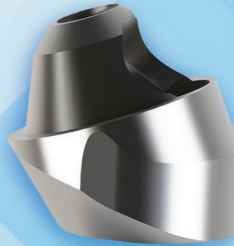




# 北京市春立正達醫療器械股份有限公司 Beijing Chunlizhengda Medical Instruments Co., Ltd.\*

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

Stock code : 1858



# 2025

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  
Mr. Weng Jie  
Mr. Wong Tak Shing

### General Manager

Mr. Shi Chunsheng

## AUDIT COMMITTEE

Ms. Xu Hong (*Chairman*)  
Mr. Weng Jie  
Mr. Wang Xin  
Mr. Wong Tak Shing

## REMUNERATION COMMITTEE

Mr. Weng Jie (*Chairman*)  
Ms. Shi Wenling  
Ms. Xu Hong

## NOMINATION COMMITTEE

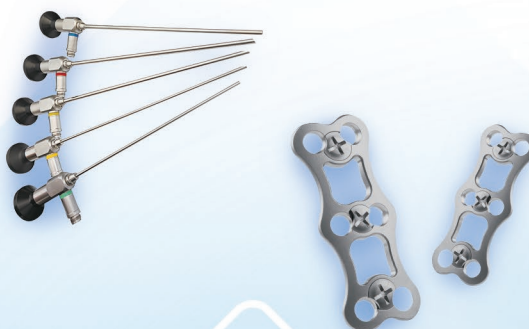
Ms. Xu Hong (*Chairman*)  
Ms. Yue Shujun  
Mr. Weng Jie

## 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

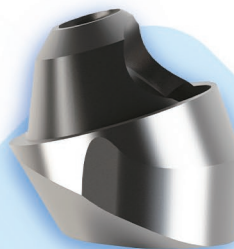
Zhong Lun Law Firm LLP

### 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

	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total current assets	2,447,764	2,779,089	3,005,360	2,840,481	<b>3,011,500</b>
Total non-current assets	551,893	630,678	644,201	625,254	<b>649,635</b>
Total assets	2,999,657	3,409,767	3,649,561	3,465,735	<b>3,661,135</b>
Total current liabilities	439,619	595,805	676,673	546,745	<b>578,603</b>
Total non-current liabilities	90,961	94,262	93,653	97,646	<b>95,539</b>
Total liabilities	530,580	690,067	770,325	644,391	<b>674,142</b>
Total interests attributable to shareholders of the parent company	2,469,077	2,719,700	2,877,467	2,819,902	<b>2,985,468</b>
Net current assets	2,008,145	2,183,284	2,328,687	2,293,736	<b>2,432,897</b>
Total assets less current liabilities	2,560,038	2,813,962	2,972,888	2,918,990	<b>3,082,532</b>
Revenue	1,108,140	1,201,604	1,208,524	805,857	<b>1,045,766</b>
Operating profit	367,592	328,909	305,975	130,715	<b>302,245</b>
Profit before tax for the year	367,379	336,880	305,906	131,599	<b>301,712</b>
Net profit for the year	322,361	307,719	277,818	124,661	<b>272,625</b>

# 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 2025 (“**during the year**”).

In 2025, 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 2025

In 2025, the Company ensured the stable supply of centralized-procurement products and further expanded into international markets, which drove sales volume higher. Simultaneously, our internal cost-reduction and efficiency-improvement measures strengthened the competitiveness of core businesses, enabling both external and internal initiatives to steadily enhance profitability and achieve continuous growth in net profit. In 2025, we recorded a revenue of RMB1,045.7664 million, representing a year-on-year increase of 29.77%. 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 RMB272.5423 million and RMB255.5255 million respectively, representing a year-on-year increase of 118.05% and 170.29% respectively;

Net assets and total assets attributable to shareholders of the listed company were RMB2,985.4678 million and RMB3,661.1349 million respectively, representing an increase of 5.87% and 5.64% as compared with the end of the previous year. Basic earnings per share was RMB0.71 while diluted earnings per share was RMB0.71, and the basic earnings per share after deducting non-recurring profit and loss was RMB0.67, representing a year-on-year increase of 115.15%, 115.15% and 168% respectively.

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

### (1) Marketing and development

In 2025, 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. In 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.

## 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 2025, the Company’s R&D investment was RMB118,503,200.20, accounting for 11.33% of the revenue. The Company enjoyed fruitful results in the establishment of laboratory, product research and development and works from postdoctoral workstation.

As of 31 December 2025, the Company held 223 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). 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 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.

In 2025, the Company was approved for the national key project under the AI Medical Instruments Innovation Open Competition Project of the Ministry of Industry and Information Technology and the National Medical Products Administration: “Development and Application of Lower Limb Walking Assistance Robots”. The Company was also approved for the Beijing Natural Science Foundation Project titled “Research and Evaluation on Additive Manufacturing Optimization and Bioactive Coating Technology for Thoracolumbar Anterior Interbody Implants”. The Company’s “Hip Arthroplasty Navigation System (Model: Yangtze INS-1)” and “Knee Arthroplasty Navigation System (Model: Yellow River INS-1)” were selected into Beijing 2025 First Batch Catalogue of First-of-its-Kind Major Technical Equipment (Medical Health and Other Fields). The Company participated in the project titled “Innovation and Application Promotion of New Pathogenesis Mechanisms and Precision Diagnosis and Treatment Technologies for Osteoarticular Infections”, which received the First Prize of the Fujian Provincial Science and Technology Progress Award for 2024. The Company also participated in the project titled “Key Technologies and Applications of Personalized Human Organ Modeling and Real-time Surgical Simulation Guidance,” which received the First Prize for Innovative Technology under the Science and Technology Award of the China Simulation Federation. In addition, in 2025, the Company was recognized as an “Advanced-Level Smart Factory” by the Beijing Municipal Bureau of Economy and Information Technology.

# CHAIRMAN'S STATEMENT

## (3) Intellectual properties

As of 31 December 2025, the Company had obtained 744 domestic intellectual properties, including 191 invention patents, 530 utility model patents, 7 design patents and 16 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 2025, considering the current business conditions and the capital requirements for business growth, the Company proposed to distribute a cash dividend of RMB1.50 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 2025 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 2026, 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 2026, 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

A well-established governance capacity is the cornerstone for achieving sustainable development. The Company attaches great importance to the improvement of the governance structure and the effectiveness of the internal control system. In 2025, the Company revised the relevant system based on the governance rules of listed companies of the CSRC and the SSE. The Company closely integrated the corporate development strategy with the practise of operational sustainability and attached great importance to corporate social responsibility. The Company has published the 2025 environmental, social and governance (ESG) report. 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 2026, 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 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. INDUSTRY OVERVIEW

The main products of the Company are orthopedic medical devices<sup>(note 1)</sup> 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<sup>(note 2)</sup>. 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 2025, 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.

The Company proactively implemented the national volume-based procurement policy by actively participating in the biddings of centralized procurement. In 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 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 RMB1,045.77 million for the year ended 31 December 2025, an increase of 29.77% as compared to approximately RMB805.86 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
	2025 (RMB'000)	2024 (RMB'000)	
Medical device products	<b>1,044,967</b>	805,216	29.77%
Other businesses	<b>799</b>	641	24.69%
<b>Total</b>	<b>1,045,766</b>	805,857	29.77%

### Gross profit

For the year ended 31 December 2025, the Company's gross profit was approximately RMB690.64 million, an increase of 28.63% from approximately RMB536.90 million for the same period of last year, which was mainly attributable to the increase in revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling expenses

For the year ended 31 December 2025, the Company's selling expenses were approximately RMB198.18 million, a decrease of 17.51% from approximately RMB240.25 million for the same period of last year, which was mainly attributable to the decrease in marketing expenses.

### Administrative expenses

For the year ended 31 December 2025, the Company's administrative expenses were approximately RMB52.26 million, an increase of 15.38% from approximately RMB45.29 million for the same period of last year.

### Research and development expenses

For the year ended 31 December 2025, the Company's research and development expenses were approximately RMB118.50 million, a decrease of 10.97% from approximately RMB133.10 million for the same period of last year, which was mainly attributable to the Company's optimization of the management of the research and development to improve the relevant efficiency and the quality of results.

### Impairment losses on credit

For the year ended 31 December 2025, the Company's impairment losses on credit were approximately RMB9.70 million, an increase of 131.50% from approximately RMB4.19 million for the same period of last year, which was mainly attributable to the increase in the provision for impairment of trade receivables in accordance with the policy on bad debt provision for trade receivables.

### Impairment losses on assets

For the year ended 31 December 2025, the Company's impairment losses on assets were approximately RMB37.24 million, an increase of 10.24% from approximately RMB33.78 million for the same period of last year, which was mainly attributable to the provision for inventory impairment.

### Income tax expenses

For the year ended 31 December 2025, the Company's income tax expenses were approximately RMB29.01 million, an increase of 319.24% from approximately RMB6.94 million for the same period of last year, which was mainly attributable to the increase in relevant taxes as a result of the growth in revenue and profit.

### Net profit for the year

For the year ended 31 December 2025, the Company achieved a net profit attributable to shareholders of the parent company of approximately RMB272.60 million, an increase of 118.69% from approximately RMB124.66 million for the same period of last year, which was mainly because during the reporting period, the Company's growth potential was constantly unlocked following the implementation of the centralized product procurement policy, and the Company steadily advanced its international operations, forming a synergy between domestic and international operations to enable robust revenue growth; meanwhile, the Company continuously optimized operational management and resource allocation, further enhancing operational efficiency and profitability, and therefore facilitating a solid performance growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and capital resources

The Company's monetary funds increased from approximately RMB1,139.78 million as of 31 December 2024 to approximately RMB1,409.12 million as of 31 December 2025.

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		The date on which the project is ready for its intended useable condition
			31 December 2025 (RMB'000)	31 December 2025 (RMB'000)	
Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	(436,441.55)	23,558.45	December 2026
Research and development centre construction project	39.36%	420,000.00	(390,864.90)	29,135.10	December 2026
Marketing network construction project	1.87%	20,000.00	(7,170.74)	12,829.26	December 2026
Replenishment of working capital project	15.66%	167,128.29	(167,058.94)	69.35	N/A
Sub-total	100%	1,067,128.29	(1,001,536.13)	65,592.16	

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 to this matter.

This change is mainly due to the Company, taking into account the actual progress of the current proceeds-funded projects, having 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 receivable

The Company’s notes receivable decreased from approximately RMB160.05 million as of 31 December 2024 to approximately RMB4.25 million as of 31 December 2025, which was mainly attributable to the decrease in notes received.

### Inventories

The Company’s inventories decreased from approximately RMB550.84 million as of 31 December 2024 to approximately RMB535.93 million as at 31 December 2025. Inventories remained basically the same as compared with the same period of last year.

### Fixed assets and construction in progress

The Company’s fixed assets and construction in progress increased from approximately RMB467.79 million as of 31 December 2024 to approximately RMB483.48 million as of 31 December 2025, which was mainly attributable to the increase in fixed assets.

### Net current assets

The Company’s net current assets increased from approximately RMB2,293.74 million as of 31 December 2024 to approximately RMB2,432.90 million as of 31 December 2025.

## MANAGEMENT DISCUSSION AND ANALYSIS

### WORKING CAPITAL AND FINANCIAL RESOURCES

#### Cash flow analysis

As of 31 December 2025, net cash inflow generated from operating activities for the year was approximately RMB404.84 million, which was mainly attributable to the increase in sales returns of the Company; the net cash outflow generated from investment activities was approximately RMB111.70 million, which was mainly due to a year-on-year decrease in the net recoveries of financial investments in 2025; the net cash outflow generated from financing activities was approximately RMB29.51 million, which was mainly due to the payment of cash dividends during the period; and the cash and cash equivalents increased by approximately RMB263.45 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 2025, 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 2025 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 2025:

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	32,700.00	23 October 2024	27 February 2025	Internal funds	1.40% or 2.2%	339.10	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	17,200.00	28 October 2024	10 March 2025	Idle capital	1.40% or 2.2%	374.18	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,000.00	23 October 2024	27 February 2025	Internal funds	1.0% or 2.05%	10.65	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	23 October 2024	27 February 2025	Idle capital	1.30% or 2.57%	292.41	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	25,000.00	2 April 2025	9 October 2025	Idle capital	1.30% or 2.4%	150.42	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	29,000.00	2 April 2025	13 October 2025	Idle capital	1.30% or 2.5%	107.31	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	32,000.00	2 April 2025	13 October 2025	Internal funds	1.30% or 2.5%	111.78	Full Redemption
SPD Bank	Structured deposits	8,500.00	9 October 2025	31 October 2025	Idle capital	1.0% or 2.70%	175.07	Full Redemption

## MANAGEMENT DISCUSSION AND ANALYSIS

Unredeemed as of 31 December 2025:

Trustee	Name of product	Type of entrusted wealth Trustee management	Amount of entrusted wealth management (RMB'0'000)	Fair value as at 31 December 2025 (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 – Fang Zhuang Sub-branch	EUR/USD Fixed – day Observation Interval Structured Deposits	Structured deposits	21,000.00	21,033.14	5.75%	13 November 2025	18 May 2026	Idle capital	1.2% or 1.90%	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	29,000.00	29,045.76	7.94%	13 November 2025	18 May 2026	Internal funds	1.2% or 1.90%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	29,000.00	29,045.76	7.94%	13 November 2025	18 May 2026	Idle capital	1.2% or 1.90%	Undue, not redeemed at the end of the reporting period
Sub-total			79,000.00	79,124.66	21.63%					

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 enquiries, Bank of Beijing and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## Exchange rates fluctuation risks

The exchange rates fluctuation risks to which the Company is exposed primarily relates to its foreign currency monetary assets and liabilities. Please refer to the foreign currency risk and hedging measures set out in Note X(III) to the financial statements.

## 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

The Company regularly participates in domestic and international professional medical device exhibitions and industry forums to intensively showcase its core products, cutting-edge technologies and overall R&D and innovation capabilities. Through brand exposure in diverse scenarios and industry exchanges, the Company continuously builds a professional brand image, highlights core competitive advantages, steadily enhances industry visibility and solidifies its market position and influence in the medical device sector.

### 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 2025, the Group had approximately a total of 1,078 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 2025, the total salaries and related costs paid to our employees were approximately RMB165.67 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

### 2025 FINAL DIVIDEND

The Company proposes to distribute a final dividend of RMB1.5 (tax inclusive) per 10 shares to all shareholders (31 December 2024: RMB0.49 (tax inclusive) per 10 shares). As of 31 December 2025, 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 1,376,851 shares, the actual number of shares participating in the profit distribution was 382,191,649 shares, and based on this calculation, a total of RMB57,328,747.35 (tax inclusive) was proposed to be paid out as final dividend. The amount of such final dividend accounts for 21.03% of the net profit attributable to ordinary shareholders of the listed company in the consolidated statement. As the Company had distributed the dividend of RMB80,260,246.29 for the first three quarters, the total amount of cash dividend for the year shall be RMB137,588,993.64 (tax inclusive), accounting for 50.48% 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 2025. The above proposed profit distribution has been considered and approved at the 31st 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 30 June 2026 to shareholders whose names appear on the register of members of the Company as at 1 June 2026 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 May 2026. 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 20 May 2026 to 26 May 2026 (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 19 May 2026 (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 1 June 2026 to 3 June 2026 (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 29 May 2026 (being the business day before the first day of closure of the register of members of H Shares) for registration.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Shi Wenling (史文玲)**, aged 28, 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 56, 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 55, 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 AND SENIOR MANAGEMENT

**Mr. Xie Feng Bao (解鳳寶)**, aged 44, is currently an executive Director and the secretary to the Board of the Company. He has been engaged in research and development at the Company since March 2001 and holds the professional qualification of medical device engineer. He has successively served as a research and development engineer, manager of the research and development department and deputy chief engineer of the Company. Mr. Xie has been serving as an executive Director of the Company since July 2020 and has been serving as the secretary to the Board since December 2024. He is one of the principal inventors of more than 20 authorized invention patents. He has led two science and technology projects of the Beijing Municipal Science and Technology Commission, both of which have successfully passed acceptance. He was a key member of two major programs of the Ministry of Science and Technology, one of the inventors awarded the Excellence Award of the 23rd China Patent Award, and has received a number of honors, including the title of “Outstanding Science and Technology Worker” in Tongzhou District, Beijing.

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 50, 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 73, 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 AND SENIOR MANAGEMENT

**Mr. Weng Jie (翁杰)**, aged 63, 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 63, 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.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Ms. Yue Shujun (岳術俊)**, 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. Xie Feng Bao (解鳳寶)**, is an executive Director and the secretary to the Board of the Company. For further details, please see the subsection headed “Executive Directors” above.

**Mr. Shi Chunsheng (史春生)**, aged 41, 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.

**Mr. Li Xiwang (李喜旺)**, aged 41, is the deputy general manager of the Company. He joined Chunli Limited in 2004 and has successively served as a workshop worker, process technician, head of the production department, deputy director of the production department and production director of the Company. He has been serving as the deputy general manager of the Company since August 2020. He graduated from Beijing Institute of Technology with a major in business administration.

**Ms. Lu Hongyue (盧宏悅)**, aged 34, is the chief financial officer of the Company. She served as a financial officer of the Company from January 2015 to December 2022, and has been serving as the finance manager of the Company since January 2023. She holds the qualification certificate of junior accountant jointly issued by the Ministry of Human Resources and Social Security of the People’s Republic of China and the Ministry of Finance of the People’s Republic of China. She has been serving as the chief financial officer of the Company since May 2025. She graduated from North China University of Science and Technology with a major in accounting.

### COMPANY SECRETARY

**Mr. Ip Pui Sum (葉沛森)**, aged 66, 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) and Asiaray Media Group Limited (stock code: 1993) since January 1996, August 2008, April 2017 and June 2017 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 2025.

## 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 2025, the aggregated sales of the Group to the largest customer and the top five customers accounted for 16.07% (2024: 23.17%) and 40.12% (2024: 49.74%), respectively, of the total income of the Group for the year.

For the year ended 31 December 2025, the aggregated purchases of the Group from the largest supplier and the top five suppliers accounted for 23.44% (2024: 15.19%) and 49.91% (2024: 35.10%), 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 2025 and the affair of the Company and the Group as at that date are set out in the consolidated financial statements on page 57 to page 160 of this annual report.

## SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2025 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

#### 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 2025 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. During the year, the Company had repurchased 508,706 shares of the Company through the trading system of the Shanghai Stock Exchange by way of centralized bidding trading, with the highest repurchase price of RMB17.2 per share and the lowest repurchase price of RMB12.09 per share, and the payment amounting to RMB7,989,157.63 (transaction fees exclusive).

Details of the repurchase of shares are as follows:

Month	Total numbers of shares	Price per Share		Total consideration (RMB)
		Highest (RMB)	Lowest (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	13.76	1,383,924.61
October 2024	496,000	15.96	12.58	6,980,032.79
May 2025	508,706	17.20	14.99	7,989,157.63
	1,376,851			20,008,021.82

### 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 RMB1.50 per 10 shares in cash (tax inclusive) for the year ended 31 December 2025 (31 December 2024: RMB0.49 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 30 June 2026 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

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

Name	Age	Position	Appointment date
Ms. Shi Wenling	28	Executive Director and Chairman	June 2023
Mr. Shi Chunbao	56	Executive Director, chief engineer and chairman of the Strategy Committee	June 2023
Ms. Yue Shujun	55	Executive Director and deputy general manager	June 2023
Mr. Xie Feng Bao	44	Executive Director and deputy chief engineer	June 2023
Mr. Wang Xin	50	Non-executive Director	June 2023
Ms. Xu Hong	73	Independent non-executive Director	June 2024
Mr. Weng Jie	63	Independent non-executive Director	June 2023
Mr. Wong Tak Shing	63	Independent non-executive Director	June 2023

At the extraordinary general meeting held on 29 December 2025, the Company approved the abolition of the Supervisory Committee.

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 AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on page 23 to page 26 in this annual report.

### DIRECTORS' SERVICE CONTRACT

Each of the directors 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 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. At the extraordinary general meeting held on 29 December 2025, the Company approved the abolition of the Supervisory Committee.

### 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 2025.

### DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SECURITIES

As at 31 December 2025, the interests or short positions of the directors 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 C3 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	115,473,043	Beneficial owner	40.04%	30.10%
		(long position)			
	95,447,900	Interest of spouse	33.09%	24.88%	
	H shares	4,736,000	Beneficial owner	4.98%	1.23%
		(long position)			
Ms. Yue Shujun	A shares	95,447,900	Beneficial owner	33.09%	24.88%
		(long position)			
	115,473,043	Interest of spouse	40.04%	30.10%	
	H shares	4,736,000	Interest of spouse	4.98%	1.23%
		(long position)			

## Notes:

- 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 2025.
- The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 31 December 2025.

Saved as disclosed above, as at 31 December 2025, none of the directors 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 2025, 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	115,473,043	Beneficial owner	40.04%	30.10%
		(long position)			
	95,447,900	Interest of spouse	33.09%	24.88%	
	H shares	4,736,000	Beneficial owner	4.98%	1.23%
		(long position)			
Ms. Yue Shujun	A shares	95,447,900	Beneficial owner	33.09%	24.88%
		(long position)			
	115,473,043	Interest of spouse	40.04%	30.10%	
	H shares	4,736,000	Interest of spouse	4.98%	1.23%
		(long position)			
Panmao (Shanghai) Equity Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合夥))	A shares	17,250,000	Beneficial owner	5.98%	4.50%
		(long position)			
Taiping Assets Management (HK) Company Limited	H shares	5,743,000	Investment manager	6.04%	1.50%
		(long position)			
Taiping Trustees Limited	H shares	5,743,000	Trustee	6.04%	1.50%
		(long position)			

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 2025, respectively.
2. The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, 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.

## REPORT OF THE DIRECTORS

### 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 2025 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 (whether made by the Company or otherwise) or any directors 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' 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 of the Company or an entity connected with a director 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 was 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

During the year, the Group donated RMB560,400 to funds supporting education, medical assistance and scientific research and development, and donated flood control and disaster relief supplies valued at RMB44,300 to disaster-affected areas.

### 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 to review 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	8
Non-directors	9
<b>Total</b>	<b>17</b>
Range of emoluments (RMB)	
0-1,000,000.00	15
1,000,001-1,500,000	2
<b>Total</b>	<b>17</b>

## 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	1,650,824.00
Discretionary bonus	3,257,904.40
Contributions to pension scheme	136,959.90
Incentives to absorb high paid individuals	—
Compensation for dismissal	—
<b>Total</b>	<b>5,045,688.30</b>

The five highest paid employees of the Company for the year include two Directors, their emoluments are reflected in note XVI Emoluments of directors and supervisors to the consolidated financial statements. The emoluments paid to the above three employees ranging from RMB Nil to RMB1,000,000.00, and two employees ranging from RMB1,000,001.00 to RMB1,500,000.00 for the period.

For the year ended 31 December 2025, 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 2025.

## 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 employees 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 2025.

### SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2025, 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 2025.

### AUDITOR

The consolidated financial statements for the year ended 31 December 2025 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, 30 March 2026

# 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

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. Xu Hong	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 23 to 25 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 2025, the Board of Directors held 9 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	9/9	100%
Ms. Yue Shujun	Executive Director	9/9	100%
Ms. Shi Wenling	Executive Director, Chairman	9/9	100%
Mr. Xie Feng Bao	Executive Director	9/9	100%
Mr. Wang Xin	Non-executive Director	9/9	100%
Ms. Xu Hong	Independent non-executive Director	9/9	100%
Mr. Weng Jie	Independent non-executive Director	9/9	100%
Mr. Wong Tak Shing	Independent non-executive Director	9/9	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 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 Ms. 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 93 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.

### 1.6 Board Diversity Policy

The Board of Directors adopted the Board Diversity Policy on 14 February 2015 and amended it from time to time as appropriate. 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 59% male and approximately 41% 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
<b>Executive Directors</b>	
Mr. Shi Chunbao	✓
Ms. Yue Shujun	✓
Ms. Shi Wenling	✓
Mr. Xie Feng Bao	✓
<b>Non-Executive Director</b>	
Mr. Wang Xin	✓
<b>Independent Non-Executive Directors</b>	
Ms. Xu Hong	✓
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. Xu Hong (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 2025 the Audit Committee held five meetings, the details of which are as follows:

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Ms. Xu Hong ( <i>Chairman</i> )	Independent non-executive Director	5/5	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 Audit Committee considered the following resolutions:

1. Reviewed and approved the Resolution on the Report on the Performance of the Audit Committee of the Board for the Year 2024;
2. Reviewed and approved the Resolution on the Evaluation Report of the Audit Committee on the Performance of the Accounting Firm;
3. Reviewed and approved the Resolution on the Company's Profit Distribution Plan for the Year 2024;
4. Reviewed and approved the Resolution on the Granting of a General Mandate to the Board to Repurchase H Shares;
5. Reviewed and approved the Resolution on the 2024 Internal Control Assessment Report;
6. Reviewed and approved the Resolution on the 2024 Special Report on the Deposit and Actual Use of Funds Raised;
7. Reviewed and approved the Resolution on the Proposal of Projected Day-to-day Related Party Transactions for 2025;
8. Reviewed and approved the Resolution on the Company's Annual Report for the Year 2024 and Its Summary;
9. Reviewed and approved the Resolution on the Company's Financial Report for the Year 2024;

## CORPORATE GOVERNANCE REPORT

10. Reviewed and approved the Resolution on the Company's 2025 First Quarterly Report;
11. Reviewed and approved the Resolution on the Appointment of the Chief Financial Officer;
12. Reviewed and approved the Resolution on the Re-appointment of the Company's Auditors (Domestic and Overseas) and Internal Control Auditors for the Year 2025;
13. Reviewed and approved the Resolution on the Company's 2025 Interim Report and Its Summary;
14. Reviewed and approved the Resolution on the Company's 2025 Half Year Special Report on the Deposit and Actual Use of Funds Raised;
15. Reviewed and approved the Resolution on Using a Portion of Idle Funds Raised and Self-generated Funds for Cash Management;
16. Reviewed and approved the Resolution on the Provision for Asset Impairment for the First Half of 2025;
17. Reviewed and approved the Resolution on the Company's 2025 Third Quarterly Report;
18. Reviewed and approved the Resolution on the Provision for Asset Impairment for the First Three Quarters of 2025;
19. Reviewed and approved the Resolution on the Profit Distribution Plan for the First Three Quarters of 2025.

### 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 2025, the meeting of the Nomination Committee is set out below:

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Ms. Xu Hong ( <i>Chairman</i> )	Independent non-executive Director	1/1	100%
Ms. Yue Shujun	Executive Director	1/1	100%
Mr. Weng Jie	Independent non-executive Director	1/1	100%

During the year, the Nomination Committee considered the following resolution:

1. Reviewed and approved the Resolution on the Appointment of the Chief Financial Officer

## CORPORATE GOVERNANCE REPORT

## 2.3 Remuneration Committee

The Remuneration Committee consists of three Directors including Mr. Weng Jie (independent non- executive Director), Ms. 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 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 2025, the meeting of the Remuneration Committee is set out below:

Name	Position	Meetings	
		attended/meetings to be attended	Attendance rate
Mr. Weng Jie ( <i>Chairman</i> )	Independent non-executive Director	1/1	100%
Ms. Shi Wenling	Executive Director, Chairman	1/1	100%
Ms. Xu Hong	Independent non-executive Director	1/1	100%

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.

During the year, the Remuneration Committee considered the following resolutions:

1. Reviewed and approved the Resolution on the Remunerations of the Directors of the Company for the Year 2025
2. Reviewed and approved the Resolution on the Remunerations of the Senior Management of the Company for the Year 2025

## 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 2025, the meetings of the Strategy Committee are set out below:

Name	Position	Meetings attended/meetings to be attended	Attendance rate
Mr. Shi Chunbao ( <i>Chairman</i> )	Executive Director	2/2	100%
Ms. Shi Wenling	Executive Director, Chairman	2/2	100%
Mr. Xie Feng Bao	Executive Director	2/2	100%
Mr. Wang Xin	Non-executive Director	2/2	100%

During the year, the Strategy Committee considered the following resolutions:

1. Reviewed and approved the Resolution on the Granting of a General Mandate to the Board to Repurchase the H Shares of the Company
2. Reviewed and approved the Resolution on the Action Plan for the 2025 "Improving Quality, Enhancing Efficiency and Prioritizing Returns" Initiative

## 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 2025.

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 "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 C3 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 2025.

#### 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
<b>Total</b>	<b>1,250</b>

During the year ended 31 December 2025, 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)
26 June 2025	2024 Annual General Meeting	1	Resolution on the Company's Annual Report for the Year 2024 and Its Summary
7 July 2025	2025 First A Shareholders' Class Meeting	2	Resolution on the Company's Profit Distribution Plan for the Year 2024
	2025 First H Shareholders' Class Meeting	3	Resolution on the Report of the Board of Directors for the Year 2024
		4	Resolution on the Company's Financial Report for the Year 2024
		5	Resolution on the Remunerations of the Directors of the Company for the Year 2025
		6	Resolution on the Granting of a General Mandate to the Board to Repurchase the H Shares of the Company
		7	Resolution on the Company's Remuneration of the Supervisors for the Year 2025
		8	Resolution on the Report of the Board of Supervisors for the Year 2024
		9	Resolution on the Announcement of the Shareholders' Dividend Return Plan of the Company for the Next Three Years (2024–2026)
		10	Resolution on Re-appointment of the Company's Auditors (Domestic and Overseas) and Internal Control Auditors for 2025
		1	Resolution on the Granting of a General Mandate to the Board to Repurchase the H Shares
		1	Resolution on the Granting of a General Mandate to the Board to Repurchase the H Shares
19 November 2025	2025 First Extraordinary General Meeting	1	Resolution on the Abolition of the Board of Supervisors and the Amendments to the Articles of Association, the Rules of Procedures of the General Meetings and the Rules of Procedures of the Board Meetings
3 December 2025	2025 Second A Shareholders' Class Meeting	2	Resolution on the Amendments to the Working System for Independent Directors
	2025 Second H Shareholders' Class Meeting	3	Resolution on the Amendments to the Management Measures for Use of Proceeds
		4	Resolution on the Company's Profit Distribution Plan for the First Three Quarters of 2025
		1	Resolution on the Abolition of the Board of Supervisors and the Amendments to the Articles of Association, the Rules of Procedures of the General Meetings and the Rules of Procedures of the Board Meetings
		1	Resolution on the Abolition of the Board of Supervisors and the Amendments to the Articles of Association, the Rules of Procedures of the General Meetings and the Rules of Procedures of the Board Meetings
29 December 2025	2025 Second Extraordinary General Meeting	1	Resolution on the Abolition of the Board of Supervisors and the Amendments to the Articles of Association
		2	Resolution on the Amendments to the Rules of Procedures of the General Meetings
		3	Resolution on the Amendments to the Rules of Procedures of the Board Meetings

## CORPORATE GOVERNANCE REPORT

## 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%
Mr. Weng Jie	Independent non-executive Director	3/3	100%
Mr. Wong Tak Shing	Independent non-executive Director	3/3	100%
Ms. Xu Hong	Independent non-executive Director	3/3	100%

## 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 21 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 audit committee, shareholders severally or jointly holding more than 1% of the total number of shares shall have the right to propose resolutions.

When the Company convenes a general meeting, shareholders severally or jointly holding more than 1% of the total number of shares may propose extraordinary resolutions and submit it in writing to the convener no later than 10 days prior to the date of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days after receiving the resolutions and make public announcement to publish the content of the extraordinary resolutions, and submit the same to the general meeting for consideration, provided that the extraordinary resolutions may not violate laws, administrative regulations or the provisions of the Articles of Association, or fall within the scope of functions and powers the general meeting.

Except for the circumstances prescribed in the preceding paragraph, the convener, after issuing the announcement of the general meeting notice, shall not modify the resolutions that have already been set out in the notice of the general meeting or include any new resolutions.

The contents of a proposal shall be within the scope of the Company's operation as well as the terms of reference of the general meeting, and have definite agenda and specific matters for resolution, and shall comply with the relevant provisions of the laws, administrative regulations and the Articles of Association.

## CORPORATE GOVERNANCE REPORT

### 9.2 Shareholders' Right to Requisition a Meeting

Shareholders, independent directors or the audit committee requisitioning an extraordinary general meeting or class meeting of shareholders shall abide by the following procedures:

- (I) The shareholders severally or jointly holding 10% or more of the shares carrying the right to vote at the meeting (excluding treasury shares) sought to be held or the audit committee or more than half of the independent directors shall, by signing one or more counterpart requisition in writing stating the object of the meeting, require the Board to (1) convene an extraordinary general meeting or a class meeting; and (2) to include any proposed resolutions in the agenda of the meeting. The Board shall give the feedbacks in writing on whether to convene the extraordinary general meeting or the class meeting or not within 10 days 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.
- (II) If the Board of Directors agrees to convene the extraordinary general meeting or the class meeting, it shall serve a notice of general meeting or class meeting within 5 days after the resolution is made by the Board of Directors. In the event of any change to the original proposal set forth in the notice, the consent of the original proposer shall be obtained.
- (III) If the Board does not agree to the proposals to convene the extraordinary general meeting or the class meeting, or serves no feedback within 10 days upon receipt of such proposals, the shareholders individually or jointly holding 10% or more of shares carrying voting rights at the meeting intended to be held have the right to propose to the audit committee to convene an extraordinary general meeting or class meeting and shall request the audit committee in writing.
- (IV) If the audit committee agrees to convene the extraordinary general meeting or class meeting, it shall serve a notice of general meeting or class meeting within 5 days after receipt of the request. In the event of any change to the original proposal set forth in the notice, the consent of the original proposer shall be obtained.
- (V) If the audit committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed that the audit committee does not convene and preside over the meeting, in which case, the shareholders individually or jointly holding more than 10% of shares for over 90 consecutive days may themselves convene and preside over such a meeting with the procedures as similar as possible as that in which general meetings are to be convened by the Board. The shareholding of the convening shareholder(s) shall not below 10% before the announcement of the resolutions of general meeting.

With regard to the general meeting convened by the audit committee or shareholders on their own, a written notice shall be issued to the Board of Directors and filed with the stock exchange, and the Board of Directors and its secretary shall offer cooperation. The Board of Directors shall provide a register as of the shareholding registration date.

The audit committee or the convening shareholders shall, upon issuing the notice of the general meeting and the announcement of the resolutions of the general meeting, submit relevant supporting documents to the stock exchange.

## CORPORATE GOVERNANCE REPORT

### 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.

## 10. ARTICLES OF ASSOCIATION AND AMENDMENTS

On 29 December 2025, the Company held the 2025 Second Extraordinary General Meeting, at which the resolution regarding the abolition of the Supervisory Committee and the amendments to the Articles of Association was considered and approved.

## 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 2025, 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.

## 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.

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/department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

During the year, the Company reviewed its regulatory compliance risks and identified certain instances of non-compliance, including disclosure items in the annual report with room for supplementation and failure to publish announcements relating to notices of Board meetings in a timely manner. In response, the Company has strengthened its internal review process by introducing additional reviews and providing targeted training to relevant departments, in order to rectify compliance deviations arising from deficiencies in internal control. The Board confirms that the risk management and internal control systems of the Company were effective in all material respects for the year ended 31 December 2025.

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 2025, 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.

# AUDITOR'S REPORT



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WUYIGE shenzi [2026] 3-00243

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 2025, 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 2025, 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 2025, and of its consolidated and parent company’s operating results and cash flows in 2025 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 and Independence Standard 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. We have complied with the independence requirements applicable to audits of financial statements of public interest entities in our auditing. 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 RMB1,045,766,405.34 in 2025, representing a year-on-year increase of 29.77%. 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.

## 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 complies 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 2025, the balance of the Company's receivables was RMB289,530,327.48, and as of 31 December 2025, the balance of bad debt provision for the receivables of the Company was RMB64,073,768.60.

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.

## AUDITOR'S REPORT

**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 2025, the balance of inventories of the Company was RMB599,994,361.16, and the provision for declines in the value of inventories of the Company was RMB64,068,901.77 as of 31 December 2025.

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;
- (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.

## AUDITOR'S REPORT

### 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 2025 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.

## 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.

# CONSOLIDATED BALANCE SHEET

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

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary funds	V.(I)	<b>1,409,120,983.52</b>	1,139,778,517.24
Held-for-trading financial assets	V.(II)	<b>811,246,684.93</b>	745,797,775.34
Derivative financial assets			
Notes receivables	V.(III)	<b>4,253,186.08</b>	160,052,600.00
Accounts receivable	V.(IV)	<b>225,456,558.88</b>	218,658,632.35
Accounts receivable financing			
Prepayment	V.(V)	<b>4,851,870.27</b>	2,993,330.49
Other receivables	V.(VI)	<b>222,608.48</b>	177,919.45
Including: Interests receivable			
Dividends receivable			
Inventories	V.(VII)	<b>535,925,459.39</b>	550,842,677.89
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V.(VIII)	<b>20,422,698.85</b>	22,179,673.24
<b>Total current assets</b>		<b>3,011,500,050.40</b>	2,840,481,126.00
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets	V.(IX)	<b>354,149,308.67</b>	311,008,174.74
Construction in progress	V.(X)	<b>129,329,592.01</b>	156,777,773.93
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V.(XI)	<b>3,840,500.22</b>	1,017,028.37
Intangible assets	V.(XII)	<b>119,787,805.08</b>	127,569,991.24
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill	V.(XIII)		
Long-term prepayments			
Deferred income tax assets	V.(XIV)	<b>30,336,378.81</b>	26,113,029.08
Other non-current assets	V.(XV)	<b>12,191,225.94</b>	2,767,859.62
<b>Total non-current assets</b>		<b>649,634,810.73</b>	625,253,856.98
<b>Total assets</b>		<b>3,661,134,861.13</b>	3,465,734,982.98

**CONSOLIDATED BALANCE SHEET**

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

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V.(XVII)	<b>160,772,940.21</b>	227,845,174.60
Advances received			
Contract liabilities	V.(XVIII)	<b>82,166,218.34</b>	128,563,190.58
Employee remuneration payable	V.(XIX)	<b>68,607,725.23</b>	52,272,626.41
Taxes payable	V.(XX)	<b>26,060,319.15</b>	6,656,073.81
Other payables	V.(XXI)	<b>181,961,490.77</b>	69,459,231.16
Including: Interests payable			
Dividends payable		<b>80,260,246.29</b>	
Liabilities held-for-sale			
Non-current liabilities due within one year	V.(XXII)	<b>2,677,095.45</b>	682,121.00
Other current liabilities	V.(XXIII)	<b>56,357,165.80</b>	61,266,897.36
<b>Total current liabilities</b>		<b>578,602,954.95</b>	546,745,314.92
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V.(XXIV)	<b>598,047.04</b>	184,315.07
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains	V.(XXV)	<b>82,494,938.18</b>	86,749,559.54
Deferred income tax liabilities	V.(XIV)	<b>12,446,459.51</b>	10,711,656.65
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>95,539,444.73</b>	97,645,531.26
<b>Total liabilities</b>		<b>674,142,399.68</b>	644,390,846.18

## CONSOLIDATED BALANCE SHEET

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

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Shareholders' equity:</b>			
Share capital	V.(XXVI)	<b>383,568,500.00</b>	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.(XXVII)	<b>1,044,799,419.83</b>	1,044,799,419.83
Less: Treasury shares	V.(XXVIII)	<b>20,008,021.82</b>	12,018,864.19
Other comprehensive income			
Specific reserve			
Surplus reserve	V.(XXIX)	<b>225,066,727.32</b>	195,115,661.94
Undistributed profits	V.(XXX)	<b>1,352,041,210.82</b>	1,208,437,565.70
<b>Total interests attributable to shareholders of the parent company</b>		<b>2,985,467,836.15</b>	2,819,902,283.28
<b>Minority interests</b>		<b>1,524,625.30</b>	1,441,853.52
Total shareholders' equity		<b>2,986,992,461.45</b>	2,821,344,136.80
<b>Total liabilities and shareholders' equity</b>		<b>3,661,134,861.13</b>	3,465,734,982.98

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.

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary funds		<b>1,397,600,534.22</b>	1,125,903,358.38
Held-for-trading financial assets		<b>811,246,684.93</b>	745,797,775.34
Derivative financial assets			
Notes receivables		<b>3,414,865.08</b>	160,052,600.00
Accounts receivable	XVII.(I)	<b>246,203,911.42</b>	231,372,813.91
Accounts receivable financing			
Prepayment		<b>4,585,560.99</b>	2,881,611.25
Other receivables	XVII.(II)	<b>15,334,436.60</b>	13,923,769.78
Including: Interests receivable			
Dividends receivable			
Inventories		<b>523,704,385.51</b>	540,109,911.42
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		<b>18,905,708.49</b>	20,261,403.51
<b>Total current assets</b>		<b>3,020,996,087.24</b>	2,840,303,243.59
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII.(III)	<b>40,715,263.00</b>	33,715,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		<b>321,820,207.37</b>	286,993,290.76
Construction in progress		<b>126,626,839.71</b>	155,579,101.37
Productive biological assets			
Oil & gas assets			
Right-of-use assets		<b>3,669,453.13</b>	709,143.60
Intangible assets		<b>119,467,459.31</b>	127,171,909.59
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill			
Long-term prepayments			
Deferred income tax assets		<b>28,911,069.97</b>	24,409,040.22
Other non-current assets		<b>11,713,215.14</b>	785,948.12
<b>Total non-current assets</b>		<b>652,923,507.63</b>	629,363,696.66
<b>Total assets</b>		<b>3,673,919,594.87</b>	3,469,666,940.25

## PARENT COMPANY'S BALANCE SHEET

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

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		<b>175,562,503.57</b>	263,683,152.53
Advances received			
Contract liabilities		<b>78,765,871.54</b>	123,134,062.85
Employee remuneration payable		<b>64,031,887.43</b>	48,146,738.25
Taxes payable		<b>25,375,305.73</b>	5,600,922.19
Other payables		<b>247,037,995.15</b>	136,442,400.52
Including: Interests payable			
Dividends payable		<b>80,260,246.29</b>	
Liabilities held-for-sale			
Non-current liabilities due within one year		<b>2,536,956.23</b>	546,781.21
Other current liabilities		<b>53,992,418.88</b>	58,039,357.62
<b>Total current liabilities</b>		<b>647,302,938.53</b>	635,593,415.17
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		<b>553,871.15</b>	
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains		<b>15,931,719.74</b>	18,226,121.54
Deferred income tax liabilities		<b>12,368,959.51</b>	10,619,156.65
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>28,854,550.40</b>	28,845,278.19
<b>Total liabilities</b>		<b>676,157,488.93</b>	664,438,693.36

**PARENT COMPANY'S BALANCE SHEET**

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

As at 31 December 2025

(Expressed in RMB)

Item	Notes	Closing balance	Opening balance
<b>Shareholders' equity:</b>			
Share capital		<b>383,568,500.00</b>	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		<b>1,044,799,419.83</b>	1,044,799,419.83
Less: Treasury shares		<b>20,008,021.82</b>	12,018,864.19
Other comprehensive income			
Specific reserve			
Surplus reserve		<b>225,066,727.32</b>	195,115,661.94
Undistributed profits		<b>1,364,335,480.61</b>	1,193,763,529.31
<b>Total shareholders' equity</b>		<b>2,997,762,105.94</b>	2,805,228,246.89
<b>Total liabilities and shareholders' equity</b>		<b>3,673,919,594.87</b>	3,469,666,940.25

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 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>I. Revenue</b>	V.(XXXI)	<b>1,045,766,405.34</b>	805,857,022.19
Less: Operating costs	V.(XXXI)	<b>355,128,323.72</b>	268,952,851.12
Taxes and surcharge	V.(XXXII)	<b>10,178,302.28</b>	7,723,578.58
Selling expenses	V.(XXXIII)	<b>198,182,667.23</b>	240,247,102.81
Administrative expenses	V.(XXXIV)	<b>52,257,644.14</b>	45,290,473.71
Research and development expenses	V.(XXXV)	<b>118,503,200.20</b>	133,096,848.59
Financial expenses	V.(XXXVI)	<b>-11,396,352.36</b>	-17,067,794.63
Including: Interest expenses		<b>39,150.21</b>	44,939.07
Interest proceeds		<b>15,278,391.56</b>	16,309,711.03
Add: Other gains	V.(XXXVII)	<b>11,210,787.30</b>	20,609,609.96
Investment income (losses will be shown with “-” sign)	V.(XXXVIII)	<b>6,315,413.45</b>	10,980,482.17
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)	<b>8,742,663.00</b>	9,434,830.14
Impairment loss of credit (losses will be shown with “-” sign)	V.(XL)	<b>-9,700,984.89</b>	-4,186,610.52
Impairment loss of assets (losses will be shown with “-” sign)	V.(XLI)	<b>-37,239,267.09</b>	-33,776,793.41
Gains (losses will be shown with “-” sign) on disposal of assets	V.(XLII)	<b>3,848.03</b>	39,213.61
<b>II. Operating profit (losses will be shown with “-” sign)</b>		<b>302,245,079.93</b>	130,714,693.96
Add: Non-operating income	V.(XLIII)	<b>204,535.55</b>	987,389.36
Less: Non-operating expenses	V.(XLIV)	<b>737,901.89</b>	102,914.25
<b>III. Total profit (total losses will be shown with “-” sign)</b>		<b>301,711,713.59</b>	131,599,169.07
Less: Income tax expenses	V.(XLV)	<b>29,086,594.22</b>	6,937,885.57
<b>IV. Net profit (net losses will be shown with “-” sign)</b>		<b>272,625,119.37</b>	124,661,283.50
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (net losses will be shown with “-” sign)		<b>272,625,119.37</b>	124,661,283.50
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)		<b>272,542,347.59</b>	124,988,009.59
2. Minority profit or loss (net losses will be shown with “-” sign)		<b>82,771.78</b>	-326,726.09

**CONSOLIDATED INCOME STATEMENT**

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

For the year 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>V. Net other comprehensive income after tax</b>			
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company			
(II) Net other comprehensive income after tax attributable to minority shareholders			
<b>VI. Total comprehensive income</b>		<b>272,625,119.37</b>	124,661,283.50
(I) Total comprehensive income attributable to the shareholders of the parent company		<b>272,542,347.59</b>	124,988,009.59
(II) Total comprehensive income attributable to minority shareholders		<b>82,771.78</b>	-326,726.09
<b>VII. Earnings per share</b>			
(I) Basic earnings per share		<b>0.71</b>	0.33
(II) Diluted earnings per share		<b>0.71</b>	0.33

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 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>I. Revenue</b>	XVII.(IV)	<b>1,060,196,351.83</b>	818,735,071.62
Less: Operating costs	XVII.(IV)	<b>392,482,145.84</b>	306,561,194.40
Taxes and surcharge		<b>9,905,870.02</b>	7,292,565.64
Selling expenses		<b>196,861,582.71</b>	233,543,594.51
Administrative expenses		<b>49,608,435.68</b>	41,795,396.48
Research and development expenses		<b>115,096,728.39</b>	126,651,894.84
Financial expenses		<b>-11,489,033.57</b>	-17,055,629.57
Including: Interest expenses		<b>30,981.43</b>	36,537.14
Interest proceeds		<b>15,270,283.19</b>	16,276,329.78
Add: Other gains		<b>8,617,535.54</b>	18,654,412.50
Investment income (losses will be shown with “-” sign)	XVII.(V)	<b>46,315,413.45</b>	10,980,482.17
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		<b>8,742,663.00</b>	9,434,830.14
Impairment loss of credit (losses will be shown with “-” sign)		<b>-5,904,524.07</b>	192,782.98
Impairment loss of assets (losses will be shown with “-” sign)		<b>-37,239,156.47</b>	-19,929,341.87
Gains (losses will be shown with “-” sign) on disposal of assets		<b>3,848.03</b>	39,213.61
<b>II. Operating profit (losses will be shown with “-” sign)</b>		<b>328,266,402.24</b>	139,318,434.85
Add: Non-operating income		<b>202,159.49</b>	869,059.09
Less: Non-operating expenses		<b>635,115.14</b>	102,914.25
<b>III. Total profit (total losses will be shown with “-” sign)</b>		<b>327,833,446.59</b>	140,084,579.69
Less: Income tax expenses		<b>28,322,792.82</b>	4,787,212.87
<b>IV. Net profit (net losses will be shown with “-” sign)</b>		<b>299,510,653.77</b>	135,297,366.82
(I) Net profit for continuing operation (net losses will be shown with “-” sign)		<b>299,510,653.77</b>	135,297,366.82
(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 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>V. Net other comprehensive income after tax</b>			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income to be reclassified to profit or loss			
<b>VI. Total comprehensive income</b>		<b>299,510,653.77</b>	135,297,366.82
<b>VII. Earnings per share</b>			
(I) Basic earnings per share		<b>0.78</b>	0.35
(II) Diluted earnings per share		<b>0.78</b>	0.35

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 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services		<b>1,162,512,413.23</b>	898,017,108.57
Receipts of tax refund		<b>2,825,763.95</b>	12,079,193.04
Other cash receipts related to operating activities	V.(XLVI)	<b>52,637,106.33</b>	44,382,434.75
Subtotal of cash inflow from operating activities		<b>1,217,975,283.51</b>	954,478,736.36
Cash payments for goods purchased and services received		<b>375,083,907.55</b>	357,543,776.96
Cash paid to and on behalf of employees		<b>187,210,571.05</b>	246,954,981.06
Taxes paid		<b>47,771,951.17</b>	75,353,479.95
Other cash payments related to operating activities	V.(XLVI)	<b>203,068,928.66</b>	276,526,049.32
Subtotal of cash outflow from operating activities		<b>813,135,358.43</b>	956,378,287.29
Net cash flows from operating activities		<b>404,839,925.08</b>	-1,899,550.93
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments		<b>1,689,000,000.00</b>	2,330,000,000.00
Cash received from return on investments		<b>15,609,166.86</b>	20,636,632.87
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>23,000.00</b>	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		<b>1,704,632,166.86</b>	2,350,657,632.87
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>59,127,974.35</b>	49,171,760.26
Cash payments for investments		<b>1,755,000,000.00</b>	2,244,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units		<b>2,200,000.00</b>	1,650,000.00
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		<b>1,816,327,974.35</b>	2,294,821,760.26
Net cash flows from investing activities		<b>-111,695,807.49</b>	55,835,872.61

**CONSOLIDATED CASH FLOW STATEMENT**

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

For the year 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investments			
Including: Cash received by subsidiaries from non-controlling shareholders' investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		<b>18,727,390.80</b>	170,533,715.46
Including: Cash paid for distribution of dividends and profits by subsidiaries to minority shareholders	V.(XLVI)	<b>10,787,049.43</b>	12,605,553.29
<hr/>			
Subtotal of cash outflow from financing activities		<b>29,514,440.23</b>	183,139,268.75
<hr/>			
Net cash flows from financing activities		<b>-29,514,440.23</b>	-183,139,268.75
<hr/>			
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-174,841.04</b>	2,207,522.06
<hr/>			
<b>V. Net increase in cash and cash equivalents</b>		<b>263,454,836.32</b>	-126,995,425.01
Add: Opening balance of cash and cash equivalents		<b>1,139,017,650.66</b>	1,266,013,075.67
<hr/>			
<b>VI. Closing balance of cash and cash equivalents</b>		<b>1,402,472,486.98</b>	1,139,017,650.66

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 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services		<b>1,178,229,996.13</b>	886,028,683.44
Receipts of tax refund		<b>2,825,763.95</b>	12,079,193.04
Other cash receipts related to operating activities		<b>52,370,969.15</b>	71,744,029.94
Subtotal of cash inflow from operating activities		<b>1,233,426,729.23</b>	969,851,906.42
Cash payments for goods purchased and services received		<b>457,189,064.24</b>	410,417,247.13
Cash paid to and on behalf of employees		<b>166,335,743.20</b>	224,363,901.84
Taxes paid		<b>43,777,445.09</b>	68,582,403.79
Other cash payments related to operating activities		<b>205,463,247.90</b>	274,698,028.16
Subtotal of cash outflow from operating activities		<b>872,765,500.43</b>	978,061,580.92
Net cash flows from operating activities		<b>360,661,228.80</b>	-8,209,674.50
<b>II. Cash flows from investing activities:</b>			
Cash received from disinvestments		<b>1,689,000,000.00</b>	2,330,000,000.00
Cash received from return on investments		<b>55,609,166.86</b>	20,636,632.87
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>23,000.00</b>	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		<b>1,744,632,166.86</b>	2,350,657,632.87
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>45,745,252.51</b>	36,649,878.87
Cash payments for investments		<b>1,764,200,000.00</b>	2,247,650,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		<b>1,809,945,252.51</b>	2,284,299,878.87
Net cash flows from investing activities		<b>-65,313,085.65</b>	66,357,754.00

## PARENT COMPANY'S CASH FLOW STATEMENT

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

For the year 2025

(Expressed in RMB)

Item	Notes	Amount for current period	Amount for previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		<b>18,727,390.80</b>	170,533,715.46
Other cash payments related to financing activities		<b>10,636,365.43</b>	12,573,264.19
<hr/>			
Subtotal of cash outflow from financing activities		<b>29,363,756.23</b>	183,106,979.65
<hr/>			
Net cash flows from financing activities		<b>-29,363,756.23</b>	-183,106,979.65
<hr/>			
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-174,841.04</b>	2,207,522.06
<hr/>			
<b>V. Net increase in cash and cash equivalents</b>		<b>265,809,545.88</b>	-122,751,378.09
Add: Opening balance of cash and cash equivalents		<b>1,125,142,491.80</b>	1,247,893,869.89
<hr/>			
<b>VI. Closing balance of cash and cash equivalents</b>		<b>1,390,952,037.68</b>	1,125,142,491.80

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 2025

(Expressed in RMB)

Item	Current period												Total equity
	Other equity instruments				Equity attributable to parent company								
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal	Minority interest	
<b>I. Balance at the end of prior year</b>	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
Add: Changes of accounting policies													
Error correction of prior period													
Others													
<b>II. Balance at the beginning of current year</b>	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
<b>III. Amount of current period increase or decrease (decreases will be shown with "-" sign)</b>						7,989,157.63			29,951,065.38	143,603,645.12	165,565,552.87	82,771.78	165,648,324.65
(I) Total comprehensive income										272,542,347.59	272,542,347.59	82,771.78	272,625,119.37
(II) Capital contributed and withdrawn by shareholders						7,989,157.63					-7,989,157.63		-7,989,157.63
1. Ordinary shares contributed by shareholders						7,989,157.63					-7,989,157.63		-7,989,157.63
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution									29,951,065.38	-128,938,702.47	-98,987,637.09		-98,987,637.09
1. Appropriation of surplus reserve									29,951,065.38	-29,951,065.38			
2. Distribution to shareholders										-98,987,637.09	-98,987,637.09		-98,987,637.09
3. Others													
(IV) Internal carry-over within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Surplus reserve to cover losses													
4. Transfer of changes in balance of the defined benefit plans to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
<b>IV. Balance at the end of current period</b>	383,568,500.00				1,044,799,419.83	20,008,021.82			225,066,727.32	1,352,041,210.82	2,985,467,836.15	1,524,625.30	2,986,992,461.45

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 2025

(Expressed in RMB)

Item	Equity attributable to parent company											Minority interest	Total equity	
	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										
<b>I. Balance at the end of prior year</b>	333,568,500.00				1,044,799,419.83					161,585,925.26	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														
<b>II. Balance at the beginning of current year</b>	333,568,500.00				1,044,799,419.83					161,585,925.26	1,267,513,008.25	2,877,466,853.34	1,768,579.61	2,879,235,432.95
<b>III. Amount of current period increase or decrease (decreases will be shown with "-" sign)</b>						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														
<b>IV. Balance at the end of current period</b>	333,568,500.00				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	2,821,344,136.60

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 2025

(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	12,018,864.19			195,115,661.94	1,193,763,529.31	2,805,228,246.89
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	12,018,864.19			195,115,661.94	1,193,763,529.31	2,805,228,246.89
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)						7,989,157.63			29,951,065.38	170,571,951.30	192,533,659.05
(I) Total comprehensive income										299,510,653.77	299,510,653.77
(II) Capital contributed and withdrawn by shareholders						7,989,157.63					-7,989,157.63
1. Ordinary shares contributed by shareholders						7,989,157.63					-7,989,157.63
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution									29,951,065.38	-128,938,702.47	-98,987,637.09
1. Appropriation of surplus reserve									29,951,065.38	-29,951,065.38	
2. Distribution to shareholders										-98,987,637.09	-98,987,637.09
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	20,008,021.82			225,066,727.32	1,364,335,480.61	2,997,762,105.94

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 2025

(Expressed in RMB)

Item	Other equity instruments				Previous period						
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
<b>I. Balance at the end of prior year</b>	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											
<b>II. Balance at the beginning of current year</b>	383,568,500.00			1,044,799,419.83					181,585,925.26	1,242,529,614.63	2,852,483,459.72
<b>III. Amount of current period increase or decrease (decreases will be shown with "-" sign)</b>					12,018,864.19				13,529,736.68	-48,766,065.32	-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											
<b>IV. Balance at the end of current period</b>	383,568,500.00			1,044,799,419.83	12,018,864.19				195,115,661.94	1,193,763,529.31	2,805,228,246.89

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.

This financial report is authorised for issuance by the Board of the Company on 30 March 2026.

## 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 2025, its results of operations and cash flows in 2025.

#### (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 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 utilizes 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.

## 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

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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (XXVI) Lease (Continued)

**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.

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

**1. Changes in Critical Accounting Policies**

There is no change in critical accounting policies of the Company for the current period.

**2. Changes in Critical Accounting Estimates**

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

## NOTES TO FINANCIAL STATEMENTS

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

### 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%

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.* (舒捷醫療科技(蘇州)有限公司)	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	<b>182,453.27</b>	237,985.81
Cash in bank	<b>1,408,250,773.88</b>	1,139,184,943.85
Other monetary funds	<b>687,756.37</b>	355,587.58
<b>Total</b>	<b>1,409,120,983.52</b>	1,139,778,517.24
Including: The total amount deposited overseas	<b>3,678,612.13</b>	8,166,945.85

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	<b>811,246,684.93</b>	745,797,775.34	Judgement by management
Including: Wealth management products	<b>791,246,684.93</b>	745,797,775.34	Judgement by management
Investments in equity instruments	<b>20,000,000.00</b>		Judgement by management
<b>Total</b>	<b>811,246,684.93</b>	745,797,775.34	

## 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	4,253,186.08	160,000,000.00
Commercial acceptance bills		52,600.00
Sub-total	4,253,186.08	160,052,600.00
Less: Bad debt provision		
Total	4,253,186.08	160,052,600.00

## 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	93,217,708.92	500,000.00

## (IV) Accounts receivable

## 1. Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	204,620,812.90	173,836,833.35
1 to 2 years	23,082,781.57	47,231,963.69
2 to 3 years	22,892,844.58	26,732,943.08
Over 3 years	38,933,888.43	27,916,722.83
Subtotal	289,530,327.48	275,718,462.95
Less: Bad debt provision	64,073,768.60	57,059,830.60
Total	225,456,558.88	218,658,632.35

## 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 for bad debts on an individual basis					
Accounts receivable with provision for bad debts using portfolios	289,530,327.48	100.00	64,073,768.60	22.13	225,456,558.88
Including: Age group	289,530,327.48	100.00	64,073,768.60	22.13	225,456,558.88
<b>Total</b>	<b>289,530,327.48</b>	<b>100.00</b>	<b>64,073,768.60</b>	<b>22.13</b>	<b>225,456,558.88</b>

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

## 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)

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

Portfolio: 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 (inclusive)	204,620,812.90	10,231,040.64	5.00	173,836,833.35	8,691,841.66	5.00
1 to 2 years	23,082,781.57	3,462,417.23	15.00	47,231,963.69	7,084,794.56	15.00
2 to 3 years	22,892,844.58	11,446,422.30	50.00	26,732,943.08	13,366,471.55	50.00
More than 3 years	38,933,888.43	38,933,888.43	100.00	27,916,722.83	27,916,722.83	100.00
Total	289,530,327.48	64,073,768.60	22.13	275,718,462.95	57,059,830.60	20.69

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. Bad debt provision

Type	Opening balance	Changes in amounts for the current period				Closing balance
		Provision made	Collected or reversed	Write-off	Other changes	
Credit risk portfolio	57,059,830.60	9,704,681.45		2,690,743.45		64,073,768.60

## 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 bad debt provision
Summary of the top 5	65,860,550.35		65,860,550.35	22.75	7,293,081.95

## 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

## 1. Prepayments shown by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,820,462.18	99.35	2,810,535.15	93.90
1 to 2 years			155,582.30	5.20
2 to 3 years	10,500.00	0.22	4,038.80	0.13
More than 3 years	20,908.09	0.43	23,174.24	0.77
Total	4,851,870.27	100.00	2,993,330.49	100.00

## 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	3,237,658.69	66.73

## (VI) Other receivables

Item	Closing balance	Opening balance
Other receivables	222,608.48	177,919.45
Total	222,608.48	177,919.45

## 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**

## (1) Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	232,684.73	56,919.57
1 to 2 years	210.00	120,234.98
2 to 3 years	2,758.98	10,029.49
More than 3 years	8,274,414.53	8,281,891.73
Subtotal	8,510,068.24	8,469,075.77
Less: Bad debt provision	8,287,459.76	8,291,156.32
Total	222,608.48	177,919.45

## (2) Disclosure by nature of payments

Nature of payments	Closing balance	Opening balance
Petty cash	11,646.47	14,533.76
Deposit, guarantee deposit	431,810.80	359,547.04
Others	8,066,610.97	8,094,994.97
Subtotal	8,510,068.24	8,469,075.77
Less: Bad debt provision	8,287,459.76	8,291,156.32
Total	222,608.48	177,919.45

## 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)

(3) Disclosure by ways of bad debt provision

Type	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Proportion (%)	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	8,510,068.24	100.00	8,287,459.76	97.38	222,608.48
Including: Petty cash	11,646.47	0.14	10,837.98	93.06	808.49
Deposit, guarantee deposit	431,810.80	5.07	219,906.01	50.93	211,904.79
Others	8,066,610.97	94.79	8,056,715.77	99.88	9,895.20
<b>Total</b>	<b>8,510,068.24</b>	<b>100.00</b>	<b>8,287,459.76</b>	<b>97.38</b>	<b>222,608.48</b>

Type	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Proportion (%)	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	8,469,075.77	100.00	8,291,156.32	97.90	177,919.45
Including: Petty cash	14,533.76	0.17	5,401.66	37.17	9,132.10
Deposit, guarantee deposit	359,547.04	4.25	227,619.69	63.31	131,927.35
Others	8,094,994.97	95.58	8,058,134.97	99.54	36,860.00
<b>Total</b>	<b>8,469,075.77</b>	<b>100.00</b>	<b>8,291,156.32</b>	<b>97.90</b>	<b>177,919.45</b>

## 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)**

(3) Disclosure by ways of bad debt provision (Continued)

② Other receivable with provision made for bad debts using portfolios

Name	Closing balance		Proportion of provision made (%)
	Book balance	Bad debt provision	
Petty cash	11,646.47	10,837.98	93.06
Deposit, guarantee deposit	431,810.80	219,906.01	50.93
Others	8,066,610.97	8,056,715.77	99.88
<b>Total</b>	<b>8,510,068.24</b>	<b>8,287,459.76</b>	<b>97.38</b>

Name	Closing balance		Proportion of provision made (%)
	Book balance	Bad debt provision	
Petty cash	14,533.76	5,401.66	37.17
Deposit, guarantee deposit	359,547.04	227,619.69	63.31
Others	8,094,994.97	8,058,134.97	99.54
<b>Total</b>	<b>8,469,075.77</b>	<b>8,291,156.32</b>	<b>97.90</b>

## 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) Other receivables with bad debt provisions using the expected credit loss general model

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss — not credit impaired	Lifetime expected credit loss — credit impaired	
Balance as at 1 January 2025	234,961.35		8,056,194.97	8,291,156.32
Balance as at 1 January 2025 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	-3,696.56			-3,696.56
Reversal for the current period				
Cancelled in the current period				
Write-off for the current period				
Other changes				
Balance as at 31 December 2025	231,264.79		8,056,194.97	8,287,459.76

(5) Bad debt provision

Type	Opening balance	Changes in amounts for the current period				Closing balance
		Provision made	Collected or reversed	Cancelled or write-off	Other changes	
Provision for credit impairment	8,291,156.32	-3,696.56				8,287,459.76

## 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)

(6) 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	94.66	8,056,194.97
Beijing Shengtang Yunzhi Storage Technology Co., Ltd.* (北京盛唐雲智儲科技有限公司)	Deposit	199,682.73	Within 1 year	2.35	9,984.14
Beijing Dijie Property Management Co., Ltd. (北京地傑物業管理有限公司)	Guarantee deposit	128,828.00	Over 3 years	1.51	128,828.00
Trade Promotion and Exchange Center of China Council for the Promotion of Interational Trade* (中國國際貿易促進委員會貿易推廣交流中心)	Deposit	22,586.00	Within 1 year	0.27	1,129.30
Aksu Prefecture Government Procurement Center* (阿克蘇地區政府採購中心)	Guarantee deposit for bidding	20,000.00	Over 3 years	0.24	20,000.00
Total		8,427,291.70		99.03	8,216,136.41

## (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	171,517,208.10	3,148,153.35	168,369,054.75	217,786,300.99	3,553,758.48	214,232,542.51
Goods sold	11,799,679.27		11,799,679.27	8,883,120.60		8,883,120.60
Work in progress	101,773,684.89	3,217,084.41	98,556,600.48	127,365,401.17	1,206,929.48	126,158,471.69
Stock inventory	314,903,788.90	57,703,664.01	257,200,124.89	231,916,285.26	30,347,742.17	201,568,543.09
Total	599,994,361.16	64,068,901.77	535,925,459.39	585,951,108.02	35,108,430.13	550,842,677.89

## 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 (continued)

## 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	3,553,758.48	205,981.09		611,586.22		3,148,153.35
Work in progress	1,206,929.48	3,209,785.56		1,199,630.63		3,217,084.41
Stock inventory	30,347,742.17	33,823,500.44		6,467,578.60		57,703,664.01
Total	35,108,430.13	37,239,267.09		8,278,795.45		64,068,901.77

## (VIII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	1,522,149.78	2,231,918.58
Cost of return receivable	16,235,301.56	17,282,507.15
Prepaid income tax	2,665,247.51	2,665,247.51
Total	20,422,698.85	22,179,673.24

## (IX) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	354,149,308.67	311,008,174.74
Total	354,149,308.67	311,008,174.74

## 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	223,086,452.58	202,883,161.07	4,066,104.43	17,125,847.63	447,161,565.71
2. Increase in					
the current period	41,233,286.51	28,557,690.29	119,773.76	321,896.52	70,232,647.08
Acquisition		28,557,690.29	119,773.76	215,701.83	28,893,165.88
Transferred from construction in progress	41,233,286.51			106,194.69	41,339,481.20
3. Decrease in					
the current period	21,367.52	107,957.56			129,325.08
Disposal or retirement	21,367.52	107,957.56			129,325.08
4. Closing balance	264,298,371.57	231,332,893.80	4,185,878.19	17,447,744.15	517,264,887.71
II. Accumulated depreciation					
1. Opening balance	23,990,369.47	100,889,613.56	3,043,458.62	8,229,949.32	136,153,390.97
2. Increase in					
the current period	8,082,978.45	16,395,212.15	365,964.96	2,228,205.62	27,072,361.18
Provision	8,082,978.45	16,395,212.15	365,964.96	2,228,205.62	27,072,361.18
3. Decrease in					
the current period	17,932.36	92,240.75			110,173.11
Disposal or retirement	17,932.36	92,240.75			110,173.11
4. Closing balance	32,055,415.56	117,192,584.96	3,409,423.58	10,458,154.94	163,115,579.04
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	232,242,956.01	114,140,308.84	776,454.61	6,989,589.21	354,149,308.67
2. Opening carrying amount	199,096,083.11	101,993,547.51	1,022,645.81	8,895,898.31	311,008,174.74

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB47,305,958.12.

## 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 2025 application for property ownership certificate not yet completed

Item	Carrying amount	Reason for application not yet completed
Buildings	209,715,640.34	Application in progress

## (X) Construction in progress

Type	Closing balance	Opening balance
Construction in progress	129,329,592.01	156,777,773.93
Total	129,329,592.01	156,777,773.93

## (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	16,368,656.62		16,368,656.62	13,348,611.11		13,348,611.11
Integrated construction project for orthopedic implant and supporting materials	110,258,183.09		110,258,183.09	142,230,490.26		142,230,490.26
Equipment installation work	2,702,752.30		2,702,752.30	1,198,672.56		1,198,672.56
Total	129,329,592.01		129,329,592.01	156,777,773.93		156,777,773.93

## 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 (RMB0000)	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	13,348,611.11	3,020,045.51			16,368,656.62
Integrated construction project for orthopedic implant and supporting materials	94,470.38	142,230,490.26	9,260,979.34	41,233,286.51		110,258,183.09
Total		155,579,101.37	12,281,024.85	41,233,286.51		126,626,839.71

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	103	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	2,006,086.21	2,006,086.21
2. Increase in the current period	5,051,183.28	5,051,183.28
Rentals newly added	5,051,183.28	5,051,183.28
3. Decrease in the current period		
4. Closing balance	7,057,269.49	7,057,269.49
II. Accumulated depreciation		
1. Opening balance	989,057.84	989,057.84
2. Increase in the current period	2,227,711.43	2,227,711.43
Provision	2,227,711.43	2,227,711.43
3. Decrease in the current period		
4. Closing balance	3,216,769.27	3,216,769.27
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	3,840,500.22	3,840,500.22
2. Opening carrying amount	1,017,028.37	1,017,028.37

## 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	6,774,856.52	30,500,000.00	480,000.00	170,269,266.85
2. Increased amount in the current period			1,000,000.00	3,721,428.60	4,721,428.60
Acquisition			1,000,000.00	3,721,428.60	4,721,428.60
3. Decreased amount in the current period					
4. Closing balance	132,514,410.33	6,774,856.52	31,500,000.00	4,201,428.60	174,990,695.45
II. Accumulated amortization					
1. Opening balance	18,783,596.06	3,859,425.77	19,946,253.78	110,000.00	42,699,275.61
2. Increased amount in the current period	2,680,591.08	416,433.16	8,318,015.50	1,088,575.02	12,503,614.76
Provision	2,680,591.08	416,433.16	8,318,015.50	1,088,575.02	12,503,614.76
3. Decreased amount in the current period					
4. Closing balance	21,464,187.14	4,275,858.93	28,264,269.28	1,198,575.02	55,202,890.37
III. Impairment provision					
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	111,050,223.19	2,498,997.59	3,235,730.72	3,002,853.58	119,787,805.08
2. Opening carrying amount	113,730,814.27	2,915,430.75	10,553,746.22	370,000.00	127,569,991.24

## 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			<b>13,359,553.09</b>
Total	13,359,553.09			<b>13,359,553.09</b>

## 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			<b>13,359,553.09</b>
Total	13,359,553.09			<b>13,359,553.09</b>

## 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	19,079,955.65	127,199,884.88	13,896,590.15	92,643,934.33
Expected sales rebate	1,420,124.96	9,467,499.75	1,471,860.89	9,812,405.94
Expected sales return	6,776,511.50	45,176,743.30	6,705,052.10	44,700,347.34
Deferred income	2,464,757.96	16,431,719.74	2,808,918.23	18,726,121.54
Unrealized internal gains and losses	595,028.74	3,966,858.26	1,230,607.71	8,204,051.40
Subtotal	30,336,378.81	202,242,705.93	26,113,029.08	174,086,860.55
Deferred income tax liabilities:				
Cost of return receivable	2,435,295.23	16,235,301.56	2,592,376.07	17,282,507.15
Accelerated depreciation of fixed assets	9,933,664.28	66,224,428.49	8,026,780.58	53,511,870.51
Asset valuation gains from business combinations involving entities not under common control	77,500.00	310,000.00	92,500.00	370,000.00
Subtotal	12,446,459.51	82,769,730.05	10,711,656.65	71,164,377.66

## 2. Breakdown of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	9,230,245.25	7,815,482.72
Deductible loss	27,077,295.30	30,101,517.92
Total	36,307,540.55	37,917,000.64

Note: There is uncertainty on whether our subsidiaries, namely 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), 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
2026	1,490,874.53	1,907,073.79	
2027	3,288,927.99	3,361,758.11	
2028	5,836,688.66	7,638,055.24	
2029	16,244,752.23	17,194,630.78	
2030	216,051.89		
Total	27,077,295.30	30,101,517.92	

## (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	12,191,225.94		12,191,225.94	2,767,859.62		2,767,859.62
Total	12,191,225.94		12,191,225.94	2,767,859.62		2,767,859.62

## (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	687,756.37	687,756.37	Designated for medical consumables	Specific project account for centralized procurement for medical consumables	355,587.58	355,587.58	Designated for medical consumables	Specific project account for centralized procurement for medical consumables
Monetary funds	5,960,740.17	5,960,740.17	Frozen	Frozen	405,279.00	405,279.00	Frozen	Frozen
Bills receivables	500,000.00	500,000.00	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity	52,600.00	52,600.00	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity
Total	7,148,496.54	7,148,496.54			813,466.58	813,466.58		

## 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)	<b>130,243,026.01</b>	184,802,151.32
More than 1 year	<b>30,529,914.20</b>	43,043,023.28
<b>Total</b>	<b>160,772,940.21</b>	227,845,174.60

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	<b>72,698,718.59</b>	118,750,784.64
Sales rebate	<b>9,467,499.75</b>	9,812,405.94
<b>Total</b>	<b>82,166,218.34</b>	128,563,190.58

## (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	51,264,621.60	181,650,728.13	165,669,279.59	<b>67,246,070.14</b>
Post-employment benefits – defined contribution plan	1,008,004.81	13,472,158.30	13,576,724.75	<b>903,438.36</b>
Termination benefits		8,409,183.99	7,950,967.26	<b>458,216.73</b>
<b>Total</b>	<b>52,272,626.41</b>	<b>203,532,070.42</b>	<b>187,196,971.60</b>	<b>68,607,725.23</b>

## 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	35,271,848.40	160,562,387.25	147,381,225.84	<b>48,453,009.81</b>
Employee welfare premium		3,015,936.14	3,015,936.14	
Social welfare premium	669,904.92	8,008,869.06	8,077,635.51	<b>601,138.47</b>
Including: Medicare premium	598,763.16	7,139,185.61	7,201,287.83	<b>536,660.94</b>
Occupational injuries premium	71,141.76	869,683.45	876,347.68	<b>64,477.53</b>
Housing provident funds	75,241.00	4,443,852.12	4,516,351.12	<b>2,742.00</b>
Labor union fund and employee education fund	15,247,627.28	5,619,683.56	2,678,130.98	<b>18,189,179.86</b>
<b>Total</b>	<b>51,264,621.60</b>	<b>181,650,728.13</b>	<b>165,669,279.59</b>	<b>67,246,070.14</b>

## 3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	977,451.93	13,045,056.68	13,146,450.12	<b>876,058.49</b>
Unemployment insurance premium	30,552.88	427,101.62	430,274.63	<b>27,379.87</b>
<b>Total</b>	<b>1,008,004.81</b>	<b>13,472,158.30</b>	<b>13,576,724.75</b>	<b>903,438.36</b>

## (XX) Taxes payable

Item	Closing balance	Opening balance
VAT	<b>2,458,384.89</b>	2,376,462.85
Enterprise income tax	<b>20,307,383.50</b>	937,355.28
Individual income tax	<b>323,509.23</b>	337,108.68
Urban maintenance and construction tax	<b>836,591.43</b>	813,349.01
Education surcharge	<b>501,668.73</b>	488,009.40
Local education surcharge	<b>334,445.85</b>	325,339.60
Housing property tax	<b>1,170,612.78</b>	1,170,612.78
Stamp duty and others	<b>127,722.74</b>	207,836.21
<b>Total</b>	<b>26,060,319.15</b>	6,656,073.81

## 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
Dividends payable	80,260,246.29	
Other payables	101,701,244.48	69,459,231.16
Total	181,961,490.77	69,459,231.16

## 1. Dividends payable

Item	Closing balance	Opening balance
Dividend on ordinary shares	80,260,246.29	
Total	80,260,246.29	

## 2. Other payables categorized by natur

Item	Closing balance	Opening balance
Expenses for sales services	41,528,672.25	30,383,697.46
Guarantee deposits	46,089,991.71	17,103,938.00
Returns payables	6,807,288.24	14,574,090.22
Others	7,275,292.28	7,397,505.48
Total	101,701,244.48	69,459,231.16

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

Item	Closing balance	Opening balance
Lease liabilities due within one year	2,677,095.45	682,121.00
Total	2,677,095.45	682,121.00

## 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	45,176,743.30	44,700,347.34
Output VAT to be carried forward	10,680,422.50	16,513,950.02
Bills receivable not derecognized	500,000.00	52,600.00
<b>Total</b>	<b>56,357,165.80</b>	61,266,897.36

## (XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	3,387,418.71	885,665.61
Less: Unrecognized financing fee	112,276.22	19,229.54
Less: Lease liabilities due within one year	2,677,095.45	682,121.00
<b>Total</b>	<b>598,047.04</b>	184,315.07

Lease liabilities are analysed by the maturity of the undiscounted remaining contractual obligations as follows:

Item	Closing balance	Opening balance
Within 1 year	2,735,198.64	697,908.56
1 to 2 years	652,220.03	187,757.05
<b>Total</b>	<b>3,387,418.67</b>	885,665.61

## (XXV) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	86,749,559.54		4,254,621.36	82,494,938.18	Government grants received
<b>Total</b>	86,749,559.54		4,254,621.36	82,494,938.18	

## NOTES TO FINANCIAL STATEMENTS

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

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

## (XXVI) Share capital

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

## (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	7,989,157.63		20,008,021.82
Total	12,018,864.19	7,989,157.63		20,008,021.82

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 1,376,851 shares of the Company through the trading system of the Shanghai Stock Exchange by way of centralized bidding trading, representing 0.359% of the total share capital of the Company, with the highest repurchase price of RMB17.20 per share and the lowest repurchase price of RMB12.09 per share, and the total payment amounting to RMB20,008,021.82 (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	195,115,661.94	29,951,065.38		<b>225,066,727.32</b>
Total	195,115,661.94	29,951,065.38		<b>225,066,727.32</b>

## (XXX) Undistributed profits

Item	Amount for the current period	Amount for the previous period
Unallocated profits at the end of last period before adjustment	<b>1,208,437,565.70</b>	1,267,513,008.25
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	<b>1,208,437,565.70</b>	1,267,513,008.25
Add: Net profit attributable to the owners of the parent company for the period	<b>272,542,347.59</b>	124,988,009.59
Less: Withdrawal of statutory surplus reserves	<b>29,951,065.38</b>	13,529,736.68
Dividend payable on ordinary shares	<b>98,987,637.09</b>	170,533,715.46
Unallocated profits at the end of period	<b>1,352,041,210.82</b>	1,208,437,565.70

## (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	<b>1,044,967,000.64</b>	<b>355,099,950.67</b>	805,215,899.92	268,574,927.84
Other operation	<b>799,404.70</b>	<b>28,373.05</b>	641,122.27	377,923.28
Total	<b>1,045,766,405.34</b>	<b>355,128,323.72</b>	805,857,022.19	268,952,851.12

## 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	
	Revenue	Operating cost
By business type		
Medical device products	1,044,967,000.64	355,099,950.67
Other operation	799,404.70	28,373.05
By operating region		
Main operation – internal sales	556,737,075.81	202,530,360.73
Main operation – external sales	488,229,924.83	152,569,589.94
Other business – internal sales	799,404.70	28,373.05
<b>Total</b>	<b>1,045,766,405.34</b>	<b>355,128,323.72</b>

## (XXXII) Taxes and surcharge

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	<b>4,178,177.26</b>	3,019,518.86
Education surcharge	<b>2,506,499.96</b>	1,808,920.91
Local education surcharge	<b>1,670,999.99</b>	1,205,947.20
Stamp duty	<b>467,648.03</b>	449,374.95
Housing property tax	<b>398,769.34</b>	284,381.30
Land use tax	<b>948,569.46</b>	948,569.46
Tax on vehicle and vessel usage	<b>7,555.72</b>	6,760.84
Environmental protection tax	<b>82.52</b>	105.06
<b>Total</b>	<b>10,178,302.28</b>	<b>7,723,578.58</b>

## 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	114,823,158.75	161,799,140.16
Employee remuneration	72,518,845.22	71,275,180.26
Office expenses	3,433,725.09	3,473,786.89
Others	7,406,938.17	3,698,995.50
<b>Total</b>	<b>198,182,667.23</b>	<b>240,247,102.81</b>

## (XXXIV) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	28,910,424.69	25,188,930.90
Agency fees	5,646,776.32	2,565,128.80
Depreciation and amortization expenses	10,594,546.23	9,339,628.40
Office and travelling expenses	743,954.93	563,723.61
Rentals and property expenses	506,986.16	1,672,203.00
Business entertainment expenses	403,714.27	598,715.59
Others	5,451,241.54	5,362,143.41
<b>Total</b>	<b>52,257,644.14</b>	<b>45,290,473.71</b>

## (XXXV) Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	47,186,110.03	59,025,254.55
Supplies consumed	12,224,814.07	18,909,545.12
Technical services expenses	28,786,184.84	21,842,611.87
Travel and meeting expenses	1,320,259.89	1,197,178.45
Depreciation and amortization	15,081,391.27	13,208,269.41
Fuel expenses	3,671,653.31	3,418,825.01
Examination and testing expenses	7,116,880.80	12,067,650.71
Others	3,115,905.99	3,427,513.47
<b>Total</b>	<b>118,503,200.20</b>	<b>133,096,848.59</b>

## 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	39,150.21	44,939.07
Less: Interest income	15,278,391.56	16,309,711.03
Less: Foreign exchange gains	-3,675,753.34	1,784,269.90
Handling fees	167,135.65	981,247.23
Total	-11,396,352.36	-17,067,794.63

## (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	Related to income
Transferred from deferred income	4,254,621.36	4,427,205.72	Related to assets
Key support program for development of high-precision industry		2,370,000.00	Related to income
Additional deductions of VAT for advanced manufacturing industry	1,445,841.87	1,672,078.34	Related to income
Subsidy for research and development	2,800,000.00	800,000.00	Related to income
Refund of handling fee on personal tax	483,685.50	487,237.63	Related to income
Subsidy project for technological innovation talents		300,000.00	Related to income
Daily subsidized funding for postdoctoral scientific research workstation	733,750.00	90,000.00	Related to income
Research fund for the research and development project of high-quality medical metal powder materials and additive manufacturing metal implants	593,100.00	77,600.00	Related to income
Project funding for the establishment of postdoctoral scientific research workstation		76,250.00	Related to income
Subsidy for insurance		75,500.00	Related to income
Incentives for high and new technology enterprise	183,000.00	50,000.00	Related to income
Subsidy for stable development and expansion of enterprises	16,057.57	30,430.71	Related to income
Subsidy for patented technology		8,700.00	Related to income
Project subsidy for promoting international business operation capability	280,366.00		Related to income
Project subsidy for introducing funds for high-quality development of foreign trade in Beijing for the year 2025	260,556.00		Related to income
Other small grants	159,809.00	37,037.00	Related to income
Total	11,210,787.30	20,609,609.96	

## 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	6,315,413.45	10,980,482.17
Total	6,315,413.45	10,980,482.17

## (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	8,742,663.00	9,434,830.14
Total	8,742,663.00	9,434,830.14

## (XL) Impairment loss of credit

Item	Amount for the current period	Amount for the previous period
Impairment loss of credit of accounts receivable	-9,704,681.45	-4,267,303.18
Impairment loss of credit of other receivables	3,696.56	80,692.66
Total	-9,700,984.89	-4,186,610.52

## (XLI) Impairment loss of assets

Item	Amount for the current period	Amount for the previous period
Inventory write-down loss	-37,239,267.09	-20,417,240.32
Provision for goodwill impairment		-13,359,553.09
Total	-37,239,267.09	-33,776,793.41

## (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	3,848.03	39,213.61
Total	3,848.03	39,213.61

## NOTES TO FINANCIAL STATEMENTS

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

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

## (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	
Others	<b>204,535.55</b>	187,389.36	204,535.55
<b>Total</b>	<b>204,535.55</b>	987,389.36	204,535.55

## 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	Related to income
<b>Total</b>		800,000.00	

## (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	<b>604,700.00</b>	52,350.92	604,700.00
Others	<b>133,201.89</b>	50,563.33	133,201.89
<b>Total</b>	<b>737,901.89</b>	102,914.25	737,901.89

## NOTES TO FINANCIAL STATEMENTS

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

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

#### (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	31,575,141.09	4,037,673.65
Deferred income tax expenses	-2,488,546.87	2,900,211.92
Total	29,086,594.22	6,937,885.57

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

Item	Amount
Total profit	301,711,713.59
Income tax expenses based on applicable tax rate	45,256,757.04
Effect of different tax rate applicable to subsidiaries	-551,067.02
Effect of non-deductible costs, expenses and losses	1,814,481.71
Additional deduction of research and development costs	-17,344,897.51
Additional deduction of the wages for employment of disabled persons	-62,943.82
Effect of utilization of deductible losses of unrecognized deferred income tax assets previously	-142,969.33
Effect of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	117,233.15
Income tax expenses	29,086,594.22

## 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	<b>31,643,855.15</b>	5,190,219.60
Amount of government grant received	<b>5,026,638.57</b>	22,209,017.71
Interest receipts from deposit and others	<b>15,966,612.61</b>	16,983,197.44
<b>Total</b>	<b>52,637,106.33</b>	44,382,434.75

## (2) Other cash payment related to operating activities

Item	Amount for the current period	Amount for the previous period
Expenses of cash payment	<b>195,967,422.84</b>	265,450,993.09
Current amount paid	<b>6,196,468.28</b>	9,990,894.75
Handling fee and other expenses	<b>905,037.54</b>	1,084,161.48
<b>Total</b>	<b>203,068,928.66</b>	276,526,049.32

## 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	1,689,000,000.00	2,330,000,000.00
Receipts of the gains from wealth management products	15,609,166.86	20,636,632.87
<b>Total</b>	<b>1,704,609,166.86</b>	<b>2,350,636,632.87</b>

## (2) Cash payment related to significant investing activities

Item	Amount for the current period	Amount for the previous period
Investments in equity instruments and purchasing wealth management products	1,755,000,000.00	2,244,000,000.00
Payments for acquisition of long-term assets	59,127,974.35	49,171,760.26
Net cash paid for acquisition of subsidiary and other business units	2,200,000.00	1,650,000.00
<b>Total</b>	<b>1,816,327,974.35</b>	<b>2,294,821,760.26</b>

## 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	7,989,157.63	12,018,864.19
Payments for lease expenses	2,797,891.80	586,689.10
<b>Total</b>	<b>10,787,049.43</b>	<b>12,605,553.29</b>

## 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	272,625,119.37	124,661,283.50
Add: Provision for assets impairment	37,239,267.09	33,776,793.41
Impairment loss of credit	9,700,984.89	4,186,610.52
Depreciation of fixed assets, oil and gas assets, productive biological assets and investment properties	27,072,361.18	25,962,979.19
Depreciation of right-of-use assets	2,227,711.43	799,484.04
Amortization of intangible assets	12,503,614.76	10,914,440.37
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain will be shown with “-” sign)	-3,848.03	-39,213.61
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)	-8,742,663.00	-9,434,830.14
Financial expenses (Gain will be shown with “-” sign)	213,991.25	-2,162,582.99
Investments losses (Gain will be shown with “-” sign)	-6,315,413.45	-10,980,482.17
Decrease of deferred income tax assets (Increase will be shown with “-” sign)	-4,223,349.73	1,518,832.25
Increase of deferred income tax liabilities (Decrease will be shown with “-” sign)	1,734,802.86	1,381,379.67
Decrease in inventories (Increase will be shown with “-” sign)	-22,322,048.59	-136,774,192.51
Decrease in operating receivables (Increase will be shown with “-” sign)	120,414,618.12	63,203,573.41
Increase of operating payables (Decrease will be shown with “-” sign)	-37,285,223.07	-108,913,625.87
Others		
Net cash flow from operating activities	404,839,925.08	-1,899,550.93

## 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 through finance lease		
3. Net changes in cash and cash equivalents		
Closing balance of cash	<b>1,402,472,486.98</b>	1,139,017,650.66
Less: Opening balance of cash	<b>1,139,017,650.66</b>	1,266,013,075.67
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	<b>263,454,836.32</b>	-126,995,425.01

## 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	<b>2,200,000.00</b>
Including: Surgimaster Surgical Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	<b>2,200,000.00</b>
Net cash paid to purchase subsidiary	<b>2,200,000.00</b>

## 3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	<b>1,402,472,486.98</b>	1,139,017,650.66
Including: Cash on hand	<b>182,453.27</b>	237,985.81
Bank deposits available for payment at any time	<b>1,402,290,033.71</b>	1,138,779,664.85
Other monetary funds available for payment at any time		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	<b>1,402,472,486.98</b>	1,139,017,650.66

## 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	687,756.37	355,587.58	Restrictions on use
Bank deposits	5,960,740.17	405,279.00	Frozen
Total	6,648,496.54	760,866.58	

## (XLVIII) Monetary items in foreign currencies

Item	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Monetary funds			38,215,777.58
Including: USD	3,098,480.78	7.03	21,774,655.27
EUR	42,618.26	8.24	350,982.68
HKD	17,814,192.58	0.90	16,089,778.74
INR	1,090.00	0.08	85.44
DKK	250.00	1.10	275.45
Accounts receivable			156,863,835.77
Including: USD	22,257,635.57	7.03	156,444,468.88
EUR	50,921.85	8.24	419,366.89
Accounts payable			11,389,736.51
Including: USD	50,492.00	7.16	361,452.03
HKD	213,046.20	0.91	194,287.48
EUR	1,289,393.15	8.40	10,833,997.00

## 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	<b>47,186,110.03</b>	59,025,254.55
Supplies consumed	<b>12,224,814.07</b>	18,909,545.12
Technical services expenses	<b>28,786,184.84</b>	21,842,611.87
Travel and meeting expenses	<b>1,320,259.89</b>	1,197,178.45
Depreciation and amortization	<b>15,081,391.27</b>	13,208,269.41
Fuel expenses	<b>3,671,653.31</b>	3,418,825.01
Examination and testing expenses	<b>7,116,880.80</b>	12,067,650.71
Others	<b>3,115,905.99</b>	3,427,513.47
Total	<b>118,503,200.20</b>	133,096,848.59
Including: capitalized research and development expense	<b>118,503,200.20</b>	133,096,848.59

### 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.* (北京兆億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 liability 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	RMB4,100,000	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	RMB10,000,000	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	10,000,063.06			2,219,251.79		<b>7,780,811.27</b>	Related to assets
Deferred income	75,916,226.01			2,035,369.57		<b>73,880,856.44</b>	Related to assets/related to income
Deferred income	833,270.47					<b>833,270.47</b>	Related to assets
<b>Total</b>	<b>86,749,559.54</b>			<b>4,254,621.36</b>		<b>82,494,938.18</b>	

#### (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	<b>5,026,638.57</b>	3,915,517.71
Non-operating income		800,000.00
<b>Total</b>	<b>5,026,638.57</b>	<b>4,715,517.71</b>

#### (III) Related to assets/related to income

Type	Amount for the current period	Amount for the previous period
Related to assets		17,493,500.00
Related to income	<b>5,026,638.57</b>	4,715,517.71
<b>Total</b>	<b>5,026,638.57</b>	<b>22,209,017.71</b>

## 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 2025	31 December 2024
① Total liabilities	<b>674,142,399.68</b>	644,390,846.18
② Total assets	<b>3,661,134,861.13</b>	3,465,734,982.98
③=①/② Gearing ratio	<b>18.41%</b>	18.59%

### 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				
Held-for-trading financial assets				
Financial assets at fair value through profit or loss.			811,246,684.93	811,246,684.93
1. Investments in equity instruments			20,000,000.00	20,000,000.00
2. Wealth management products		791,246,684.93	791,246,684.93	

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

- Investments in equity investments refer to the equity investments that do not control or joint control by or have significant influence on the Company. The investments were completed in 2025, upon which there was no material change in the investee. Therefore, the transaction price was used as the fair value at the end of the period.
- The wealth management products are the structural deposits the Company purchased. 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	31.34	31.34
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	2,888,361.15	3,479,040.65

## 2. Remuneration of key management

Item	Amount for the current period	Amount for the previous period
Remuneration of key management	6,313,587.93	6,231,553.65

## (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)	2,235,099.38	111,754.97	2,704,530.38	135,226.52

## XIV. COMMITMENTS AND CONTINGENCIES

As of 31 December 2025, 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

#### Profit distribution

Profits or dividends to be distributed	57,328,747.35
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As at the date of approval and issue of the financial statements, there were no other events after the balance sheet date that required disclosure.

### 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	1,000,000.00
Non-audit services	250,000.00	250,000.00
<b>Total</b>	<b>1,250,000.00</b>	<b>1,250,000.00</b>

## NOTES TO FINANCIAL STATEMENTS

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

## XVI. OTHER SIGNIFICANT EVENTS (Continued)

## (III) Emoluments of directors, chief executive and supervisors

	Wage, allowance, subsidy and bonus						Total
	Fees	Basic salary	Allowance and subsidy	Bonus	Social insurance premium and housing provident fund	Pension	
<b>Director</b>							
Shi Chunbao		601,070.00		800,000.00	27,391.98		1,428,461.98
Yue Shujun		421,070.00		700,000.00	27,391.98		1,148,461.98
Shi Wenling		265,020.00		300,000.00	27,391.98		592,411.98
Xie Feng Bao		187,409.42		97,283.50	27,391.98		312,084.90
Weng Jie	100,000.00			-	-		100,000.00
Wong Tak Shing	175,800.00			-	-		175,800.00
Xu Hong	100,000.00			-	-		100,000.00
Wang Xin	100,000.00			-	-		100,000.00
Subtotal for directors	475,800.00	1,474,569.42		1,897,283.50	109,567.92		3,957,220.84
<b>Chief Executive (other than Directors)</b>							
Shi Chunsheng		220,630.00		251,500.00	27,391.98		499,521.98
<b>Supervisor</b>							
Zhang Jie		305,119.35		8,294.00	27,391.98		340,805.33
Zhang Lanlan		59,320.48		24,100.00	27,391.98		110,812.46
Wei Zhangli		268,105.00		82,775.00	27,391.98		378,271.98
Subtotal for supervisors		632,544.83		115,169.00	82,175.94		829,889.77
Total	475,800.00	2,327,744.25		2,263,952.50	219,135.84		5,286,632.59

## 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 (inclusive)	228,907,250.60	173,599,508.47
1 to 2 years	22,275,985.87	62,645,977.07
2 to 3 years	17,112,285.95	18,120,219.51
Over 3 years	28,263,311.51	24,141,707.74
Subtotal	296,558,833.93	278,507,412.79
Less: Bad debt provision	50,354,922.51	47,134,598.88
Total	246,203,911.42	231,372,813.91

## 2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts based on individual assessment					
Accounts receivable with provision for bad debts using portfolios	296,558,833.93	100.00	50,354,922.51	16.98	246,203,911.42
Including: Age group	271,532,986.05	91.56	50,354,922.51	18.54	221,178,063.54
Portfolio of related parties within the scope of consolidation	25,025,847.88	8.44			25,025,847.88
Total	296,558,833.93	100.00	50,354,922.51	16.98	246,203,911.42

Type	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts based on individual assessment					
Accounts receivable with provision for bad debts using portfolios	278,507,412.79	100.00	47,134,598.88	16.92	231,372,813.91
Including: Age group	249,604,112.64	89.62	47,134,598.88	18.88	202,469,513.76
Portfolio of related parties within the scope of consolidation	28,903,300.15	10.38			28,903,300.15
Total	278,507,412.79	100.00	47,134,598.88	16.92	231,372,813.91

## 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 for bad debts using portfolios with credit risk features

## ① Age group

Ages	Closing balance			Opening balance		
	Book balance	Bad debt provision	Proportion of provision made (%)	Book balance	Bad debt provision	Proportion of provision made (%)
Within 1 year (inclusive)	203,881,402.72	10,194,070.14	5.00	171,642,655.82	8,582,132.79	5.00
1 to 2 years	22,275,985.87	3,341,397.88	15.00	35,711,760.57	5,356,764.09	15.00
2 to 3 years	17,112,285.95	8,556,142.98	50.00	18,107,988.51	9,053,994.26	50.00
Over 3 years	28,263,311.51	28,263,311.51	100.00	24,141,707.74	24,141,707.74	100.00
Total	271,532,986.05	50,354,922.51	18.54	249,604,112.64	47,134,598.88	18.88

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	Closing balance			Opening balance		
	Book balance	Bad debt provision	Proportion of provision made (%)	Book balance	Bad debt provision	Proportion of provision made (%)
Amounts from related parties within the scope of consolidation	25,025,847.88			28,903,300.15		
Total	25,025,847.88			28,903,300.15		

## 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. Bad debt provision

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	47,134,598.88	5,911,067.08		2,690,743.45		50,354,922.51

## 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	82,828,005.65		82,828,005.65	27.93	6,890,846.86
Total	82,828,005.65		82,828,005.65	27.93	6,890,846.86

## 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	15,334,436.60	13,923,769.78
Total	15,334,436.60	13,923,769.78

## Other receivables

## (1) Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	14,413,118.00	13,341,627.02
1 to 2 years	465,339.55	290,634.76
2 to 3 years	175,434.76	205,187.58
More than 3 years	8,506,930.70	8,319,249.84
Subtotal	23,560,823.01	22,156,699.20
Less: Bad debt provision	8,226,386.41	8,232,929.42
Total	15,334,436.60	13,923,769.78

## (2) Other receivables categorised by nature

Nature of payment	Closing balance	Opening balance
Within the scope of combination	15,118,531.31	13,813,947.23
Deposit, guarantee deposit	381,096.73	286,557.00
Others	8,061,194.97	8,056,194.97
Subtotal	23,560,823.01	22,156,699.20
Less: Bad debt provision	8,226,386.41	8,232,929.42
Total	15,334,436.60	13,923,769.78

## 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) Disclosure by ways of bad debt provision

Type	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts on an individual basis					
Accounts receivable with provision for bad debts using portfolios	23,560,823.01	100.00	8,226,386.41	34.92	15,334,436.60
Including: Within the scope of combination	15,118,531.31	64.17			15,118,531.31
Deposit, guarantee deposit	381,096.73	1.62	169,941.44	44.59	211,155.29
Others	8,061,194.97	34.21	8,056,444.97	99.94	4,750.00
Total	23,560,823.01	100.00	8,226,386.41	34.92	15,334,436.60

Type	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts on an individual basis					
Accounts receivable with provision for bad debts using portfolios	22,156,699.20	100.00	8,232,929.42	37.16	13,923,769.78
Including: Within the scope of combination	13,813,947.23	62.35			13,813,947.23
Deposit, guarantee deposit	286,557.00	1.29	176,734.45	61.68	109,822.55
Others	8,056,194.97	36.36	8,056,194.97	100.00	
Total	22,156,699.20	100.00	8,232,929.42	37.16	13,923,769.78

## 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) Disclosure by ways of bad debt provision (Continued)

② Other receivable with provision made for bad debts using portfolios

Name	Closing balance		Proportion of provision made (%)
	Book balance	Bad debt provision	
Within the scope of combination	15,118,531.31		
Deposit, guarantee deposit	381,096.73	169,941.44	44.59
Others	8,061,194.97	8,056,444.97	99.94
Total	23,560,823.01	8,226,386.41	34.92

Aging	Opening balance		Book balance (%)
	Book balance	Book balance	
Within the scope of combination	13,813,947.23		
Deposit, guarantee deposit	286,557.00	176,734.45	61.68
Others	8,056,194.97	8,056,194.97	100.00
Total	22,156,699.20	8,232,929.42	37.16

## 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)**

(4) Other receivables with bad debt provisions using the expected credit loss general model

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit impaired	Lifetime expected credit loss – credit impaired	
Balance as at 1 January 2025	176,734.45		8,056,194.97	8,232,929.42
Balance as at 1 January 2025 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	-6,543.01			-6,543.01
Reversal for the current period				
Cancelled for the current period				
Write-off for the current period				
Other changes				
Balance on 31 December 2025	170,191.44		8,056,194.97	8,226,386.41

(5) Bad debt provision

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	8,232,929.42	-6,543.01				8,226,386.41

## 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)

(6) 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	13,508,524.22	Note 1	57.33	
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	34.19	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	1,077,886.48	Within 1 year	4.57	
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	2.17	
Beijing Shengtang Yunzhi Storage Technology Co., Ltd.* (北京盛唐雲智儲科技有限公司)	Guarantee deposits	199,682.73	Within 1 year	0.85	9,984.14
<b>Total</b>		<b>23,353,425.27</b>		<b>99.11</b>	<b>8,066,179.11</b>

Note 1: The amount of Xingtai Langtai Bengyuan Medical Devices Co., Ltd.\* (邢台市琅泰本元醫療器械有限公司) aged less than 1 year and 1–2 years are RMB13,109,082.67 and RMB399,441.55, respectively

Note 2: The amount of Langtai Meikang Medical Devices Co., Ltd.\* (琅泰美康醫療器械有限公司) aged 1–2 years, 2–3 years, and more than 3 years are RMB48,391.28, RMB175,434.76, and RMB287,310.83, 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		Book balance	Opening balance	
	Book balance	Provision for impairment		Book balance	Provision for impairment
Investment in subsidiaries	40,715,263.00		33,715,263.00		33,715,263.00
Total	40,715,263.00		33,715,263.00		33,715,263.00

## Investment in subsidiaries

Investees	Opening balance (Carrying amount)	Impairment provision for opening balance	Amount of current period increase or decrease				Closing balance (Carrying amount)	Impairment provision for closing balance
			Additional investments	Reducing investments	Impairment provision	Others		
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆德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		4,000,000.00			4,100,000.00		
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)	7,000,000.00		3,000,000.00			10,000,000.00		
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	33,715,263.00		7,000,000.00			40,715,263.00		

## 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	1,042,124,940.78	374,518,222.49	802,343,971.71	291,646,577.32
Other business	18,071,411.05	17,963,923.35	16,391,099.91	14,914,617.08
Total	1,060,196,351.83	392,482,145.84	818,735,071.62	306,561,194.40

## 2. Breakdown of operating revenue and operating cost

Category of revenue	Medical device	
	Operating revenue	Operating cost
By business type		
Medical device products	1,042,124,940.78	374,518,222.49
Other business	18,071,411.05	17,963,923.35
By operating region		
Main operation – internal sales	553,895,015.95	221,948,632.55
Main operation – external sales	488,229,924.83	152,569,589.94
Other business – internal sales	18,071,411.05	17,963,923.35
Total	1,060,196,351.83	392,482,145.84

## (V) Investment income

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	6,315,413.45	10,980,482.17
Gains on long-term equity investments accounted for using the cost method	40,000,000.00	
Total	46,315,413.45	10,980,482.17

## NOTES TO FINANCIAL STATEMENTS

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

### XVIII. SUPPLEMENTARY INFORMATION

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

Item	Amount for the current period	Amount for the previous period
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	<b>3,848.03</b>	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	<b>5,026,638.57</b>	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	<b>15,058,076.45</b>	20,415,312.31
4. Other non-operating income and expenses other than aforesaid items	<b>-533,366.34</b>	84,475.11
5. Other gains or losses items within the definition of non-recurring profit or loss	<b>483,685.50</b>	487,237.63
Less: Impact of income tax	<b>3,012,382.28</b>	5,357,078.04
Effect of minority interests (after tax)	<b>9,655.25</b>	40,241.70
<b>Total</b>	<b>17,016,844.68</b>	30,452,007.19

The Company defines non-recurring profit or loss items as illustrated in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profit and Loss as recurring profit or loss items:

Items	Amount involved	Reasons
Additional deduction of VAT for advanced manufacturing industry	1,445,841.87	Have continuous effect to the profit and loss of the Company
Government grants related to assets	4,254,621.36	Have continuous effect to the profit and loss of the Company

## NOTES TO FINANCIAL STATEMENTS

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

## XVIII. SUPPLEMENTARY INFORMATION (Continued)

## (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	9.25	4.37	0.71	0.33	0.71	0.33
Net profit attributable to shareholders of ordinary shares of the Company after deducting non-recurring profit or loss	8.67	3.30	0.67	0.25	0.67	0.25

Beijing Chunlizhengda Medical Instruments Co., Ltd.\*  
30 March 2026

The Notes to Financial Statements from page 75 to page 160 are signed by the following persons in charge

Person in charge of the Company      Person in charge for accounting work      Person in charge of the accounting agency

Signature:

Signature:

Signature:

Date:

Date:

Date: