性賠償辦法》)” formulated by Ministry of Human Resources and Social Security, and have established the “Overtime/Compensatory Leave Management Measures (《加班／調休管理辦法》)”. The Labor Contract specifies the prohibition against the use of child labor and sets out the time, protection and conditions of labor, etc. If any violation of labour law regulations is found, the Company will take immediate and strict measures to make rectification. We will also enhance supervision and review of our recruitment procedures to ensure that all employees hired by the Company are legal and compliant.

IV. OPERATION

1. Product responsibility

The Company is mainly engaged in the research and development, production and sales of orthopedic medical devices, which are closely linked with patients’ health. The Company persists in the quality principle of “as if it is for self-use and keep innovating (視如己用、不斷創新)” and strictly complies with laws and regulations such as “Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)”, “Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》)”, “Measures for the Administration of Medical Device Recalls (《醫療器械召回管理辦法》)”. We have built a comprehensive quality management system and corresponding procedures and systems, we have also passed the GMP and obtained the ISO13485 certification.

In order to ensure that quality control is implemented on raw materials procured/products externally procured in the aspects of product intake, process, inspection and release of final products and product recall and to safeguard the adequacy and effectiveness of quality inspection process, the “Procedure for Product Quality Control (《產品質量控制程序》)” is formulated. Quality inspection process is divided into inspection of product intake, process inspection, final product inspection and product recall inspection process. In order to satisfy the requirement of the China Food and Drug Administration on the monitoring of adverse events, product recall and release of advisory notice and control the products of the Company sold in PRC in the activities such as monitoring adverse events, product recall and release of advisory notice, the “Procedure for CE Device System, Adverse Events, Product Recall and Release of Advisory Notice (《CE器械系統、不良事件、產品召回及忠告性通知發佈程序》)” is formulated. According to the procedure, the quality management department is responsible for filling in the “Report of Medical Device Recall Events (《醫療器械召回事件報告表》)” for the products which are subject to recall after examination and approval, while departments such as market department, sales department and international department would release the information of product recall to relevant customers and report to the competent drug regulatory department. The quality management department is responsible for tracking the implementation of product recall and ensure that all products that required to be recalled are reasonably disposed. In order to achieve identification, verification and protection on orthopedic property controlled or used by the Company, the Company formulates the “Procedure for Customer Property Control (《顧客財產控制程序》)”.

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According to GB/T42061–2022 and ISO 13485: 2016, the Company has developed a quality manual and procedural documents. The Company strictly adhered to the provisions of the quality manual and followed the Procedure for Adverse Events, Product Recall, and Advisory Notice (《不良事件、產品召回及忠告性通知發佈程序》) to supervise and manage our launched products. The Company has clearly defined the corresponding recall measures. During the reporting period, there were no products sold or shipped that were subject to recall for safety and health reasons. In accordance with the Feedback and Complaint Control Procedure (《反饋和投訴控制程序》), we have provided explicit guidelines for handling complaints and implementing appropriate measures and clearly stipulated the satisfaction rate of customer complaints/complaint resolution for the year in the annual quality objectives. The Company has established a feedback mechanism in accordance with the Feedback and Complaint Control Procedure (《反饋和投訴控制程序》) where the quality department will organise relevant departments to investigate and analyze the causes of customer feedback and respond to the marketing, sales, or international departments. If necessary, the Company will make improvements in accordance with the Corrective and Preventive Measures Control Procedure (《糾正和預防措施控制程序》), make a decision on how to handle the issue, reply to the customer, and keep a record. If no corrective or preventive action is taken, a justification is given, approved and documented. In the event that on-site service is required, we promptly organize personnel to address the service needs and, if necessary, report to the regulatory authorities. During the reporting period, we received a total of 18 customer complaints, achieving a 100% completion rate for complaint resolution and a 100% customer satisfaction rate. These results exceed the annual quality objective of 96.5%.

The Company has stipulated measures for the protection and supervision and management of consumer information and privacy in the Cyber Security Emergency Response Control Procedures (《網絡安全應急響應控制程序》). Each department organized network security monitoring activities for the construction and operation of the Company's network and information systems in accordance with the Company's requirements. The key regulatory department provided guidance and support for the network security monitoring activities within the Company. Each department coordinated and carried out security monitoring activities for their respective network and information systems in the light of actual circumstances. Important monitoring information is reported to the representative of the management team, who organizes cross departmental sharing of network security information. During the reporting period, there were no leakage of confidential company documents such as consumer information and privacy.

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The Company insists on the strategy of innovative research and development and establishes the operational concept of “relying on employees to manage the corporate, relying on technology to enhance ability, relying on quality to win customer, relying on innovation to promote development (靠員工管理企業，靠科技提高能力，靠質量贏得客戶，靠創新促進發展)”. In 2018, the Company obtained the approval for the two special applications for innovative medical instruments, which are “single knee joint prosthesis (《單膝關節假體》)” (acceptance number: CQTS1700268) and “customized and personalized pelvic prosthesis (《定製個體化骨盆假體》)” (acceptance number: CQTS1700269), respectively. Such approvals marked the recognition of national authorities on the Company’s innovation as well as research and development capacity. The “customized and personalized pelvic prosthesis”, which was jointly developed by the Company and several top oncology experts in China, is awarded “First Prize of Chinese Medical Science and Technology Award in 2013 (2013年中華醫學科技獎一等獎)” and “Second Prize of State Science and Technology Improvement Award in 2014 (2014年國家科學技術進步獎二等獎)” successively. In order to protect the intellectual property of the Company’s products, according to the “Patent law of the People’s Republic of China (《中華人民共和國專利法》)”, the Company currently has 100 authorized domestic patents. In December 2018, the Company obtained the approval for planning a state-level postdoctoral working station for scientific research, which would significantly enhance the overall research and development entity of the Company. In September 2019, the Company has been approved to establish an Academician Expert Work Station. Leveraging on the Academician Expert Work Station, the Company will enlarge its innovative effort to resolve current complications and difficult technical issues in joint prosthesis sector. 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 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 (生物醫用材料研發與組織器官修復替代)”. In 2022, another project of which the application was led by the Company, “Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants (高品質醫用金屬粉體材料及增材製造金屬植入體研發)” was again approved by the Ministry of Science and Technology of the PRC as a key special project under the 2022 national key research and development program — “Diagnostic and Treatment Equipment and Biomedical Materials (診療裝備與生物醫用材料)”. In 2023, the General Office of the Ministry of Industry and Information Technology and the General Department of the NMPA announced the list of “Biomedical Material Innovation Task (生物醫用材料創新任務)” (the first batch of projects), including “degradable medical magnesium alloy materials (可降解醫用鎂合金材料)”, “tantalum powder for medical additive manufacturing (醫用增材製造用鈮粉)” and “double-phase calcium phosphate (雙相磷酸鈣)” were also shortlisted. In 2024, the Company’s participation in the National Natural Science Foundation of China (NSFC) project, titled “In-situ Construction of Pulse Laser-Induced Gradient Composite Ceramic Thick Films on Medical Zirconium Alloy Surfaces and Mechanisms of Wear Reduction and Resistance (脈衝激光誘導醫用鈮合金表面梯度復合陶瓷厚膜的原位構建及減磨抗磨機理研究)”, secured funding approval. Concurrently, the Company spearheaded the Zhongguancun National Independent Innovation Demonstration Zone’s Key Supported Application Scenario Project, “Clinical Application Scenario Development for a Mechanical Arm-Free Orthopedic Surgical Navigation System (無機械臂式骨科手術導航系統臨床應用場景項目)”, which was granted incubation program support. Relying on the national post-doctoral research station, the Company will collaborate with well-known universities, scientific research institutes, clinical hospitals and enterprises in China. This would enhance the comprehensive capability of the R&D team, allowing them to promote the collaborative innovation for the process of production, learning, research and development and healthcare, and speed up the R&D progress of high-end medical device into the market.

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2. Supply chain management

In order to ensure that the material procured are up to our requirement, and that we can control the procurement process and suppliers, the Company establishes the “Procedure for Procurement Control (採購控制程序)” in accordance with relevant laws and regulations. This procedure is applicable to the procurement of material that the Company needed for producing products and control on outsourced sterilization as well as the raw materials that the Company needed and the selection, assessment and control on suppliers of supplementary production materials.

The Company manages its materials by dividing them into Class A, B and C according to their level of impact on the quality of the finished products. Class A is materials with high risk (raw material for implant), class B is materials with moderate risk (raw material for device) and class C is materials with low risk (neither implant into human body, nor in contact with patients). If on-site examination is necessary for class A materials, the procurement department will organize on-site examinations for the suppliers and fill in the “Supplier Investigation Form (《供方調查表》)”. The procurement department will organize various departments to conduct examination and complete the “Supplier Assessment Form (《供方評價表》)” and the qualified suppliers would be enlisted in the “Qualified Supplier List (《合格供方名單》)”, which is subjected to reassessment annually. The suppliers for Class B materials will be enlisted in the “Qualified Supplier List-Class B” upon recommendation by the procurement department after approval of factory director and dynamic tracking and control would be conducted. Class C is recommended by procurement staff and will be enlisted in “Qualified Supplier List-Class C” after approval of the manager of procurement department and dynamic tracking and control would be conducted. Monitoring department conducts strict examination and daily supervision on whole process such as all design development, production process and quality control. In 2024, a total of 188 suppliers were accepted into the Qualified Supplier List of the Company.

In accordance with procurement regulations and the requirements of the Procedure for Procurement Control, the Company establishes a comprehensive supply chain management system to identify and manage environmental and social risks that may exist at various stages of the supply chain. Through supplier evaluation and review, the Company pays special attention to suppliers’ environmental policies and practices. When selecting suppliers, the Company prioritizes their promotion of environmentally friendly products and services, such as materials or services with environmental certifications, and regards this as an important evaluation criterion.

In terms of implementing and monitoring environmental and social risks, the Company takes the following measures: Firstly, the Company assesses suppliers through the establishment of supplier surveys and evaluations to ensure their compliance with environmental requirements. Secondly, the Company conducts regular reassessments and dynamic monitoring of suppliers to ensure their ongoing adherence to the Company’s environmental standards. Finally, the Company strengthens supervision and management of suppliers by establishing a daily oversight mechanism within the regulatory department to ensure that all procurement activities comply with environmental and social responsibility requirements.

In addition, when selecting suppliers, the Company actively encourages the use of environmentally friendly products and services in the procurement process. It requires suppliers to provide proof of environmentally friendly products and clearly specify environmental requirements in contracts. Regular inspections and audits are conducted to ensure compliance with these requirements.

Through the above measures, the Company is committed to building an environmentally friendly supply chain system to promote the sustainable development of the entire industrial chain while ensuring product quality and safety.

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3. Anti-corruption

The Company requires all of its employees to conduct their work in accordance with the “Prevention of Bribery Ordinance (《防止賄賂條例》)” of Hong Kong and the “Criminal Law of the People’s Republic of China (《中華人民共和國刑法》)”. The entry training of new employees of the Company and the “Staff Handbook (《員工手冊》)” expressly provided that all employees of the Company should comply with the anti-corruption requirement and set out the penalty for non-compliance.

The Company further provides training on ESG (Environmental, Social, and Governance) topics to strengthen anti-bribery and anti-corruption efforts. The Company has established preventive measures and a reporting procedure, along with guidelines for implementation and monitoring. Additionally, the Company has enhanced anti-corruption training, and the specific details are as follows:

Preventive measures and reporting procedure:

- To establish a strict financial auditing system to ensure compliance and transparency in all economic activities.
- To establish an independent anti-corruption oversight body which is responsible for monitoring the behaviour of all departments within the Company and promptly identifying and addressing potential corrupt practices.
- To implement a decentralized management system that clearly defines the responsibilities and authorities of managers at all levels to prevent abuse of power and corrupt behaviour.
- To enhance employee education to raise awareness of legal obligations and professional ethics, fostering a culture of rejecting bribery and upholding integrity in public service.

Implementation and monitoring measures:

- To conduct regular internal audits of various business operations to ensure the compliance of the operating activities of the Company.
- To establish a reporting channel to encourage employees to report corrupt practices, protect the legitimate rights of whistleblowers, and promptly investigate and address reported cases.
- To continuously improve the anti-corruption mechanisms, learn from experiences and lessons, and enhance the efficiency and effectiveness of anti-corruption efforts.

Regarding Directors and employees, the Company will provide specialized anti-corruption training, including but not limited to the following content:

- Detailed introduction of relevant provisions of the Prevention of Bribery Ordinance in Hong Kong and the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》) to ensure employees understand the legal consequences of bribery.
- Explanation of anti-corruption policies and regulations of the Company, clarifying the correct actions that employees should take when facing corrupt practices.

Through the aforementioned training, Directors and employees will gain a deeper understanding of the importance and necessity of anti-corruption efforts, enhancing the anti-corruption awareness and legal risk prevention capabilities of all employees of the Company.

In 2024, the Company did not record any corruption litigation cases.

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V. INVESTMENT IN SOCIETY

The Company is fully aware of the importance of joint development between the Company and the community. We integrate social contribution into corporate development. In the past, the Company has been initiating proactive collaborations with various charity groups by donations of different approaches (such as donations to The Community Chest (香港公益金), China Health Promotion Foundation (中國健康促進基金會), etc.) and is proud of our effort in paying back the society. In 2018, the Company made donation to Somu's "Two No Worries, Three Guarantees", collective economic support project organized by the Red Cross in Keyouzhong Banner and awarded the donation certificate (Certificate No.: you hong juan zheng [2018] No. 21). In 2019, we launched the "bearing in mind the initial objective, being mindful of the mission, sending warmth and giving love (不忘初心、牢記使命·送溫暖、獻愛心)" activity during the Chinese New Year. Leveraging on the mutual development mode, the branch visited and delivered warmth to two families in need in Jigezhuang village, Tongzhou District. The Bai family has a disabled person who suffers from numerous diseases and requires long-term medication while both the mother and daughter in the Cheung family are disabled people that require long-term medication and are unable to look after themselves. We donated daily necessities like rice, noodle and oil to each family to assist in solving their practical difficulties.

Since August 2009, the Company and China Charity Federation have been joining hands in a key medical project, the "Chunli Sunshine Plan (春立陽光計劃)", which provides free internal fixation material needed in joint prosthesis replacement surgery to poor patients with serious joint disease. For more than ten years, the charitable project of Chunli Sunshine Plan had become partners with approximately 80 project designated hospitals in 22 provinces, cities and autonomous regions in China. The aiding program successfully implemented over 100 joint prosthesis replacement surgeries, which helped patients to relief pain and medical burden and received good social feedback. In 2024, the Company continues to provide free internal fixation material for joint replacement through the Chunli Sunshine Plan to relieve the pain and lift the burdens of medical fees of the patients.

Since 2019, the Company actively responds to the call for blood donation and putting it into practice, with the spirits of unity, love and mutual support, the Company organizes at least one blood donation activity every year, with more than a hundred staff participate in, so as to help to seriously-ill people through blood donation, and to express the care of the corporation and to assume social responsibility.

In 2022, amid the nationwide pandemic, the Company proactively responded by donating substantial epidemic prevention supplies to Huoxian Town to support its pandemic containment efforts. Demonstrating a commitment to talent development and education, we actively contributed to Huoxian Town's educational initiatives, participating in the "2022 Huoxian Town Corporate Philanthropy Alliance for Supporting Outstanding College Entrance Examination Students (2022年渾縣鎮企業公益聯盟助力優秀高考學子)" program. The Company provided financial aid to two top-performing high school graduates from the 2022 cohort, earning official recognition from the local People's Government for these efforts.

In the face of the national flood disaster in 2023, the Company took active actions and donated more than RMB100,000 of supplies to the disaster-stricken areas in Beijing and Hebei for flood relief and epidemic prevention.

In 2023, the Company donated RMB30,000 to the Social Assistance Comprehensive Service Center of Wengniute Banner, Chifeng City, Inner Mongolia for the procurement project of milk product processing equipment in Xinsumo Sumu.

In 2024, the Company actively responded to the Party's call to fulfill its social responsibilities, making external donations totaling RMB52,350.92. The company donated RMB20,000 to Zhejiang University Education Foundation; Chunli Sunshine Plan donated RMB2,350.92 to the society and RMB30,000 to the Social Assistance Comprehensive Service Center of Wengniute Banner.

INDEPENDENT AUDITOR'S REPORT



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WUYIGE shenzi [2025] 3-00230

To all Shareholders of Beijing Chunlizhengda Medical Instruments Co., Ltd.:

I. AUDIT OPINION

We have audited the 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 31 December 2024, the consolidated and parent company’s profit statements, the consolidated and parent company’s cash flow statements and the consolidated and parent company’s statement of changes in equity in 2024, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company’s financial positions of the Company as at 31 December 2024, and of its consolidated and parent company’s operating results and cash flows in 2024 in accordance with the requirements of the Accounting Standards for Business Enterprises.

II. BASIS OF FORMING AUDIT OPINIONS

We have conducted our audit in accordance with the requirements of Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the “Certified Public Accountant’s Responsibilities for the Audit of the Financial Statements” section of the audit report. We are independent from the Company in accordance with China Code of Ethics for Certified Public Accountants, and we have fulfilled our other responsibilities on professional ethics.

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

III. KEY AUDIT MATTERS

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

(I) Revenue recognition

1. Description of matters

As described in Note III (XXII) and V (XXXI) of the financial statements, the principal business of the Company is the research and development, production and sales of medical equipment products, including the orthopedic implants. The Company realized operating revenue of RMB805,857,022.19 in 2024, representing a year-on-year decrease of 33.32%. Since operating revenue is one of the key performance indicators of the Company, the appropriateness of operating revenue recognition had material impact on operating result, there may be potential risks of misstatement on the accuracy of auditing, as well as whether the recognition is made in the appropriate accounting period. Therefore, we identified revenue recognition as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

2. Method of audit

For revenue recognition, we mainly performed the following audit procedures:

- (1) To understand and assess the key internal controls in relation to revenue recognition of the Company, selecting samples to check the sales contracts, identifying the performance obligations in the contracts (i.e. customer obtains the relevant controls of the goods), evaluate whether the time of revenue recognition compiles with the requirements of the Accounting Standards for Business Enterprises, and to review whether the relevant accounting policy has been applied correctly and consistently;
- (2) To perform analysis on revenue and cost, which include: the revenue of each month of the period, costs, the fluctuation in gross profit, a comparison of revenue, cost and gross profit margin of the main product type for the current period and the previous period;
- (3) Conducting confirmation procedure with the main customers, covering sales amount and resulting balance in combination with the audit on receivables, alternative testing will be conducted to customers without providing reply, in order to confirm the occurrence and accuracy of the relevant revenue;
- (4) Selecting samples to assess the truthfulness of the Company's revenue by checking the supportive evidences in relation to revenue generation, which include tracing to contracts, invoices, delivery notes, export declarations, customer receipts, etc.;
- (5) Checking the transaction record between the Company and related parties to assure the necessity and fairness of the transaction; sampling some customers to evaluate whether there is any connected relationship between customers and the Company by verifying the industrial and commercial registration information of the customers and comparing it with the Company's information on controlling shareholder and senior management;
- (6) Conducting cut-off tests for the recognition of operating revenue, in order to judge whether the relevant revenue has been recorded in the appropriate accounting period.

(II) Bad debt provision for receivables

1. Description of matters

As described in Note III (XI) and Note V (IV) of the financial statements, as of 31 December 2024, the balance of the Company's receivables was RMB275,718,462.95, and as of 31 December 2024, the balance of bad debt provision for the receivables of the Company was RMB57,059,830.60.

The management of the Company recognizes its loss allowance equivalent to the amount of the lifetime expected credit losses in accordance with the credit risk characteristics of each receivable and on the basis of the single receivables or a group of receivables. For receivables which expected credit losses are measured on the basis of a single item, the management will consider the supportable information about the relevant past events, current conditions and forecasts of future economic conditions in a comprehensive manner, in order to estimate the expected cash flow receivables, and apply it as the basis of recognizing the bad debt provision. For receivables which expected credit losses are measured on the basis of group, reference is made to the historical credit loss experience, and is adjusted in accordance with the forward-looking forecast to prepare a comparison table between the aging of receivables and default loss rate, and apply it as the basis of recognizing the bad debt provision.

The bad debt provision for receivables involves significant judgement by management, therefore we identified the bad debt provisions for receivables as a key audit matter.

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2. Method of audit

For bad debt provision for receivables, we mainly performed the following audit procedures:

- (1) To understand the internal control system for routine management of receivables and the assessment of recoverability, and to assess and test its design and the operation efficiency;
- (2) By reviewing the sales contracts and interviewing the management, to understand and assess the loss provision policy on receivables of the Company, and to review whether the relevant accounting policy established by the management complies with the relevant requirements of the latest financial instruments standards;
- (3) To review the accuracy of the delineation of aging for the receivables of the Company, and particular attention is placed on the judgement of the management on the recoverability of significant receivables with an aging of more than one year. We review the judgement made by the management on the recoverability on the receivables, and conduct analysis on the appropriateness of the judgement made by the management through the checking of evidences like historical payment records and payment subsequent to the period, and the confirmation procedure on receivables;
- (4) To review the accuracy of the calculation of bad debt provision in accordance with the accounting policy of the Company, in combination of the aging of the receivables.

(III) Recognition of provisions for declines in the value of inventories

1. Description of matters

As described in Note III (XII) and Note V (VII) of the financial statements, as of 31 December 2024, the balance of inventories of the Company was RMB585,951,108.02, and the provision for declines in the value of inventories of the Company was RMB35,108,430.13 as of 31 December 2024.

As at the balance sheet date of the Company, inventories are measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the provision for declines in the value 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. For inventories related to products produced and sold in the same region, and their final usage or purpose are the same or similar, and it is difficult to measure separately with other items, the provision for declines in the value of inventories is made on an aggregate basis.

The provision for declines in value of inventories has significant implication to the financial statements, which involves significant judgement and estimation by management, therefore we identified the provisions for declines in the value of inventories as a key audit matter.

2. Method of audit

- (1) To understand the procedures and internal control for routine inventory management and the provision for declines in the value of inventories, and to assess and test its design and the operation efficiency;
- (2) To understand and evaluate the appropriateness of the policy regarding the making of provisions for declines in the value of inventories;
- (3) To obtain a list of inventories at the end of the period, conduct stocktaking for inventories, check the quantity, status of inventories and the validity period of products;

INDEPENDENT AUDITOR'S REPORT

- (4) To obtain the form of calculation of the provisions for declines in the value of inventories prepared by the management, conduct review procedure on the impairment test for inventories, to check and analysis the reasonableness of net realizable values, and to assess the accuracy of the provisions for declines in the value of inventories and write-off;
- (5) We checked the key assumptions adopted by the management in estimating the net realizable value through sampling, and checked the status of sales after the period;

IV. OTHER INFORMATION

The management of the Company (hereinafter as the “**Management**”) is responsible for the other information. The other information comprises the information included in 2024 annual report of the Company, but does not include the financial statements and our audit report.

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

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

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

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for designing, executing and maintaining necessary internal control to enable the financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern, as applicable, and using the going concern assumption unless Management intending to liquidate the Company, to cease operations, or has no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional skepticism. At the same time, we also conducted the following works:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and implement audit procedures to cope with those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for expressing audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, false representations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (III) Evaluate the appropriateness of accounting policies selected by Management and the reasonableness of accounting estimates and related disclosures.
- (IV) Conclude on the appropriateness of Management' use of the going concern assumption. At the same time, based on the audit evidence obtained, conclude on whether a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern exists. If we conclude that a material uncertainty exists, the auditing standards required us to draw the attention of the users of statements in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should issue the non-unqualified opinions. Our conclusions are based on the information that could be obtained up to the date of our audit report. However, events or circumstances in the future could cause the Company not to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and bear sole responsibility for our audit opinion.

We communicate with the those charged with governance regarding the planned audit scope, timing arrangement and significant audit findings, including any deficiencies in internal control that we identify during our audit and worth concerning.

We also provide the those charged with governance with a statement in relation to our compliance with relevant professional ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

WUYIGE Certified Public Accountants LLP
Beijing • China

Chinese Certified Public Accountant:
(The engagement partner of the project)

Chinese Certified Public Accountant:

28 March 2025

CONSOLIDATED BALANCE SHEET

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Current assets:			
Monetary funds	V.(I)	1,139,778,517.24	1,266,367,522.67
Held-for-trading financial assets	V.(II)	745,797,775.34	832,019,095.90
Derivative financial assets			
Notes receivables	V.(III)	160,052,600.00	35,825,458.71
Accounts receivable	V.(IV)	218,658,632.35	405,895,527.39
Accounts receivable financing			
Prepayment	V.(V)	2,993,330.49	10,802,201.19
Other receivables	V.(VI)	177,919.45	348,800.03
Including: Interests receivable			
Dividends receivable			
Inventories	V.(VII)	550,842,677.89	434,485,725.70
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V.(VIII)	22,179,673.24	19,615,485.87
Total current assets		2,840,481,126.00	3,005,359,817.46
Non-current assets:			
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)	311,008,174.74	312,930,579.87
Construction in progress	V.(X)	156,777,773.93	150,138,063.04
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V.(XI)	1,017,028.37	2,065,991.49
Intangible assets	V.(XII)	127,569,991.24	136,270,839.38
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill	V.(XIII)		13,359,553.09
Long-term prepayments			
Deferred income tax assets	V.(XIV)	26,113,029.08	27,631,861.33
Other non-current assets	V.(XV)	2,767,859.62	1,804,219.22
Total non-current assets		625,253,856.98	644,201,107.42
Total assets		3,465,734,982.98	3,649,560,924.88

CONSOLIDATED BALANCE SHEET

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

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V.(XVII)	227,845,174.60	225,500,169.91
Advances received			
Contract liabilities	V.(XVIII)	128,563,190.58	149,563,275.39
Employee remuneration payable	V.(XIX)	52,272,626.41	89,719,385.48
Taxes payable	V.(XX)	6,656,073.81	61,519,271.32
Other payables	V.(XXI)	69,459,231.16	66,314,036.00
Including: Interests payable			
Dividends payable			
Liabilities held-for-sale			
Non-current liabilities due within one year	V.(XXII)	682,121.00	1,221,386.17
Other current liabilities	V.(XXIII)	61,266,897.36	82,835,311.24
Total current liabilities		546,745,314.92	676,672,835.51
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V.(XXIV)	184,315.07	531,543.62
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains	V.(XXV)	86,749,559.54	83,790,835.82
Deferred income tax liabilities	V.(XIV)	10,711,656.65	9,330,276.98
Other non-current liabilities			
Total non-current liabilities		97,645,531.26	93,652,656.42
Total liabilities		644,390,846.18	770,325,491.93

CONSOLIDATED BALANCE SHEET

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Shareholders' equity:			
Share capital	V.(XXVI)	383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.(XXVII)	1,044,799,419.83	1,044,799,419.83
Less: Treasury shares	V.(XXVIII)	12,018,864.19	
Other comprehensive income			
Specific reserve			
Surplus reserve	V.(XXIX)	195,115,661.94	181,585,925.26
Undistributed profits	V.(XXX)	1,208,437,565.70	1,267,513,008.25
Total interests attributable to shareholders of the parent company		2,819,902,283.28	2,877,466,853.34
Minority interests		1,441,853.52	1,768,579.61
Total shareholders' equity		2,821,344,136.80	2,879,235,432.95
Total liabilities and shareholders' equity		3,465,734,982.98	3,649,560,924.88

Person in charge
of the company:

Person in charge
for accounting work:

Person in charge
of the accounting agency:

PARENT COMPANY'S BALANCE SHEET

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

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Current assets:			
Monetary funds		1,125,903,358.38	1,248,248,316.89
Held-for-trading financial assets		745,797,775.34	832,019,095.90
Derivative financial assets			
Notes receivables		160,052,600.00	32,049,314.43
Accounts receivable	XVII.(I)	231,372,813.91	425,717,223.32
Accounts receivable financing			
Prepayment		2,881,611.25	9,925,591.88
Other receivables	XVII.(II)	13,923,769.78	13,681,393.95
Including: Interests receivable			
Dividends receivable			
Inventories		540,109,911.42	424,009,730.86
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		20,261,403.51	18,348,402.74
Total current assets		2,840,303,243.59	3,003,999,069.97
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII.(III)	33,715,263.00	31,715,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		286,993,290.76	296,636,766.76
Construction in progress		155,579,101.37	147,837,178.08
Productive biological assets			
Oil & gas assets			
Right-of-use assets		709,143.60	2,065,991.49
Intangible assets		127,171,909.59	135,796,499.84
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill			
Long-term prepayments			
Deferred income tax assets		24,409,040.22	26,348,882.97
Other non-current assets		785,948.12	926,988.96
Total non-current assets		629,363,696.66	641,327,571.10
Total assets		3,469,666,940.25	3,645,326,641.07

PARENT COMPANY'S BALANCE SHEET

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		263,683,152.53	286,743,607.88
Advances received			
Contract liabilities		123,134,062.85	145,554,943.16
Employee remuneration payable		48,146,738.25	87,046,596.20
Taxes payable		5,600,922.19	60,227,189.48
Other payables		136,442,400.52	105,040,412.65
Including: Interests payable			
Dividends payable			
Liabilities held-for-sale			
Non-current liabilities due within one year		546,781.21	1,221,386.17
Other current liabilities		58,039,357.62	83,314,228.05
Total current liabilities		635,593,415.17	769,148,363.59
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			531,543.62
Lease liabilities			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains		18,226,121.54	13,940,497.16
Deferred income tax liabilities		10,619,156.65	9,222,776.98
Other non-current liabilities			
Total non-current liabilities		28,845,278.19	23,694,817.76
Total liabilities		664,438,693.36	792,843,181.35

PARENT COMPANY'S BALANCE SHEET

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

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
Shareholders' equity:			
Share capital		383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,044,799,419.83	1,044,799,419.83
Less: Treasury shares		12,018,864.19	
Other comprehensive income			
Specific reserve			
Surplus reserve		195,115,661.94	181,585,925.26
Undistributed profits		1,193,763,529.31	1,242,529,614.63
Total shareholders' equity		2,805,228,246.89	2,852,483,459.72
Total liabilities and shareholders' equity		3,469,666,940.25	3,645,326,641.07

Person in charge
of the company:Person in charge
for accounting work:Person in charge
of the accounting agency:

CONSOLIDATED INCOME STATEMENT

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
I. Revenue	V.(XXXI)	805,857,022.19	1,208,523,845.88
Less: Operating costs	V.(XXXI)	268,952,851.12	332,635,741.48
Taxes and surcharge	V.(XXXII)	7,723,578.58	10,850,629.27
Selling expenses	V.(XXXIII)	240,247,102.81	383,140,145.99
Administrative expenses	V.(XXXIV)	45,290,473.71	44,471,023.10
Research and development expenses	V.(XXXV)	133,096,848.59	157,445,504.26
Financial expenses	V.(XXXVI)	-17,067,794.63	-16,582,007.56
Including: Interest expenses		44,939.07	85,896.45
Interest proceeds		16,309,711.03	14,461,912.36
Add: Other gains	V.(XXXVII)	20,609,609.96	12,807,845.26
Investment income (losses will be shown with “-” sign)	V.(XXXVIII)	10,980,482.17	12,012,452.06
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized cost			
Gains (losses will be shown with “-” sign) on net exposure hedges			
Gains (losses will be shown with “-” sign) from changes of fair value	V.(XXXIX)	9,434,830.14	9,610,896.66
Impairment loss of credit (losses will be shown with “-” sign)	V.(XL)	-4,186,610.52	-4,315,237.96
Impairment loss of assets (losses will be shown with “-” sign)	V.(XLI)	-33,776,793.41	-20,707,206.43
Gains (losses will be shown with “-” sign) on disposal of assets	V.(XLII)	39,213.61	3,904.60
II. Operating profit (losses will be shown with “-” sign)		130,714,693.96	305,975,463.53
Add: Non-operating income	V.(XLIII)	987,389.36	346,862.92
Less: Non-operating expenses	V.(XLIV)	102,914.25	416,463.41
III. Total profit (total losses will be shown with “-” sign)		131,599,169.07	305,905,863.04
Less: Income tax expenses	V.(XLV)	6,937,885.57	28,087,746.56
IV. Net profit (net losses will be shown with “-” sign)		124,661,283.50	277,818,116.48
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (net losses will be shown with “-” sign)		124,661,283.50	277,818,116.48
2. Net profit attributable to ceased operations (net losses will be shown with “-” sign)			
(II) Categorized by ownership:			
1. Net profit attributable to the shareholders of the parent company (net losses will be shown with “-” sign)		124,988,009.59	277,824,014.12
2. Minority profit or loss (net losses will be shown with “-” sign)		-326,726.09	-5,897.64

CONSOLIDATED INCOME STATEMENT

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

For the year 2024

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company			
(II) Net other comprehensive income after tax attributable to minority shareholders			
VI. Total comprehensive income		124,661,283.50	277,818,116.48
(I) Total comprehensive income attributable to the shareholders of the parent company		124,988,009.59	277,824,014.12
(II) Total comprehensive income attributable to minority shareholders		-326,726.09	-5,897.64
VII. Earnings per share			
(I) Basic earnings per share		0.33	0.72
(II) Diluted earnings per share		0.33	0.72

Person in charge
of the company:Person in charge
for accounting work:Person in charge
of the accounting agency:

PARENT COMPANY'S INCOME STATEMENT

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
I. Revenue	XVII.(IV)	818,735,071.62	1,207,765,543.99
Less: Operating costs	XVII.(IV)	306,561,194.40	362,729,143.73
Taxes and surcharge		7,292,565.64	10,596,248.61
Selling expenses		233,543,594.51	374,222,091.76
Administrative expenses		41,795,396.48	41,266,707.39
Research and development expenses		126,651,894.84	150,455,447.20
Financial expenses		-17,055,629.57	-16,505,203.26
Including: Interest expenses		36,537.14	85,896.45
Interest proceeds		16,276,329.78	14,373,259.37
Add: Other gains		18,654,412.50	11,267,973.65
Investment income (losses will be shown with “-” sign)	XVII.(V)	10,980,482.17	12,011,917.26
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized cost			
Gains (losses will be shown with “-” sign) on net exposure hedges			
Gains (losses will be shown with “-” sign) from changes of fair value		9,434,830.14	9,591,547.95
Impairment loss of credit (losses will be shown with “-” sign)		192,782.98	-1,661,236.58
Impairment loss of assets (losses will be shown with “-” sign)		-19,929,341.87	-20,707,206.43
Gains (losses will be shown with “-” sign) on disposal of assets		39,213.61	-549.43
II. Operating profit (losses will be shown with “-” sign)		139,318,434.85	295,503,554.98
Add: Non-operating income		869,059.09	346,862.60
Less: Non-operating expenses		102,914.25	381,310.00
III. Total profit (total losses will be shown with “-” sign)		140,084,579.69	295,469,107.58
Less: Income tax expenses		4,787,212.87	25,604,872.92
IV. Net profit (net losses will be shown with “-” sign)		135,297,366.82	269,864,234.66
(I) Net profit for continuing operation (net losses will be shown with “-” sign)		135,297,366.82	269,864,234.66
(II) Net profit for ceased operation (net losses will be shown with “-” sign)			

PARENT COMPANY'S INCOME STATEMENT

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

For the year 2024

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
V. Net other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income to be reclassified to profit or loss			
VI. Total comprehensive income		135,297,366.82	269,864,234.66
VII. Earnings per share			
(I) Basic earnings per share		0.35	0.70
(II) Diluted earnings per share		0.35	0.70

Person in charge
of the company:Person in charge
for accounting work:Person in charge
of the accounting agency:

CONSOLIDATED CASH FLOW STATEMENT

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		898,017,108.57	1,626,496,786.41
Receipts of tax refund		12,079,193.04	
Other cash receipts related to operating activities	V.(XLVI)	44,382,434.75	27,080,518.21
Subtotal of cash inflow from operating activities		954,478,736.36	1,653,577,304.62
Cash payments for goods purchased and services received		357,543,776.96	408,741,952.71
Cash paid to and on behalf of employees		246,954,981.06	233,869,540.14
Taxes paid		75,353,479.95	96,335,267.09
Other cash payments related to operating activities	V.(XLVI)	276,526,049.32	402,916,655.61
Subtotal of cash outflow from operating activities		956,378,287.29	1,141,863,415.55
Net cash flows from operating activities		-1,899,550.93	511,713,889.07
II. Cash flows from investing activities:			
Cash received from disinvestments		2,330,000,000.00	2,345,300,000.00
Cash received from return on investments		20,636,632.87	22,368,743.53
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		21,000.00	6,102.75
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflow from investing activities		2,350,657,632.87	2,367,674,846.28
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		49,171,760.26	33,241,768.33
Cash payments for investments		2,244,000,000.00	2,409,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units		1,650,000.00	6,989,298.50
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		2,294,821,760.26	2,449,231,066.83
Net cash flows from investing activities		55,835,872.61	-81,556,220.55

CONSOLIDATED CASH FLOW STATEMENT

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

For the year 2024

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
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			
Subtotal of cash inflow from financing activities			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		170,533,715.46	120,056,940.50
Including: Cash paid for distribution of dividends and profits by subsidiaries to minority shareholders			
Other cash payments related to financing activities	V.(XLVI)	12,605,553.29	1,277,100.00
Subtotal of cash outflow from financing activities		183,139,268.75	121,334,040.50
Net cash flows from financing activities		-183,139,268.75	-121,334,040.50
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,207,522.06	-4,213.37
V. Net increase in cash and cash equivalents		-126,995,425.01	308,819,414.65
Add: Opening balance of cash and cash equivalents		1,266,013,075.67	957,193,661.02
VI. Closing balance of cash and cash equivalents		1,139,017,650.66	1,266,013,075.67

Person in charge
of the company:Person in charge
for accounting work:Person in charge
of the accounting agency:

PARENT COMPANY'S CASH FLOW STATEMENT

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		886,028,683.44	1,608,744,360.25
Receipts of tax refund		12,079,193.04	
Other cash receipts related to operating activities		71,744,029.94	29,311,112.20
Subtotal of cash inflow from operating activities		969,851,906.42	1,638,055,472.45
Cash payments for goods purchased and services received		410,417,247.13	402,085,173.66
Cash paid to and on behalf of employees		224,363,901.84	215,419,750.76
Taxes paid		68,582,403.79	91,237,264.38
Other cash payments related to operating activities		274,698,028.16	408,536,809.49
Subtotal of cash outflow from operating activities		978,061,580.92	1,117,278,998.29
Net cash flows from operating activities		-8,209,674.50	520,776,474.16
II. Cash flows from investing activities:			
Cash received from disinvestments		2,330,000,000.00	2,344,000,000.00
Cash received from return on investments		20,636,632.87	22,311,903.56
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		21,000.00	
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflow from investing activities		2,350,657,632.87	2,366,311,903.56
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		36,649,878.87	35,999,034.84
Cash payments for investments		2,247,650,000.00	2,426,850,000.00
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		2,284,299,878.87	2,462,849,034.84
Net cash flows from investing activities		66,357,754.00	-96,537,131.28

PARENT COMPANY'S CASH FLOW STATEMENT

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

For the year 2024

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflow from financing activities			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		170,533,715.46	120,056,940.50
Other cash payments related to financing activities		12,573,264.19	1,277,100.00
Subtotal of cash outflow from financing activities		183,106,979.65	121,334,040.50
Net cash flows from financing activities		-183,106,979.65	-121,334,040.50
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,207,522.06	-5,186.37
V. Net increase in cash and cash equivalents		-122,751,378.09	302,900,116.01
Add: Opening balance of cash and cash equivalents		1,247,893,869.89	944,993,753.88
VI. Closing balance of cash and cash equivalents		1,125,142,491.80	1,247,893,869.89

Person in charge
of the company:Person in charge
for accounting work:Person in charge
of the accounting agency:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Current period												
	Equity attributable to parent company												
	Other equity instruments				Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal	Minority interest	Total equity
	Share capital	Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,267,513,008.25	2,877,466,853.34	1,768,579.61	2,879,235,432.95
Add: Changes of accounting policies													
Error correction of prior period													
Others													
II. Balance at the beginning of current year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,267,513,008.25	2,877,466,853.34	1,768,579.61	2,879,235,432.95
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)						12,018,864.19			13,529,736.68	-59,075,442.55	-57,564,570.06	-326,726.09	-57,891,296.15
(I) Total comprehensive income										124,988,009.59	124,988,009.59	-326,726.09	124,661,283.50
(II) Capital contributed and withdrawn by shareholders						12,018,864.19					-12,018,864.19		-12,018,864.19
1. Ordinary shares contributed by shareholders						12,018,864.19					-12,018,864.19		-12,018,864.19
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution									13,529,736.68	-184,063,452.14	-170,533,715.46		-170,533,715.46
1. Appropriation of surplus reserve									13,529,736.68	-13,529,736.68			
2. Distribution to shareholders										-170,533,715.46	-170,533,715.46		-170,533,715.46
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													
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83	12,018,864.19			195,115,661.94	1,208,437,565.70	2,819,902,283.28	1,441,853.52	2,821,344,136.80

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

For the year 2024

(Expressed in RMB)

Item	Previous period												Minority interest	Total equity
	Equity attributable to parent company													
	Other equity instruments				Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal			
Share capital	Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	384,280,000.00				1,051,228,272.24	7,140,352.41			154,599,501.79	1,136,732,358.10	2,719,699,779.72		2,719,699,779.72	
Add: Changes of accounting policies														
Error correction of prior period														
Others														
II. Balance at the beginning of current year	384,280,000.00				1,051,228,272.24	7,140,352.41			154,599,501.79	1,136,732,358.10	2,719,699,779.72		2,719,699,779.72	
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)	-711,500.00				-6,428,852.41	-7,140,352.41			26,986,423.47	130,780,650.15	157,767,073.62	1,768,579.61	159,535,653.23	
(I) Total comprehensive income										277,824,014.12	277,824,014.12	-5,897.64	277,818,116.48	
(II) Capital contributed and withdrawn by shareholders	-711,500.00				-6,428,852.41	-7,140,352.41						1,774,477.25	1,774,477.25	
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	-711,500.00				-6,428,852.41	-7,140,352.41						1,774,477.25	1,774,477.25	
(III) Profit distribution									26,986,423.47	-147,043,363.97	-120,056,940.50		-120,056,940.50	
1. Appropriation of surplus reserve									26,986,423.47	-26,986,423.47				
2. Distribution to shareholders										-120,056,940.50	-120,056,940.50		-120,056,940.50	
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														
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83				181,585,925.26	1,267,513,008.25	2,877,466,853.34	1,768,579.61	2,879,235,432.95	

Person in charge
of the company:

Person in charge
for accounting work:

Person in charge
of the accounting agency:

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

Presenting unit: Beijing Chunlizhengda Medical Instruments Co., Ltd.
For the year 2024
(Expressed in RMB)

Item	Other equity instruments				Current period						Total equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of prior year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,242,529,614.63	2,852,483,459.72
Add: Changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,242,529,614.63	2,852,483,459.72
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)						12,018,864.19			13,529,736.68	-48,766,085.32	-47,255,212.83
(i) Total comprehensive income										135,297,366.82	135,297,366.82
(ii) Capital contributed and withdrawn by shareholders						12,018,864.19					-12,018,864.19
1. Ordinary shares contributed by shareholders						12,018,864.19					-12,018,864.19
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(iii) Profit distribution									13,529,736.68	-184,063,452.14	-170,533,715.46
1. Appropriation of surplus reserve									13,529,736.68	-13,529,736.68	
2. Distribution to shareholders										-170,533,715.46	-170,533,715.46
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											
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83	12,018,864.19			195,115,661.94	1,183,763,529.31	2,805,228,246.89

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

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

For the year 2024

(Expressed in RMB)

Item	Other equity instruments				Previous period		Special reserve	Surplus reserve	Undistributed profit	Total equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares				
I. Balance at the end of prior year	384,280,000.00				1,051,228,272.24	7,140,352.41		154,599,501.79	1,119,708,743.94	2,702,676,165.56
Add: Changes of accounting policies										
Error correction of prior period										
Others										
II. Balance at the beginning of current year	384,280,000.00				1,051,228,272.24	7,140,352.41		154,599,501.79	1,119,708,743.94	2,702,676,165.56
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)	-711,500.00				-6,428,852.41	-7,140,352.41		26,986,423.47	122,820,870.69	149,807,294.16
(i) Total comprehensive income									269,864,234.66	269,864,234.66
(ii) Capital contributed and withdrawn by shareholders	-711,500.00				-6,428,852.41	-7,140,352.41				
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	-711,500.00				-6,428,852.41	-7,140,352.41				
(iii) Profit distribution								26,986,423.47	-147,043,363.97	-120,056,940.50
1. Appropriation of surplus reserve								26,986,423.47	-26,986,423.47	
2. Distribution to shareholders									-120,056,940.50	-120,056,940.50
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										
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83			181,585,925.26	1,242,529,614.63	2,852,483,459.72

Person in charge
of the company: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 RMB)

I. COMPANY PROFILE

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter referred to as the “Company”) was 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, Haidian 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 RMB383.5685 million, and total shares are 383.5685 million shares (each with par value of RMB1). The Company’s shares were listed and traded on the Hong Kong Stock Exchange on 11 March 2015 under the stock short name “Chunli Medical” and stock code 01858.HK. The Company’s shares were listed and traded on the Science and Technology Innovation Board of Shanghai Stock Exchange on 30 December 2021 under the stock short name “Chunli Medical” and stock code 688236.SH.

The Company operates in the medical device industry, and is mainly engaged in the research and development, production and sales of medical device products for joints, spine and sports medicine.

The Company has included the subsidiaries including 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* (領航醫療器械有限公司), Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司), Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司) and Surgimaster Surgical Co., Ltd* (舒捷醫療科技(蘇州)有限公司). into the current consolidated financial statements’ scope. Please refer to Note VIII. INTEREST IN OTHER ENTITIES for details.

This financial report is authorised for issuance by the Board of the Company on 28 March 2025.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements of the Company have been prepared on a going concern basis, in accordance with actually-occurring transactions and events, 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 established.

(II) Going concern

The Company has the ability to continue as a going concern within 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 RMB)

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 31 December 2024, its results of operations and cash flows in 2024.

(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) Method for determining significance criteria and basis for selection

Item	Significance criteria
Significant accounts receivable with provision for bad debts on an individual basis	Accounts for more than 10% of respective accounts receivable
Significant write-off of accounts receivable	Accounts for more than 10% of respective accounts receivable
Significant fixed assets	Accounts for more than 1% of total assets
Significant construction in progress	Accounts for more than 1% of total assets

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) 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 share of acquiree's ownership interest 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 recognized 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 recognized 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 recognized 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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Determination criteria on controls and preparation method of consolidated financial statements

1. Determination criteria on controls

Controls is the basis for determining the scope of consolidation for consolidated financial statements. The Company is considered controlling the investees if it fulfils the following three elements: it has power over the investees, it has rights to variable returns from its involvement in the relevant activities of the investees, and it has the ability to affect those returns through its power over the investees.

2. Preparation method of consolidated financial statements

(1) 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.

(2) Offsetting in consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the parent company and subsidiaries, which offset the internal transactions incurred between the parent 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 parent company held by the subsidiaries is deemed as treasury stock of the parent company and a reduction of shareholders' equity, which shall be presented as "Less: treasury shares" under the shareholders' equity in the consolidated balance sheet.

(3) 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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Determination criteria on controls and preparation method of consolidated financial statements (Continued)

2. Preparation method of consolidated financial statements (Continued)

- (4) Accounting treatment 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. 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.

(VIII) 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. 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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Foreign currency business and the translation of financial statements in foreign currency

1. 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 recognized as other comprehensive income.

2. Translation of financial statements in foreign currency

If the subsidiaries of the Company adopt a functional currency that is different from the one adopted by the Company, the financial statements in foreign currency shall be translated before conducting accounting audit and the preparation of consolidated financial statements. For the assets and liabilities items in the balance sheet, translation is done by adopting the spot rate on the balance sheet date, while for owner's equity items, except for "unallocated profit", all other items will be translated by adopting the spot rate on the translation date. For revenue and cost items in the profit statement, the spot rate on the transaction date is adopted. The translation differences on the foreign currency financial statements due to translation will be shown under the other comprehensive income of the owner's equity items on the balance sheet. Cash flow of foreign currency shall be translated by adopting the spot rate on the date of occurrence of the cash flow. The effect on cash due to the exchange rate fluctuation will be shown separately in the cash flow statement. On disposal of foreign operation, the translation difference on the financial statements in foreign currency related to that foreign operation, shall be transferred to the profit or loss for the current period of the disposal in full or in proportion to such disposal of foreign operation.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments

1. Classification, recognition and measurement of financial instruments

(1) Financial assets

The Company classifies financial assets into the following three categories based on the business model for managing financial assets, and the characteristics of contract cash flow of financial assets:

- ① Financial asset measured at amortized cost. The business model for managing this type of financial assets is aimed at collecting contractual cash flows, and the characteristics of contractual cash flow of this type of financial asset is consistent with the basic borrowings arrangement, i.e., cash flow arising from a specific date is used for paying the principal and the interest for the outstanding principal. Interest income will be recognized subsequently for this type of financial assets through effective interest method.
- ② Financial assets at fair value through other comprehensive income. The business model for managing this type of financial assets is aimed at collecting contractual cash flows and disposing such financial assets, and the characteristic of contractual cash flow of this type of financial asset is consistent with the basic borrowing arrangement. This type of financial assets will be measured at fair value subsequently, and its changes are included in other comprehensive income, but the interest income, impairment loss, or profits and exchange gains or loss are calculated through effective interest method.
- ③ Financial assets at fair value through the current profit or loss. Financial assets held which are not yet categorized at amortized cost or at fair value through other comprehensive income shall be measured at fair value, profit or loss arouse (including interest and dividend income) are included in the current profit or loss. On initial recognition, if the accounting mismatch can be eliminated or minimized, such financial assets can be designated irrevocably as financial assets at fair value through the current profit or loss. However, such designation is irrevocable once it is made.

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. Subsequent measurement is being conducted at fair value for such financial assets, except for dividend (excluding the portion belongs to the investment cost recovered) which is included in the current profit or loss, other related gains or losses are included in other comprehensive profit or loss, and shall not be transferred to the profit or loss for the current period subsequently.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments (Continued)

1. Classification, recognition and measurement of financial instruments (Continued)

(2) Financial liabilities

On initial recognition, financial liabilities are classified as:

- ① Financial liabilities at fair value through profit or loss. Subsequent measurement is being conducted at fair value for such financial liabilities, the gains or losses arouse are included in profit or loss for the current period.
- ② 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.
- ③ Financial liabilities at amortized cost. Such financial liabilities are measured at amortized cost by using the effective interest method.

2. 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. 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.

3. The derecognition of financial asset

The 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 fulfils the criteria for derecognition.

If the present obligation of the financial liabilities is fully or partly released, portion with liabilities released is derecognized. If the present liabilities have been replaced by another financial liabilities from the same creditor but with a substantially different terms, or if the terms of the present liabilities have been revised substantively, the present financial liabilities are derecognized, and the new financial liabilities are recognized. Financial assets traded in normal way will be recognized and derecognized on the basis of trading date.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) The determination and accounting method of expected credit loss

1. Scope of expected credit loss

Based on expected credit losses, the Company conducts impairment accounting treatment for financial assets at amortized cost (including receivables, which include bills receivable and accounts receivable), prepayment, lease receivables and other receivables, and recognizes bad debt provision.

2. The determination method of expected credit loss

The general method for determining expected credit loss is that, 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 remaining 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 remaining 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 amortized cost, which is remaining carrying amount less loss allowance.

The simplified method for expected credit loss is to always measure the loss provision based on the amount of full lifetime expected credit losses.

3. 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) based on types of financial instrument.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

4. Measurement of bad debt provision for accounts receivable and lease receivable

- (1) Accounts receivable that excludes 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.

- ① The category of portfolio and basis of determination for bad debt provision in accordance with the credit risk characteristics portfolio
Except for receivables recognized on individual basis, the Company will categorize notes receivables and receivables into several portfolios according to the credit risk characteristics, expected credit loss is calculated on the basis of portfolio, and the basis for determining portfolio is as follows:

Notes receivable based on the credit risk characteristics portfolio:

Category of portfolio	Basis for determination
Portfolio 1: Bank acceptance note	Bank with relatively small acceptor credit risk
Portfolio 2: Commercial acceptance note	Hospital of public institution nature

Receivable based on the credit risk characteristics portfolio:

Category of portfolio	Basis for determination
Portfolio 1: Related party receivables portfolio within the consolidation scope	Subsidiaries and controlling subsidiaries of the Company
Portfolio 2: Age group	Receivables outside the company scope of consolidated statements

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.

For the trade receivables classified as a group, reference is made 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 reference table prepared for account receivable and expected credit loss rate through full life cycle.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

4. Measurement of bad debt provision for accounts receivable and lease receivable (Continued)

(1) (Continued)

- ② Aging methodology for determining credit risk characteristic portfolios on aging
For aging methodology for determining credit risk characteristic portfolios on aging, the date on which receivables of the customer occur will be used as the starting point for calculating the age. For customers who possess a number of business, the corresponding date of occurrence of each business is treated as the occurrence date of age, in order to calculate the respective final time for recovery.

- (2) Accounts receivable and lease receivable that include significant financing component
For accounts receivable that include significant financing component and lease receivable, the Company measures loss provision based on general approach, i.e. "three stages" model. Credit risk characteristics portfolio, aging methodology for determining credit risk characteristic portfolios on aging and the judgement standards of provision made on individual basis, are consistent with the recognition standard of different financing components.

5. 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: (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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

- (1) The category of portfolio and basis of determination for bad debt provision in accordance with the credit risk characteristics portfolio
- Other receivables are categorized into certain credit risk characteristics portfolio by the Company in accordance with the nature of the payment, expected credit loss is calculated on the basis of portfolio, and the basis for determination of portfolio is as follows:

Category of portfolio	Basis for determination
Portfolio 1: Guarantee deposits, deposits	Guarantee deposits and deposits paid by the Company
Portfolio 2: Petty cash	Petty cash asked for in advance by employees
Portfolio 3: Others	Other receivables other than those listed above

- (2) Aging methodology for determining credit risk characteristic portfolios on aging
Please refer to the explanation of accounts receivable that excludes significant financing component.
- (3) Judgement criteria for provision for bad debts on an individual basis
Please refer to the explanation of accounts receivable that excludes significant financing component.

(XII) 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. Inventory system

Perpetual inventory method is adopted by the Company.

4. Amortization method of low-value consumables and packages

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

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories (Continued)

5. Recognition criteria and provisions for declines in the value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value, provisions for declines in the value of inventories are made when the current net realizable value is lower than the cost, and it is made on the basis of single inventory item. The provision for declines in the value of inventories with large quantity and of low unit cost is made according to their inventory classification. For inventories that are related to product series produced and sold in the same region, and having the same or similar final usage or purpose, but are difficult to measure separately with other items, provision for declines in the value is made on an aggregate basis. If the effect of writing down the value of inventories no longer exists, the provisions for declines in the value of inventories are reversed back to the amount where provisions is originally made.

When determining the net realizable value of inventories, conclusive evidence obtained will serve as the base, the purpose of holding the inventories and the effect of the subsequent event of the balance sheet will also be considered.

(XIII) Contract assets and contract liabilities

1. Contract assets

A contract asset is the Group's right to receive 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 recognition method of the expected credit loss on financial instruments.

2. Contract liabilities

The obligation of transferring goods or providing services to customer for consideration received or receivable from such customer is listed as contract liabilities. The contract assets and contract liabilities under the same contract are presented on a net basis.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term equity investments

1. Criteria for the judgement of common control and significant influence

Joint control 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 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.

2. 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 recognized 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 recognized 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 recognized according to relevant requirements under 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 exchange of non-monetary assets.

3. 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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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 recognized 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. Depreciation method of fixed assets

The fixed assets of the Company mainly comprise: buildings and structures, machinery, transport facilities, electronic facilities and others. 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 the lands that individually measured and accounted for.

Category of assets	Depreciation method	Limit of year for depreciation (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	30	5	3.17
Machinery	Straight-line method	10	5	9.50
Transport facilities	Straight-line method	5	5	19.00
Electronic facilities and others	Straight-line method	5	5	19.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. The criteria and time for a construction in progress transferred to fixed assets is 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.

(XVII) Borrowing costs

1. 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 capitalization 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 capitalization 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 amortized over the term of the borrowings to adjust the interest in every 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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) 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.

2. Useful life and its basis of determination, estimation, amortization method or review procedure

Intangible assets with finite useful lives are amortized in accordance with the methods listed in the table below; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight-line method according to the estimated useful life.

The useful life, basis of determination and amortization methods for the intangible assets with finite useful life are as follows:

Category of assets	Useful life (year)	Basis for determining useful life	Amortization method
Land use rights	37–50	Legal right to use	Straight-line method
Royalty	8–10	Number of years in which it is expected to generate economic benefits for the Company	Straight-line method
Patent licensing contracts	3–5	Agreed by contract	Straight-line method
Software	5	Number of years in which it is expected to generate economic benefits for the Company	Straight-line method

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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Intangible assets (Continued)

3. Scope of categorization and relevant accounting treatment on the research and development expenses

The scope of categorization of the research and development expenses of the Company is mainly based on the situation of the research and development project of the Company, and mainly comprises: employee remuneration of research and development personnel, supplies consumed, technical services expenses, depreciation and amortization, examination and testing expenses, other expenses, etc.

Expenditure during the research stage of the internal research and development projects is charged to the current profit or loss as incurred. Expenditure during the development stage is 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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets 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 recognized 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.

(XX) Long-term prepayments

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

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) 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.

1. Accounting treatment on 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. Accounting treatment on 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. Accounting treatment on 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. Accounting treatment on 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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) 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 recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, the Company recognizes revenue at the point in time at which the customer obtains control of relevant assets.

The Company identifies itself as a principal or an agent when engaging in transactions based on whether the Company has control over the goods or services before transferring the same to customers. If the Company is able to control the goods or services before transferring the same to customers, it shall be the principal and recognize revenue based on the total amount of consideration received or receivable; otherwise, it shall be the agent and recognize revenue based on the amount of commission or handling fees it is entitled to receive, such amount shall be determined at the net amount of the total amount of consideration received or receivable less payables to other relevant parties, or based on a prescribed commission amount or proportion.

The specific principles and measurement methods for recognition of the Company's revenue based on business categories:

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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) 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”) represent 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 recognizes as an asset the incremental costs of obtaining a contract with a customer 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 recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: 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; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; the costs are expected to be recovered.

The costs to fulfill a contract that the Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortization 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.

The costs to obtain a contract that the Company will recognize as assets are included in the “other current assets” item on the balance sheet if the amortization 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 recognized for the costs to obtain a contract and the costs to fulfill a contract are amortized 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 incremental costs of obtaining a contract shall be included in the current profit and loss when incurred if the amortization period of the asset arising from the incremental costs of obtaining a contract is one year or less.

The Company recognizes an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds: remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less the costs that are expected to be incurred for the transfer of relevant goods.

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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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 recognized 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 that is 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 government grants

A government grant shall be recognized when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The government 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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Deferred income tax assets and deferred income tax liabilities

1. Recognition of deferred income tax

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. Measurement of deferred income tax

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.

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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease

The Company will assess whether a contract is a lease or contains lease on the commencement date of the contract. A contract is a lease or contains lease if a party of the contract transfers the right of use of one or more identified assets for a specified period of time for consideration.

1. Accounting treatment for lessee

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

(1) Right-of-use assets

At the lease commencement date, the right-of-use is initially measured at cost. The cost of the right-of-use assets shall comprise the amount of the initial measurement of the lease liability; any lease payments made at or before the lease commencement date, less any lease incentives received; any initial direct costs, etc.

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 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 over the shorter of the lease term and the estimated remaining useful life of the leased assets. If the recoverable amounts is lower than the carrying amount of the right-of-use asset, its carrying amount shall be written down to the recoverable amount.

(2) Lease liabilities

The lease liability is initially measured at the present value of lease payments that are unpaid at the lease commencement date. Lease payments include fixed payments and amounts to be paid when it is reasonably certain that purchase option or lease termination option will be exercised. Variable lease payments not included in the measurement of lease liabilities are included in the profit or loss for the current period when they are actually incurred.

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.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease (Continued)

2. Basis of judgement and accounting treatment for the simplified treatment of short-term lease and low-value leases in the capacity of lessee

For short-term leases with a lease term of not more than twelve months, the Company chooses not to recognize the right-of-use assets and lease liabilities, the relevant lease expenditure will be included in the profit or loss of the current period or related asset cost on straight-line method in each period of the lease term.

3. Criteria for categorization and accounting treatment for leases in the capacity of lessor

On the lease commencement date, the Company recognizes those leases which substantially all risks and rewards related to the ownership of the leased assets have been effectively transferred as financing leases, leases other than it will be recognized as operating leases.

(1) The accounting treatment of operating leases

The lease payments are recognized as rental income on a straight-line basis over the respective lease terms. Initial direct costs 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, variable rentals not included in lease payments shall be included as rental income when it is actually incurred.

(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, and derecognizes financing lease assets. The initial direct costs shall be included in the initial measurement of the finance lease receivables.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Changes in Critical Accounting Policies and Changes in Accounting Estimates

1. Changes in Critical Accounting Policies

In December 2024, the MOF issued the "Notice on the Publication of 'Interpretation No. 18 on ASBE'", which clarified the accounting treatment for quality assurance deposits under the assurance category that do not constitute a single performance obligations should be in accordance with "ASBE No. 13 -Contingencies", and the relevant amounts should be included in operating costs and presented as an estimated liability based on liquidity while recognizing the estimated liability. The change in accounting policy has no effect to the financial statement of the Company.

2. Changes in Critical Accounting Estimates

There is no change in accounting estimates of the Company for the period.

IV. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Current sales tax less current deductible input tax	13%, 9%, 6%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

IV. TAXES (Continued)

(I) Main taxes and tax rates (Continued)

Information of corporate income tax rates for different taxable entities:

Name of Taxable Entity	Income tax rates
The Company	15%
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	5%
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	15%
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	5%
Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	5%
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	5%
Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司)	5%
Surgimaster Surgical Co., Ltd.	5%

(II) Significant preferential tax and official approval

The Company passed the certification of high and new technology enterprise review on 2 December 2024 and obtained the High and New Technology Enterprise Certificate (Certificate No.: GR202411003920; valid for 3 years). The enterprise income tax for the years 2024, 2025 and 2026 enjoys a preferential 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 16 December 2024 and obtained the High and New Technology Enterprise Certificate (Certificate No.: GR202413003252; valid for 3 years). The enterprise income tax for the years 2024, 2025 and 2026 enjoys a preferential tax rate of 15%.

Pursuant to the "Announcement of the General Administration of Taxation of the Ministry of Finance on Income Tax Preferential Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Entities (Announcement of the General Administration of Taxation of the Ministry of Finance No. 12 of 2023)", for small and micro enterprises, the annual taxable income is reduced by 25% of the annual taxable income, and they are subject to enterprise income tax at a tax rate of 20%. The Company's subsidiaries, including Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司), Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司), Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司), and Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司), are subject to the income tax rates for small and micro enterprises.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Item	Closing balance	Opening balance
Cash on hand	237,985.81	303,264.27
Cash in bank	1,139,184,943.85	1,265,709,811.40
Other monetary funds	355,587.58	354,447.00
Total	1,139,778,517.24	1,266,367,522.67
Including: The total amount deposited overseas	8,166,945.85	26,388,611.78

Note: Other monetary funds represent receipts from the dedicated account for centrally purchased selected medical consumables.

(II) Held-for-trading Financial Assets

Item	Closing balance	Opening balance	Reason and basis for the designation
Financial assets measured at fair value with changes included in current profit and loss	745,797,775.34	832,019,095.90	Judgement by management
Including: Wealth management products	745,797,775.34	832,019,095.90	Judgement by management
Total	745,797,775.34	832,019,095.90	

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(III) Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	160,000,000.00	30,440,522.61
Commercial acceptance bills	52,600.00	5,384,936.10
Sub-total	160,052,600.00	35,825,458.71
Less: Bad debt provision		
Total	160,052,600.00	35,825,458.71

2. Endorsed or discounted at the end of the period but undue notes receivable at the balance sheet date

Item	Amounts derecognized at the end of the period	Amounts not derecognized at the end of the period
Bank acceptance bills	2,674,772.00	
Commercial acceptance bills		52,600.00
Total	2,674,772.00	52,600.00

3. Disclosure by bad debt provision

Type	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Bad debt provision Amount	Proportion of provision (%)	
Bills receivable with provision for bad debts on an individual basis					
Bills receivable with provision for bad debts using portfolios	160,052,600.00	100.00			160,052,600.00
Including: Portfolio 1: Bank acceptance bills	160,000,000.00	99.97			160,000,000.00
Portfolio 2: Commercial acceptance bills	52,600.00	0.03			52,600.00
Total	160,052,600.00	100.00			160,052,600.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(III) Notes receivable (Continued)

3. Disclosure by bad debt provision (Continued)

Type	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bills receivable with provision for bad debts on an individual basis					
Bills receivable with provision for bad debts using portfolios	35,825,458.71	100.00			35,825,458.71
Including: Portfolio 1: Bank acceptance bills	30,440,522.61	84.97			30,440,522.61
Portfolio 2: Commercial acceptance bills	5,384,936.10	15.03			5,384,936.10
Total	35,825,458.71	100.00			35,825,458.71

Note 1: The acceptor of the bank acceptance bills receivable is a bank with relatively small credit risk, the expected credit loss rate is 0, no bad debt provision is made.

Note 2: The acceptor of the commercial acceptance bills receivable is mainly a hospital of public institution nature, the expected credit loss rate is 0, no bad debt provision is made.

(IV) Accounts receivable

1. Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year	173,836,833.35	356,332,383.30
1 to 2 years	47,231,963.69	67,750,933.51
2 to 3 years	26,732,943.08	19,582,939.58
Over 3 years	27,916,722.83	15,021,798.42
Subtotal	275,718,462.95	458,688,054.81
Less: Bad debt provision	57,059,830.60	52,792,527.42
Total	218,658,632.35	405,895,527.39

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IV) Accounts receivable (Continued)

2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Bad debt provision Amount	Proportion of provision made (%)	
Accounts receivable with provision made for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios Including: Age group	275,718,462.95	100.00	57,059,830.60	20.69	218,658,632.35
	275,718,462.95	100.00	57,059,830.60	20.69	218,658,632.35
Total	275,718,462.95	100.00	57,059,830.60	20.69	218,658,632.35

Type	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Bad debt provision Amount	Proportion of provision made (%)	
Accounts receivable with provision made for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios Including: Age group	458,688,054.81	100.00	52,792,527.42	11.51	405,895,527.39
	458,688,054.81	100.00	52,792,527.42	11.51	405,895,527.39
Total	458,688,054.81	100.00	52,792,527.42	11.51	405,895,527.39

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IV) Accounts receivable (Continued)

2. Disclosure by ways of bad debt provision (Continued)

Portfolio of accounts receivable with provision made for bad debts using portfolios with credit risk features: Age group

Ages	Closing balance			Opening balance		
	Book balance	Bad debt provision	Proportion of provision (%)	Book balance	Bad debt provision	Proportion of provision (%)
Within 1 year	173,836,833.35	8,691,841.66	5.00	356,332,383.30	17,816,619.16	5.00
1 to 2 years	47,231,963.69	7,084,794.56	15.00	67,750,933.51	10,162,640.04	15.00
2 to 3 years	26,732,943.08	13,366,471.55	50.00	19,582,939.58	9,791,469.80	50.00
More than 3 years	27,916,722.83	27,916,722.83	100.00	15,021,798.42	15,021,798.42	100.00
Total	275,718,462.95	57,059,830.60	20.69	458,688,054.81	52,792,527.42	11.51

Note: The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

3. Provision made for bad debt

Type	Opening balance	Provision made	Changes in amounts for the current period			Closing balance
			Collected or reversed	Write-off	Other changes	
Credit risk portfolio	52,792,527.42	4,267,303.18				57,059,830.60
Total	52,792,527.42	4,267,303.18				57,059,830.60

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IV) Accounts receivable (Continued)

4. Details of the top 5 accounts receivable and contract assets by closing balance of debtors

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion in the total amount to closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Summary of the top 5	56,470,006.74		56,470,006.74	20.48	4,218,176.26
Total	56,470,006.74		56,470,006.74	20.48	4,218,176.26

(V) Prepayments

1. Prepayments shown by aging

Aging	Closing balance Amount	Proportion (%)	Opening balance Amount	Proportion (%)
Within 1 year	2,810,535.15	93.90	10,167,728.81	94.12
1 to 2 years	155,582.30	5.20	559,761.29	5.18
2 to 3 years	4,038.80	0.13	51,392.29	0.48
More than 3 years	23,174.24	0.77	23,318.80	0.22
Total	2,993,330.49	100.00	10,802,201.19	100.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(V) Prepayments (Continued)

2. Details of the top 5 entities with closing balance categorized by prepayment recipients

Name of entity	Closing balance	Proportion in the total amount to closing balance of prepayments (%)
Summary of the top 5	1,413,753.22	47.23
Total	1,413,753.22	47.23

(VI) Other receivables

Item	Closing balance	Opening balance
Other receivables	177,919.45	348,800.03
Total	177,919.45	348,800.03

Other receivables

(1) Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year	56,919.57	221,194.95
1 to 2 years	120,234.98	163,135.09
2 to 3 years	10,029.49	
More than 3 years	8,281,891.73	8,336,318.97
Subtotal	8,469,075.77	8,720,649.01
Less: Bad debt provision	8,291,156.32	8,371,848.98
Total	177,919.45	348,800.03

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(2) Disclosure by nature of payments

Nature of payments	Closing balance	Opening balance
Petty cash	14,533.76	11,706.44
Deposit, guarantee deposit	359,547.04	551,247.60
Others	8,094,994.97	8,157,694.97
Subtotal	8,469,075.77	8,720,649.01
Less: Bad debt provision	8,291,156.32	8,371,848.98
Total	177,919.45	348,800.03

(3) 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
Bad debt provision				
Balance as at 1 January 2024	315,654.01		8,056,194.97	8,371,848.98
Balance as at 1 January 2024 after the reassessment for the current period				
— Transfer to Stage 2				
— Transfer to Stage 3				
— Transfer back to Stage 2				
— Transfer back to Stage 1				
Provision for the current period	-80,692.66			-80,692.66
Reversal for the current period				
Cancelled in the current period				
Write-off for the current period				
Other changes				
Balance as at 31 December 2024	234,961.35		8,056,194.97	8,291,156.32

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(4) Provision made for bad debt

Type	Opening balance	Provision made	Changes in amounts for the current period			Closing balance
			Collected or reversed	Cancelled or write-off	Other changes	
Provision for credit impairment	8,371,848.98	-80,692.66				8,291,156.32
Total	8,371,848.98	-80,692.66				8,291,156.32

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

Name of entity	Nature of payments	Closing balance	Aging	Proportion in the total amount 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	Over 3 years	95.13	8,056,194.97
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)	Guarantee deposit	128,828.00	Over 3 years	1.52	128,828.00
Beijing Oubeisite Science and Technology Co., Ltd.* (北京歐倍思特科技有限公司)	Deposit	115,200.00	1 to 2 years	1.36	17,280.00
Suzhou Medical Devices Industrial Development Co., Ltd.* (蘇州醫療器械產業發展有限公司)	Guarantee deposit	49,362.04	Over 3 years	0.58	49,362.04
Aksu Prefecture Government Procurement Center* (阿克蘇地區政府採購中心)	Guarantee deposit	20,000.00	Over 3 years	0.24	20,000.00
Total		8,369,585.01		98.83	8,271,665.01

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(VII) Inventories

1. Categories of inventories

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for declines in the value	Carrying amount		Provision for declines in the value	Carrying amount
Raw material	217,786,300.99	3,553,758.48	214,232,542.51	209,252,761.12	3,637,822.44	205,614,938.68
Goods sold	8,883,120.60		8,883,120.60	16,799,474.10		16,799,474.10
Work in progress	127,365,401.17	1,206,929.48	126,158,471.69	64,183,888.94	750,927.16	63,432,961.78
Stock inventory	231,916,285.26	30,347,742.17	201,568,543.09	177,096,468.06	28,458,116.92	148,638,351.14
Total	585,951,108.02	35,108,430.13	550,842,677.89	467,332,592.22	32,846,866.52	434,485,725.70

2. Movement in provision for inventory write-down

Item	Amount increased in the current period			Amount decreased in the current period		Closing balance
	Opening balance	Provision	Others	Reversal of write-off	Others	
Raw material	3,637,822.44	329,546.23		413,610.19		3,553,758.48
Work in progress	750,927.16	700,310.77		244,308.45		1,206,929.48
Stock inventory	28,458,116.92	19,387,383.32		17,497,758.07		30,347,742.17
Total	32,846,866.52	20,417,240.32		18,155,676.71		35,108,430.13

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(VIII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	2,231,918.58	1,255,616.67
Cost of return receivable	17,282,507.15	18,260,324.80
Prepaid income tax	2,665,247.51	99,544.40
Total	22,179,673.24	19,615,485.87

(IX) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	311,008,174.74	312,930,579.87
Total	311,008,174.74	312,930,579.87

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IX) Fixed assets (Continued)

(1) Details of fixed assets

Item	Buildings and structures	Mechanical equipment	Transport facilities	Electronic device and others	Total
I. Original carrying amount					
1. Opening balance	223,043,957.58	181,514,224.26	4,057,704.43	14,696,625.38	423,312,511.65
2. Increase in the current period	42,495.00	21,368,936.81	210,000.00	2,429,222.25	24,050,654.06
(1) Acquisition	42,495.00	18,774,229.42	210,000.00	2,429,222.25	21,455,946.67
(2) Transferred from construction in progress		2,594,707.39			2,594,707.39
3. Decrease in the current period			201,600.00		201,600.00
Disposal or retirement			201,600.00		201,600.00
4. Closing balance	223,086,452.58	202,883,161.07	4,066,104.43	17,125,847.63	447,161,565.71
II. Accumulated depreciation					
1. Opening balance	16,876,471.37	84,670,049.43	2,830,613.94	6,004,797.04	110,381,931.78
2. Increase in the current period	7,113,898.10	16,219,564.13	404,364.68	2,225,152.28	25,962,979.19
Provision	7,113,898.10	16,219,564.13	404,364.68	2,225,152.28	25,962,979.19
3. Decrease in the current period			191,520.00		191,520.00
Disposal or retirement			191,520.00		191,520.00
4. Closing balance	23,990,369.47	100,889,613.56	3,043,458.62	8,229,949.32	136,153,390.97
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
3. Decrease in the current period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	199,096,083.11	101,993,547.51	1,022,645.81	8,895,898.31	311,008,174.74
2. Opening carrying amount	206,167,486.21	96,844,174.83	1,227,090.49	8,691,828.34	312,930,579.87

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB36,452,061.82.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IX) Fixed assets (Continued)

(2) As of 31 December 2024, application for property ownership certificate not yet completed

Item	Carrying amount	Reason for application not yet completed
Buildings	177,165,248.43	Application in progress
Total	177,165,248.43	

(X) Construction in progress

Type	Closing balance	Opening balance
Construction in progress	156,777,773.93	150,138,063.04
Total	156,777,773.93	150,138,063.04

(1) Basic situation of projects of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Daxing Biomedicine Industrial Base of Zhongguancun Science Park – First stage construction work	13,348,611.11		13,348,611.11	12,952,179.15		12,952,179.15
Integrated construction project for orthopedic implant and supporting materials	142,230,490.26		142,230,490.26	134,884,998.93		134,884,998.93
Equipment installation work	1,198,672.56		1,198,672.56	2,300,884.96		2,300,884.96
Total	156,777,773.93		156,777,773.93	150,138,063.04		150,138,063.04

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(X) Construction in progress (Continued)

(2) Changes in significant projects of construction in progress

Name of project	Budgets (RMB'000)	Opening balance	Increase in amount in the current period	Transferred to fixed assets in the current period	Decrease in amount in the current period	Closing balance
Daxing Biomedicine Industrial Base of Zhongguancun Science Park — First stage construction work	18,429.65	12,952,179.15	396,431.96			13,348,611.11
Integrated construction project for orthopedic implant and supporting materials	94,470.38	134,884,998.93	7,345,491.33			142,230,490.26
Total		147,837,178.08	7,741,923.29			155,579,101.37

Name of project	Accumulated Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in current period	Interest capitalization rate in the current period (%)	Source of funding
Daxing Biomedicine Industrial Base of Zhongguancun Science Park — First stage construction work	101	99				Self-generated funds and funds raised
Integrated construction project for orthopedic implant and supporting materials	20	20				Self-generated funds and funds raised
Total						

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XI) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	3,575,549.49	3,575,549.49
2. Increase in the current period	410,513.03	410,513.03
Rentals newly added	410,513.03	410,513.03
3. Decrease in the current period	1,979,976.31	1,979,976.31
Disposal	1,979,976.31	1,979,976.31
4. Closing balance	2,006,086.21	2,006,086.21
II. Accumulated depreciation		
1. Opening balance	1,509,558.00	1,509,558.00
2. Increase in the current period	799,484.04	799,484.04
Provision	799,484.04	799,484.04
3. Decrease in the current period	1,319,984.20	1,319,984.20
Disposal	1,319,984.20	1,319,984.20
4. Closing balance	989,057.84	989,057.84
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
3. Decrease in the current period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	1,017,028.37	1,017,028.37
2. Opening carrying amount	2,065,991.49	2,065,991.49

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XII) Intangible assets

Item	Land use rights	Software	Patent licenses	Royalty	Total
I. Original carrying amount					
1. Opening balance	132,514,410.33	4,561,264.29	30,500,000.00	480,000.00	168,055,674.62
2. Increased amount in the current period		2,213,592.23			2,213,592.23
Acquisition		2,213,592.23			2,213,592.23
3. Decreased amount in the current period					
Disposal					
4. Closing balance	132,514,410.33	6,774,856.52	30,500,000.00	480,000.00	170,269,266.85
II. Accumulated amortization					
1. Opening balance	16,103,004.98	3,394,691.28	12,237,138.98	50,000.00	31,784,835.24
2. Increased amount in the current period	2,680,591.08	464,734.49	7,709,114.80	60,000.00	10,914,440.37
Provision	2,680,591.08	464,734.49	7,709,114.80	60,000.00	10,914,440.37
3. Decreased amount in the current period					
Disposal					
4. Closing balance	18,783,596.06	3,859,425.77	19,946,253.78	110,000.00	42,699,275.61
III. Provisions for impairment					
1. Opening balance					
2. Increased amount in the current period					
3. Decreased amount in the current period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	113,730,814.27	2,915,430.75	10,553,746.22	370,000.00	127,569,991.24
2. Opening carrying amount	116,411,405.35	1,166,573.01	18,262,861.02	430,000.00	136,270,839.38

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XIII) Goodwill

1. Original carrying amount of goodwill

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	13,359,553.09			13,359,553.09
Total	13,359,553.09			13,359,553.09

2. Provision for goodwill impairment

Item	Opening balance	Increase in the current period Provision	Decrease in the current period Disposal	Closing balance
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)		13,359,553.09		13,359,553.09
Total		13,359,553.09		13,359,553.09

3. Relevant information of the asset group or portfolio of asset group goodwill belongs to

Name	Asset group or the constitution and basis of the portfolio	Operating segment and the basis	Whether it is consistent with the previous years
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	Fixed assets, construction in progress and intangible assets related to business	Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司), determined according to the management requirement and the business segment of the company	Yes

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XIII) Goodwill (Continued)

4. Determination method for the recoverable amounts for goodwill

Item	Carrying amount	Recoverable amount	Amount of impairment	Life of estimation period	Critical parameter for the estimation period	Basis of determination for the parameter within the estimation period	Critical parameter for the stabilising period	Basis of determination for the critical parameter for the stabilizing period
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	20,006,470.84	930,119.15	19,076,351.69	2025-2028, 2029 to perpetual period	Operating revenue is expected to be RMB2 million to RMB7 million, with a discount rate of 12.03%	① Revenue growth rate, profit rate: based on the business operation of the company for the previous year and the expectation on the market from the management; ② The discount rate reflects the current time value of currency of the market and the interest rate before tax for the specified risks related for relevant assets	Revenue growth rate is 0, the discount rate is 12.03%	The discount rate reflects the current time value of currency of the market and the interest rate before tax for the specified risks related for relevant assets

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

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

1. Deferred tax assets and deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	13,896,590.15	92,643,934.33	13,412,634.99	89,417,566.60
Expected sales rebate	1,471,860.89	9,812,405.94	1,883,933.78	12,559,558.53
Expected sales return	6,705,052.10	44,700,347.34	9,112,797.95	60,751,986.32
Deferred income	2,808,918.23	18,726,121.54	2,091,074.57	13,940,497.16
Unrealized internal gains and losses	1,230,607.71	8,204,051.40	1,131,420.04	7,542,800.26
Subtotal	26,113,029.08	174,086,860.55	27,631,861.33	184,212,408.87
Deferred income tax liabilities:				
Cost of return receivable	2,592,376.07	17,282,507.15	2,739,048.72	18,260,324.80
Accelerated depreciation of fixed assets	8,026,780.58	53,511,870.51	6,483,728.26	43,224,855.08
Asset valuation gains from business combinations involving entities not under common control	92,500.00	370,000.00	107,500.00	430,000.00
Subtotal	10,711,656.65	71,164,377.66	9,330,276.98	61,915,179.88

2. Breakdown of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	7,815,482.72	4,593,676.32
Deductible loss	30,101,517.92	14,449,103.08
Total	37,917,000.64	19,042,779.40

Note: There is uncertainty on whether our subsidiaries, namely Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆德特醫療器械有限公司), Beijing Shiyue Changsheng Medical Devices Co., Ltd. (北京實躍長盛醫療器械有限公司), Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司), and Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司), could have sufficient taxable income in the future, thus deferred income tax assets have not been recognized.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

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

3. Deductible losses that are not recognized as deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Note
2024		367,313.61	
2026	1,907,073.79	1,907,073.79	
2027	3,361,758.11	3,359,118.85	
2028	7,638,055.24	8,815,596.83	
2029 and beyond	17,194,630.78		
Total	30,101,517.92	14,449,103.08	

(XV) Other non-current assets

Item	Closing balance		Opening balance	
	Book balance	Provision for impairment Carrying amount	Book balance	Provision for impairment Carrying amount
Prepayment for the acquisition of long-term assets	2,767,859.62	2,767,859.62	1,804,219.22	1,804,219.22
Total	2,767,859.62	2,767,859.62	1,804,219.22	1,804,219.22

(XVI) Assets with Restricted Ownership or Right-of-use

Item	Situation at the end of the period				Situation at the beginning of the period			
	Book balance	Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Monetary funds	355,587.58	355,587.58	Designated for medical consumables	Specific project account for centralized procurement for medical consumables	354,447.00	354,447.00	Designated for medical consumables	Specific project account for centralized procurement for medical consumables
Monetary funds	405,279.00	405,279.00	Frozen	Frozen				
Bills receivables	52,600.00	52,600.00	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity	11,073,726.15	11,073,726.15	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity
Total	813,466.58	813,466.58			11,428,173.15	11,428,173.15		

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XVII) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	184,802,151.32	166,857,084.41
More than 1 year	43,043,023.28	58,643,085.50
Total	227,845,174.60	225,500,169.91

Note: The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

(XVIII) Contract liabilities

Item	Closing balance	Opening balance
Advance payment	118,750,784.64	137,003,716.86
Sales rebate	9,812,405.94	12,559,558.53
Total	128,563,190.58	149,563,275.39

(XIX) Employee remuneration payable

1. Employee remuneration payable shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term remuneration	88,673,385.22	193,960,726.02	231,369,489.64	51,264,621.60
Post-employment benefits — defined contribution plan	1,046,000.26	14,664,837.48	14,702,832.93	1,008,004.81
Termination benefits		806,121.31	806,121.31	
Total	89,719,385.48	209,431,684.81	246,878,443.88	52,272,626.41

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XIX) Employee remuneration payable (Continued)

2. Remuneration of short-term employees

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wage, bonus, allowance and subsidy	74,807,841.52	170,734,320.34	210,270,313.46	35,271,848.40
Employee welfare premium		3,352,257.55	3,352,257.55	
Social welfare premium	680,359.73	8,958,672.04	8,969,126.85	669,904.92
Including: Medicare premium	621,104.55	8,081,238.00	8,103,579.39	598,763.16
Occupational injuries premium	59,255.18	877,434.04	865,547.46	71,141.76
Housing provident funds		4,938,920.88	4,863,679.88	75,241.00
Labor union fund and employee education fund	13,185,183.97	5,976,555.21	3,914,111.90	15,247,627.28
Total	88,673,385.22	193,960,726.02	231,369,489.64	51,264,621.60

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	1,014,300.21	14,202,392.91	14,239,241.19	977,451.93
Unemployment insurance premium	31,700.05	462,444.57	463,591.74	30,552.88
Total	1,046,000.26	14,664,837.48	14,702,832.93	1,008,004.81

(XX) Taxes payable

Item	Closing balance	Opening balance
VAT	2,376,462.85	44,219,582.81
Enterprise income tax	937,355.28	12,125,427.92
Individual income tax	337,108.68	413,645.86
Urban maintenance and construction tax	813,349.01	1,713,288.73
Education surcharge	488,009.40	1,027,973.22
Local education surcharge	325,339.60	685,315.52
Housing property tax	1,170,612.78	1,170,612.78
Stamp duty and others	207,836.21	163,424.48
Total	6,656,073.81	61,519,271.32

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXI) Other payables

Item	Closing balance	Opening balance
Other payables	69,459,231.16	66,314,036.00
Total	69,459,231.16	66,314,036.00

Other payables categorized by nature

Item	Closing balance	Opening balance
Expenses for sales services	30,383,697.46	30,013,100.12
Guarantee deposits	17,103,938.00	16,200,427.00
Returns payables	14,574,090.22	5,574,457.01
Others	7,397,505.48	14,526,051.87
Total	69,459,231.16	66,314,036.00

(XXII) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	682,121.00	1,221,386.17
Total	682,121.00	1,221,386.17

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXIII) Other current liabilities

Item	Closing balance	Opening balance
Expected sales return	44,700,347.34	60,751,986.32
Output VAT to be carried forward	16,513,950.02	11,009,598.77
Bills receivable not derecognized	52,600.00	11,073,726.15
Total	61,266,897.36	82,835,311.24

(XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	885,665.61	1,797,085.72
Less: Unrecognized financing fee	19,229.54	44,155.93
Less: Lease liabilities due within one year	682,121.00	1,221,386.17
Total	184,315.07	531,543.62

(XXV) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	83,790,835.82	17,493,500.00	14,534,776.28	86,749,559.54	Government grants received
Total	83,790,835.82	17,493,500.00	14,534,776.28	86,749,559.54	

(XXVI) Share capital

Item	Opening balance	Movements for the period (+, -)					Closing balance
		Issue of new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	
Total shares	383,568,500.00						383,568,500.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXVII) Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	1,042,999,419.83			1,042,999,419.83
Other capital reserve	1,800,000.00			1,800,000.00
Total	1,044,799,419.83			1,044,799,419.83

(XXVIII) Treasury shares

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Repurchasing shares		12,018,864.19		12,018,864.19
Total		12,018,864.19		12,018,864.19

Note: The Company convened the 14th meeting of the fifth session of the Board of Directors of the Company on 17 June 2024, at which the "Resolution on Repurchase of Shares of the Company through Centralized Bidding Trading" was considered and approved, and agreed that the Company use its own funds to repurchase part of the issued RMB ordinary shares of the Company by means of centralized bidding trading through the trading system of the Shanghai Stock Exchange. As at the end of the period, the Company had repurchased a total of 868,145 shares of the Company through the trading system of the Shanghai Stock Exchange by way of centralized bidding trading, representing 0.226% of the total share capital of the Company, with the highest repurchase price of RMB15.96 per share and the lowest repurchase price of RMB12.09 per share, and the total payment amounting to RMB12,018,864.19 (transaction fees exclusive).

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXIX) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	181,585,925.26	13,529,736.68		195,115,661.94
Total	181,585,925.26	13,529,736.68		195,115,661.94

(XXX) Undistributed profits

Item	Amount for the current period	Amount for the previous period
Unallocated profits at the end of last period before adjustment	1,267,513,008.25	1,136,732,358.10
Total amount of adjustment for unallocated profits at the beginning of the period (“+” for plus; “-” for less)		
Unallocated profits at the beginning of the period after adjustment	1,267,513,008.25	1,136,732,358.10
Add: Net profit attributable to the owners of the parent company for the period	124,988,009.59	277,824,014.12
Less: Withdrawal of statutory surplus reserves	13,529,736.68	26,986,423.47
Dividend payable on ordinary shares	170,533,715.46	120,056,940.50
Unallocated profits at the end of period	1,208,437,565.70	1,267,513,008.25

(XXXI) Revenue and operating cost

1. Revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main operation	805,215,899.92	268,574,927.84	1,207,484,429.04	332,009,074.69
Other operation	641,122.27	377,923.28	1,039,416.84	626,666.79
Total	805,857,022.19	268,952,851.12	1,208,523,845.88	332,635,741.48

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXXI) Revenue and operating cost (Continued)

2. Breakdown of revenue and operating cost

Category of revenue	Medical device		Total	
	Revenue	Operating cost	Revenue	Operating cost
By business type				
Medical device products	805,215,899.92	268,574,927.84	805,215,899.92	268,574,927.84
Other operation	641,122.27	377,923.28	641,122.27	377,923.28
By operating region				
Internal sales of main operation	451,882,916.32	148,072,127.01	451,882,916.32	148,072,127.01
External sales of main operation	353,332,983.60	120,502,800.83	353,332,983.60	120,502,800.83
Internal sales of other business	641,122.27	377,923.28	641,122.27	377,923.28
Total	805,857,022.19	268,952,851.12	805,857,022.19	268,952,851.12

(XXXII) Taxes and surcharge

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	3,019,518.86	4,552,975.65
Education surcharge	1,808,920.91	2,729,950.31
Local education surcharge	1,205,947.20	1,819,966.92
Stamp duty	449,374.95	507,419.60
Housing property tax	284,381.30	284,381.30
Land use tax	948,569.46	948,569.46
Tax on vehicle and vessel usage	6,760.84	7,160.84
Environmental protection tax	105.06	205.19
Total	7,723,578.58	10,850,629.27

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXXIII) Selling expenses

Item	Amount for the current period	Amount for the previous period
Market development expenses	161,799,140.16	260,453,715.84
Employee remuneration	71,275,180.26	113,673,319.12
Office expenses	3,473,786.89	3,537,167.91
Others	3,698,995.50	5,475,943.12
Total	240,247,102.81	383,140,145.99

(XXXIV) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	25,188,930.90	23,018,357.97
Agency fees	2,565,128.80	4,379,114.35
Depreciation and amortization expenses	9,339,628.40	9,527,289.60
Office and travelling expenses	563,723.61	756,410.98
Rentals and property expenses	1,672,203.00	2,225,526.38
Business entertainment expenses	598,715.59	330,658.45
Others	5,362,143.41	4,233,665.37
Total	45,290,473.71	44,471,023.10

(XXXV) Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	59,025,254.55	65,123,088.15
Supplies consumed	18,909,545.12	21,324,965.39
Technical services expenses	21,842,611.87	37,370,247.06
Travel and meeting expenses	1,197,178.45	1,138,588.22
Depreciation and amortization	13,208,269.41	13,091,493.98
Fuel expenses	3,418,825.01	2,278,435.05
Examination and testing expenses	12,067,650.71	11,954,158.45
Others	3,427,513.47	5,164,527.96
Total	133,096,848.59	157,445,504.26

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXXVI) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expenses	44,939.07	85,896.45
Less: Interest income	16,309,711.03	14,461,912.36
Less: Foreign exchange gains	1,784,269.90	2,484,956.76
Handling fees	981,247.23	278,965.11
Total	-17,067,794.63	-16,582,007.56

(XXXVII) Other income

Item	Amount for the current period	Amount for the previous period	Related to assets/ related to income
Transferred from deferred income	10,107,570.56	3,162,600.00	Related to income
Transferred from deferred income	4,427,205.72	3,566,283.73	Related to assets
Key support program for development of high-precision industry	2,370,000.00	800,000.00	Related to income
Additional deductions of VAT for advanced manufacturing industry	1,672,078.34	2,875,345.15	Related to income
Subsidy for research and development	800,000.00	92,445.00	Related to income
Refund of handling fee on personal tax	487,237.63	229,656.04	Related to income
Subsidy project for technological innovation talents	300,000.00	400,000.00	Related to income
Daily subsidized funding for postdoctoral scientific research workstation	90,000.00	80,000.00	Related to income
Research fund for the research and development project of high-quality medical metal powder materials and additive manufacturing metal implants	77,600.00	434,900.00	Related to income
Project funding for the establishment of postdoctoral scientific research workstation	76,250.00	50,000.00	Related to income
Subsidy for insurance	75,500.00	75,500.00	Related to income
Incentives for high and new technology enterprise	50,000.00	130,000.00	Related to income
Subsidy for stable development and expansion of enterprises	30,430.71	98,015.34	Related to income
Subsidy for patented technology	8,700.00	15,600.00	Related to income
Subsidy for robots used in operation of knee joints for the year 2022		500,000.00	Related to income
Entrepreneurial incentive and business attracting agency incentive of the region for the year 2022		125,000.00	Related to income
Other small grants	37,037.00	172,500.00	Related to income
Total	20,609,609.96	12,807,845.26	

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XXXVIII) Investment income

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	10,980,482.17	12,012,452.06
Total	10,980,482.17	12,012,452.06

(XXXIX) Gains from changes of fair value

Sources of gains from changes of fair value	Amount for the current period	Amount for the previous period
Held-for-trading financial assets	9,434,830.14	9,610,896.66
Total	9,434,830.14	9,610,896.66

(XL) Impairment loss of credit

Item	Amount for the current period	Amount for the previous period
Impairment loss of credit of accounts receivable	-4,267,303.18	-4,414,346.17
Impairment loss of credit of other receivables	80,692.66	99,108.21
Total	-4,186,610.52	-4,315,237.96

(XLI) Impairment loss of assets

Item	Amount for the current period	Amount for the previous period
Inventory write-down loss	-20,417,240.32	-20,707,206.43
Goodwill impairment loss	-13,359,553.09	
Total	-33,776,793.41	-20,707,206.43

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLII) Gain from disposal of assets

Item	Amount for the current period	Amount for the previous period
Disposal gains or losses arising from the disposal of fixed assets not classified as held for sale	39,213.61	3,904.60
Total	39,213.61	3,904.60

(XLIII) Non-operating income

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
Government grant not related to daily activities	800,000.00	200,000.00	800,000.00
Others	187,389.36	146,862.92	187,389.36
Total	987,389.36	346,862.92	987,389.36

Government grants included in non-operating income

Item	Amount for the current period	Amount for the previous period	Related to assets/ related to income
Incentive funds for policies featuring specialty, refined management, distinction and innovation	800,000.00	200,000.00	Related to income
Total	800,000.00	200,000.00	

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLIV) Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
External donations	52,350.92	330,190.00	52,350.92
Late tax payment fee		9,242.93	
Others	50,563.33	77,030.48	50,563.33
Total	102,914.25	416,463.41	102,914.25

(XLV) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	4,037,673.65	28,626,813.39
Deferred income tax expenses	2,900,211.92	-539,066.83
Total	6,937,885.57	28,087,746.56

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	131,599,169.07
Income tax expenses based on applicable tax rate	19,739,875.36
Effect of different tax rate applicable to subsidiaries	1,228,162.04
Effect of prior income tax reconciliation	52,534.99
Effect of non-deductible costs, expenses and losses	1,650,529.37
Effect of utilization of deductible losses of unrecognized deferred income tax assets previously	-7,934.62
Additional deduction of research and development costs	-18,665,497.80
Additional deduction of the wages for employment of disabled persons	-60,143.67
Effect of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	3,000,359.90
Income tax expenses	6,937,885.57

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLVI) Cash flow statement

1. Cash related to operating activities

(1) Other cash receipts related to operating activities

Item	Amount for the current period	Amount for the previous period
Receipts from current accounts	5,190,219.60	4,305,626.55
Amount of government grant received	22,209,017.71	7,936,460.34
Interest receipts from deposit and others	16,983,197.44	14,838,431.32
Total	44,382,434.75	27,080,518.21

(2) Other cash payment related to operating activities

Item	Amount for the current period	Amount for the previous period
Expenses of cash payment	265,450,993.09	393,249,365.52
Current amount paid	9,990,894.75	8,971,861.57
Handling fee and other expenses	1,084,161.48	695,428.52
Total	276,526,049.32	402,916,655.61

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLVI) Cash flow statement (Continued)

2. Cash related to investing activities

(1) Cash receipts related to significant investing activities

Item	Amount for the current period	Amount for the previous period
Redemption of wealth management products upon maturity	2,330,000,000.00	2,345,300,000.00
Receipts of the gains from wealth management products	20,636,632.87	22,368,743.53
Total	2,350,636,632.87	2,367,668,743.53

(2) Cash payment related to significant investing activities

Item	Amount for the current period	Amount for the previous period
Purchasing wealth management products	2,244,000,000.00	2,409,000,000.00
Payments for acquisition of long-term assets	49,171,760.26	33,241,768.33
Payments for acquisition of subsidiary	1,650,000.00	6,989,298.50
Total	2,294,821,760.26	2,449,231,066.83

3. Cash related to financing activities

Other cash payment related to financing activities

Item	Amount for the current period	Amount for the previous period
Repurchasing shares	12,018,864.19	
Payments for lease expenses	586,689.10	1,277,100.00
Total	12,605,553.29	1,277,100.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLVII) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1.Reconciliation of net profit to cash flow from operating activities		
Net profit	124,661,283.50	277,818,116.48
Add: Provision for assets impairment	33,776,793.41	20,707,206.43
Impairment loss of credit	4,186,610.52	4,315,237.96
Depreciation of fixed assets, oil and gas assets, productive biological assets and investment properties	25,962,979.19	22,466,407.41
Depreciation of right-of-use assets	799,484.04	1,404,990.22
Amortization of intangible assets	10,914,440.37	10,783,978.86
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain will be shown with “-” sign)	-39,213.61	-3,904.60
Fixed assets retirement losses (Gain will be shown with “-” sign)		
Net loss on hedging exposure (Gain will be shown with “-” sign)		
Losses from changes of fair value (Gain will be shown with “-” sign)	-9,434,830.14	-9,610,896.66
Financial expenses (Gain will be shown with “-” sign)	-2,162,582.99	90,109.82
Investments losses (Gain will be shown with “-” sign)	-10,980,482.17	-12,012,452.06
Decrease of deferred income tax assets (Increase will be shown with “-” sign)	1,518,832.25	-1,870,052.29
Increase of deferred income tax liabilities (Decrease will be shown with “-” sign)	1,381,379.67	1,330,985.46
Decrease in inventories (Increase will be shown with “-” sign)	-136,774,192.51	-193,306,089.77
Decrease in operating receivables (Increase will be shown with “-” sign)	63,203,573.41	294,851,953.81
Increase of operating payables (Decrease will be shown with “-” sign)	-108,913,625.87	94,748,298.00
Others		
Net cash flow from operating activities	-1,899,550.93	511,713,889.07

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLVII) Supplemental information to the cash flow statement (Continued)

1. Supplemental information to the cash flow statement (Continued)

Item	Amount for the current period	Amount for the previous period
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		
3. Net changes in cash and cash equivalents		
Closing balance of cash	1,139,017,650.66	1,266,013,075.67
Less: Opening balance of cash	1,266,013,075.67	957,193,661.02
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-126,995,425.01	308,819,414.65

2. Net cash of acquisition of subsidiaries paid during the current period

Item	Amount
Cash or cash equivalents paid in the current period for business combinations that occurred in the previous period	1,650,000.00
Including: Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	1,650,000.00
Net cash paid to purchase subsidiary	1,650,000.00

3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,139,017,650.66	1,266,013,075.67
Including: Cash on hand	237,985.81	303,264.27
Bank deposits available for payment at any time	1,138,779,664.85	1,265,709,811.40
Other monetary funds available for payment at any time		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	1,139,017,650.66	1,266,013,075.67

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(XLVII) Supplemental information to the cash flow statement (Continued)

4. Monetary funds other than cash and cash equivalents

Item	Closing balance	Opening balance	Reasons
Other monetary funds	355,587.58	354,447.00	Restrictions on use
Bank deposits	405,279.00		Sealed up
Total	760,866.58	354,447.00	

(XLVIII) Monetary items in foreign currencies

Item	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Monetary funds			25,840,151.63
Including: USD	1,209,804.17	7.19	8,696,555.57
EUR	86,175.35	7.53	648,529.83
HKD	17,812,376.56	0.93	16,494,973.19
INR	1,090.00	0.09	93.04
Accounts receivable			62,061,228.72
Including: USD	8,601,808.92	7.19	61,833,252.69
EUR	30,293.00	7.53	227,976.03
Accounts payable			647,989.39
Including: USD	50,492.00	7.19	362,956.69
HKD	307,797.40	0.93	285,032.70

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

VI. RESEARCH AND DEVELOPMENT EXPENSES

Shown by the expense nature

Item	Amount for the current period	Amount for the previous period
Employee remuneration	59,025,254.55	65,123,088.15
Supplies consumed	18,909,545.12	21,324,965.39
Technical services expenses	21,842,611.87	37,370,247.06
Travel and meeting expenses	1,197,178.45	1,138,588.22
Depreciation and amortization	13,208,269.41	13,091,493.98
Fuel expenses	3,418,825.01	2,278,435.05
Examination and testing expenses	12,067,650.71	11,954,158.45
Others	3,427,513.47	5,164,527.96
Total	133,096,848.59	157,445,504.26
Including: capitalized research and development expense	133,096,848.59	157,445,504.26

VII. CHANGE IN SCOPE OF CONSOLIDATION

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

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

VIII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method	Registered capital	Paid-in capital	Category
				Direct	Indirect				
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆德特醫療器械有限公司)	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company	RMB660,000	RMB660,000	limited liability company
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	Hebei Province	Hebei Province	Manufacture and sales of alloy materials	100.00		Through capital contribution to establish a new company	RMB3,000,000	RMB3,000,000	limited liability company
Pilot Medical Device Co., Limited* (領航醫療器械有限公司)	Hong Kong	Hong Kong	Research and development and sales of medical devices	100.00		Through capital contribution to establish a new company	US\$500,000	Nil	limited company
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company	RMB5,000,000	RMB100,000	limited liability company
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	Hebei Province	Hebei Province	Production and sales of medical devices	100.00		Through capital contribution to establish a new company	RMB5,000,000	RMB5,000,000	limited liability company
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	Hebei Province	Hebei Province	Production and sales of medical devices	100.00		Through capital contribution to establish a new company	RMB50,000,000	RMB450,000	limited liability company
Beijing Lechi Inspection Technology Co., Ltd.* (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	RMB10,000,000	RMB7,000,000	limited liability company
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	Jiangsu Province	Jiangsu Province	Research and development as well as production and sale of surgery powering equipment	70.00		Business combination not under common control	RMB26,500,000	RMB26,500,000	limited liability company

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

IX. GOVERNMENT GRANTS

(I) Items of liabilities related to government grants

Financial statement items	Opening balance	Amounts of grants increased for the current period	Amount included in non-operating income for the current period	Amount transferred to other gains for the current period	Other changes for the current period	Closing balance	Related to assets/related to income
Deferred income	12,052,763.91	500,000.00		2,552,700.85		10,000,063.06	Related to assets
Deferred income	71,493,571.91	16,093,600.00		11,670,945.90		75,916,226.01	Related to assets/related to income
Deferred income	244,500.00	899,900.00		311,129.53		833,270.47	Related to assets
Total	83,790,835.82	17,493,500.00		14,534,776.28		86,749,559.54	

(II) Government grants included in the profit or loss of the current period

Type	Amount for the current period	Amount for the previous period
Other gains	3,915,517.71	2,973,960.34
Non-operating income	800,000.00	200,000.00
Total	4,715,517.71	3,173,960.34

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company aims to seek the balance between the risks and gains 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 those risks and adhere to limits promptly and reliably.

The Company is exposed to various risks related to financial instruments in its daily activities, 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.

(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.

The Company at present has sufficient liquidity and a relatively low liquidity risk. It is the Company's policy to regularly review the current and expected liquidity needs to ensure that the Company maintains adequate cash reserves to meet its long-term and short-term liquidity requirements.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

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

2. Foreign currency risk

Foreign currency risk is the risk that an enterprise may encounter fluctuation in fair value of or future cash flows from financial instrument due to changes in exchange rate. The Company's foreign currency risk relates mainly to its 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 mainly operates in mainland China, and its main activities are denominated in Renminbi, hence, the Company bears insignificant market risk arising from exchange rate changes.

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

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XI. 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 the gearing ratio of the Company is calculated based on the carrying amount of debt as below:

Item	31 December 2024	31 December 2023
① Total liabilities	644,390,846.18	770,325,491.93
② Total assets	3,465,734,982.98	3,649,560,924.88
③=①/② Gearing ratio	18.59%	21.11%

XII. FAIR VALUES

(I) Analysis of assets and liabilities measured at fair value by the level of fair value

Item	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Total
Continuous fair value measurement			745,797,775.34	745,797,775.34
Held-for-trading financial assets			745,797,775.34	745,797,775.34

(II) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

The recurring fair value categorised within Level 3 held by the Company as at the end of the period was held-for-trading financial assets, being the structural deposits purchased by the Company. The Company recognized the fair value based on annualised return rate of the structured products.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Parent company of the Company

Actual controllers	Position in the Company	Proportion of shareholding over the Company (%)	Proportion of voting rights over the Company (%)
Shi Chunbao	Director	30.96	30.96
Yue Shujun	Director and Deputy General Manager	24.88	24.88

Note: Shi Chunbao and Yue Shujun are a couple.

(II) Subsidiaries of the Company

Please refer to Note “VIII. INTEREST IN OTHER ENTITIES” for details.

(III) Other related party of the Company

Name of other related entity	Relationship with the Company
Beijing Meizhuo Medical Instruments Co. Limited* (北京美卓醫療器械有限公司)	Guo Fuxiang, person-in-charge of the business is the husband of Shi Chunbao's cousin

Note: 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 or influence on its operating decisions, nor can they 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 RMB)

XIII. 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

Details of sale of goods/rendering of services

Name of related entity	Content of related party transaction	Amount for the current period	Amount for the previous period
Beijing Meizhuo Medical Instruments Co. Limited* (北京美卓醫療器械有限公司)	Medical devices	3,479,040.65	6,750,747.52

2. Remuneration of key management

Item	Amount for the current period	Amount for the previous period
Remuneration of key management	6,231,553.65	8,043,704.83

Note:

During the year ended 31 December 2024, the aforementioned related party transactions do not fall under the definition of the connected transactions or continuing connected transactions as defined in the Chapter 14A under the Listing Rules.

(V) Condition of items not yet settled, including amount due from and due to related parties

Receivables

Name of item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Beijing Meizhuo Medical Instruments Co. Limited* (北京美卓醫療器械有限公司)	2,704,530.38	135,226.52	5,783,068.38	289,153.42

XIV. COMMITMENTS AND CONTINGENCIES

As of 31 December 2024, the Company has no commitments or contingencies needed to be disclosed.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XV. EVENTS AFTER THE BALANCE SHEET DATE

On 28 March 2025, the “Resolution on the Company’s Profit Distribution Plan for the Year 2024” was considered and approved at the twenty-second meeting of the Fifth Session of the Board of the Company, by which a cash dividend of RMB0.49 (tax inclusive) for every 10 shares was proposed to distribute to all shareholders. As of 31 December 2024, the total share capital of the Company was 383,568,500 shares, and after deducting the number of shares held by the A-share repurchase account of 868,145 shares, the actual number of shares participating in the profit distribution was 382,700,355 shares, based on which a total of RMB18,752,317.40 (tax inclusive) was proposed to be paid out as cash dividend. The profit distribution is subject to the approval of the general meeting.

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

XVI. 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 operation of the Company constitutes one single reportable segment, i.e. manufacture and trading of surgical implants, instruments and related products. In the perspective of the Company’s internal organizational structure, management requirements and internal reporting policies, operating segment is not required and there is no segment report needed to be disclosed.

(II) Auditor’s remuneration

Auditor’s remuneration	Amount for the current period	Amount for the previous period
Annual audit services	1,000,000.00	950,000.00
Non-audit services	250,000.00	250,000.00
Total	1,250,000.00	1,200,000.00

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

(III) Emoluments of directors, supervisors and employees

1. Emoluments of directors and supervisors

Wage, allowance, subsidy and bonus								
Director/supervisor	Fees	Basic	Allowance	Bonus	Social	Pension	Others	Total
		salary	and subsidy		insurance			
Director								
Shi Chunbao		601,534.00		500,000.00	26,134.08			1,127,668.08
Yue Shujun		421,534.00		450,000.00	26,134.08			897,668.08
Shi Wenling		265,244.00		50,000.00	25,849.50			341,093.50
Xie Feng Bao		200,602.00		127,690.00	26,134.08			354,426.08
Weng Jie	100,000.00							100,000.00
Wong Tak Shing	175,800.00							175,800.00
Yao Lijie	49,167.00							49,167.00
Xu Hong	50,833.00							50,833.00
Wang Xin	100,000.00							100,000.00
Subtotal for directors	475,800.00	1,488,914.00		1,127,690.00	104,251.74			3,196,655.74
Supervisor								
Zhang Jie		300,551.20		11,102.00	26,134.08			337,787.28
Zhang Lanlan		90,106.00		52,650.00	25,849.50			168,605.50
Wei Zhangli		251,542.64		133,485.00	25,849.50			410,877.14
Subtotal for supervisors		642,199.84		197,237.00	77,833.08			917,269.92
Total	475,800.00	2,131,113.84		1,324,927.00	182,084.82			4,113,925.66

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XVII. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Accounts receivable

1. Disclosure by age

Ages	Closing balance	Opening balance
Within 1 year	173,599,508.47	386,545,938.82
1 to 2 years	62,645,977.07	56,424,168.84
2 to 3 years	18,120,219.51	16,120,580.15
Over 3 years	24,141,707.74	13,965,150.82
Subtotal	278,507,412.79	473,055,838.63
Less: Bad debt provision	47,134,598.88	47,338,615.31
Total	231,372,813.91	425,717,223.32

2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance	
	Amount	Proportion (%)	Amount	Proportion of provision made (%)
Accounts receivable with provision for bad debts based on individual assessment				
Accounts receivable with provision made for bad debts using portfolios	278,507,412.79	100.00	47,134,598.88	16.92
Including: Portfolio for ages	249,604,112.64	89.62	47,134,598.88	18.88
Portfolio of related parties within the scope of consolidation	28,903,300.15	10.38		
Total	278,507,412.79	100.00	47,134,598.88	16.92

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(I) Accounts receivable (Continued)

2. Disclosure by ways of bad debt provision (Continued)

Type	Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion of provision made (%)
Accounts receivable with provision for bad debts based on individual assessment				
Accounts receivable with provision made for bad debts using portfolios	473,055,838.63	100.00	47,338,615.31	10.01
Including: Portfolio for ages	423,500,881.52	89.52	47,338,615.31	11.18
Portfolio of related parties within the scope of consolidation	49,554,957.11	10.48		
Total	473,055,838.63	100.00	47,338,615.31	10.01

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(I) Accounts receivable (Continued)

2. Disclosure by ways of bad debt provision (Continued)

Accounts receivable with provision made for bad debts using portfolios with similar credit risk features

① Portfolio of ages

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Bad debt provision	Proportion of provision made (%)		Bad debt provision	Proportion of provision made (%)
Within 1 year	171,642,655.82	8,582,132.79	5.00	336,990,981.71	16,849,549.08	5.00
1 to 2 years	35,711,760.57	5,356,764.09	15.00	56,424,168.84	8,463,625.33	15.00
2 to 3 years	18,107,988.51	9,053,994.26	50.00	16,120,580.15	8,060,290.08	50.00
Over 3 years	24,141,707.74	24,141,707.74	100.00	13,965,150.82	13,965,150.82	100.00
Total	249,604,112.64	47,134,598.88	18.88	423,500,881.52	47,338,615.31	11.18

Note: The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

② Portfolios of related parties within the scope of consolidation

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Bad debt provision	Proportion of provision made (%)		Bad debt provision	Proportion of provision made (%)
Amounts from related parties within the scope of consolidation	28,903,300.15			49,554,957.11		
Total	28,903,300.15			49,554,957.11		

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(I) Accounts receivable (Continued)

3. Provision made for bad debt

Type	Opening balance	Provision made	Changes in amounts for the current period			Closing balance
			Collected or reversed	Write-off	Other changes	
Portfolios with credit risk	47,338,615.31	-204,016.43				47,134,598.88
Total	47,338,615.31	-204,016.43				47,134,598.88

4. Details of the top 5 accounts receivable and contract assets by closing balance of debtors

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion of total closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision
Summary of the top 5	77,559,781.27		77,559,781.27	27.85	3,905,660.74
Total	77,559,781.27		77,559,781.27	27.85	3,905,660.74

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(II) Other receivables

Item	Closing balance	Opening balance
Other receivables	13,923,769.78	13,681,393.95
Total	13,923,769.78	13,681,393.95

Other receivables

(1) Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year	13,341,627.02	9,414,785.64
1 to 2 years	290,634.76	4,186,561.16
2 to 3 years	205,187.58	86,720.15
More than 3 years	8,319,249.84	8,215,022.97
Subtotal	22,156,699.20	21,903,089.92
Less: Bad debt provision	8,232,929.42	8,221,695.97
Total	13,923,769.78	13,681,393.95

(2) Other receivables categorised by nature

Nature of payment	Closing balance	Opening balance
Within the scope of combination	13,813,947.23	13,555,806.98
Petty cash		59.97
Deposit, guarantee deposit	286,557.00	274,028.00
Others	8,056,194.97	8,073,194.97
Subtotal	22,156,699.20	21,903,089.92
Less: Bad debt provision	8,232,929.42	8,221,695.97
Total	13,923,769.78	13,681,393.95

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(II) Other receivables (Continued)

Other receivables (Continued)

(3) 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
Bad debt provision				
Balance as at 1 January 2024	165,501.00		8,056,194.97	8,221,695.97
Balance as at 1 January 2024 after the reassessment for the current period				
— Transfer to Stage 2				
— Transfer to Stage 3				
— Transfer back to Stage 2				
— Transfer back to Stage 1				
Provision for the current period	11,233.45			11,233.45
Reversal for the current period				
Cancelled for the current period				
Write-off for the current period				
Other changes				
Balance on 31 December 2024	176,734.45		8,056,194.97	8,232,929.42

(4) Provision made for bad debt

Type	Opening balance	Provision made	Changes in amounts for the current period			Closing balance
			Collected or reversed	Write-off or cancelled	Other changes	
Provision for credit impairment	8,221,695.97	11,233.45				8,232,929.42
Total	8,221,695.97	11,233.45				8,232,929.42

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(II) Other receivables (Continued)

Other receivables (Continued)

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

Name of entity	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
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	12,638,823.09	Within 1 year	57.04	
Yuanfeng Metal Technology Hebei Co., Ltd.* (元豐金屬科技河北有限公司)	Return receivables	8,056,194.97	Over 3 years	36.36	8,056,194.97
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	Current accounts within the scope of combination	641,883.65	Within 1 year	2.90	
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	Current accounts within the scope of combination	511,136.87	Note	2.31	
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)	Guarantee deposits	128,828.00	Over 3 years	0.58	128,828.00
Total		21,976,866.58		99.19	8,185,022.97

Note: The amount of Langtai Meikang Co., Ltd.* (琅泰美康醫療器械有限公司) aged less than 1 year, 1–2 years, 2–3 years, and more than 3 years are RMB48,391.28, RMB175,434.76, RMB205,187.58, and RMB82,123.25, respectively.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(III) Long-term equity investments

Item	Closing balance		Opening balance	
	Book balance	Provision for impairment Carrying amount	Book balance	Provision for impairment Carrying amount
Investment in subsidiaries	33,715,263.00	33,715,263.00	31,715,263.00	31,715,263.00
Total	33,715,263.00	33,715,263.00	31,715,263.00	31,715,263.00

Investment in subsidiaries

Investees	Increase for		Decrease for		Closing balance	Provision for Impairment made in current period	Closing balance of provision for impairment
	Opening balance	the current period	the current period				
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	665,263.00				665,263.00		
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料 科技有限公司)	3,000,000.00				3,000,000.00		
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	100,000.00				100,000.00		
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	5,000,000.00				5,000,000.00		
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	450,000.00				450,000.00		
Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司)	5,000,000.00	2,000,000.00			7,000,000.00		
Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	17,500,000.00				17,500,000.00		
Total	31,715,263.00	2,000,000.00			33,715,263.00		

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(IV) Operating revenue and operating cost

1. Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Main operation	802,343,971.71	291,646,577.32	1,194,829,840.54	350,725,469.11
Other operation	16,391,099.91	14,914,617.08	12,935,703.45	12,003,674.62
Total	818,735,071.62	306,561,194.40	1,207,765,543.99	362,729,143.73

2. Breakdown of operating revenue and operating cost

Category of revenue	Medical device		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost
By business type				
Medical device products	802,343,971.71	291,646,577.32	802,343,971.71	291,646,577.32
Other business	16,391,099.91	14,914,617.08	16,391,099.91	14,914,617.08
By operating region				
Internal sales of main operation	449,010,988.11	171,143,776.49	449,010,988.11	171,143,776.49
External sales of main operation	353,332,983.60	120,502,800.83	353,332,983.60	120,502,800.83
Internal sales of other business	16,391,099.91	14,914,617.08	16,391,099.91	14,914,617.08
Total	818,735,071.62	306,561,194.40	818,735,071.62	306,561,194.40

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

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

(V) Investment income

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	10,980,482.17	12,011,917.26
Total	10,980,482.17	12,011,917.26

XVIII. SUPPLEMENTARY INFORMATION

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

Item	Amount for the current period	Note
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	39,213.61	
2. Government grants included in profit or loss for the current period, excluding government grants that are closely related to the normal operation of the Company, complying with the requirements of national policy, entitled as per the standard established, and those that have continuous effect to the profit and loss of the Company	14,823,088.27	
3. Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from change in fair value of financial assets held by and financial liabilities arising from non-financial enterprises, and gain or loss arising from disposal of financial assets and financial liabilities	20,415,312.31	
4. Other non-operating income and expenses other than aforesaid items	84,475.11	
5. Other gains or losses items within the definition of non-recurring profit or loss	487,237.63	
Less: Impact of income tax	5,357,078.04	
Effect of minority interests (after tax)	40,241.70	
Total	30,452,007.19	

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in RMB)

XVIII. SUPPLEMENTARY INFORMATION (Continued)

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

The Company defines non-recurring profit or loss items as recurring profit or loss items based on “other gains or losses items within the definition of non-recurring profit or loss” and the nature and characteristics of its normal business operation:

Item	Amounts involved	Description
Additional deduction of VAT for advanced manufacturing industry	1,672,078.34	Having continuous effect on the profit and loss of the Company
Government grants related to assets	4,427,205.72	Having continuous effect on the profit and loss of the Company

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS			
			Basic EPS		Diluted EPS	
	Current period	Previous period	Current period	Previous period	Current period	Previous period
Net profit attributable to shareholders of ordinary share of the Company	4.37	9.93	0.33	0.72	0.33	0.72
Net profit attributable to shareholders of ordinary shares of the Company after deducting non-recurring profit or loss	3.30	9.08	0.25	0.66	0.25	0.66