



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



2026
INTERIM 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 (resigned on 25 June 2026)
Mr. Wong Tak Shing (resigned on 25 June 2026)
Mr. Zheng Zhong Liang (appointed on 25 June 2026)
Mr. Kwan King Nam (appointed on 25 June 2026)

General Manager

Mr. Shi Chunsheng

AUDIT COMMITTEE

Ms. Xu Hong (*Chairman*)
Mr. Wang Xin
Mr. Zheng Zhong Liang
Mr. Kwan King Nam

REMUNERATION COMMITTEE

Mr. Zheng Zhong Liang (*Chairman*)
Ms. Shi Wenling
Ms. Xu Hong

NOMINATION COMMITTEE

Ms. Xu Hong (*Chairman*)
Ms. Yue Shujun
Mr. Zheng Zhong Liang

STRATEGY COMMITTEE

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

COMPANY SECRETARY

Mr. Ip Pui Sum (changed on 10 September 2026)

AUTHORISED REPRESENTATIVES

Ms. Yue Shujun
Mr. Ip Pui Sum (changed on 10 September 2026)

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

<http://www.clzd.com>

AUDITOR

WUYIGE Certified Public Accountants LLP

LEGAL ADVISOR AS TO HONG KONG LAW

Zhong Lun Law Firm LLP

MANAGEMENT DISCUSSION AND ANALYSIS

The main products of the Company are orthopedic medical devices^(note 1) and tissue repair products, including spine, trauma, joint, sports medicine and bone repair material implants, surgical instrumentation products, as well as platelet-rich plasma (PRP) preparation kits and closed wound negative pressure drainage kits. According to the Guidelines for the Industry Classification of Listed Companies (2024 Revision) issued by the CSRC, the industry in which the Company operates is “special equipment manufacturing industry” (classification code: C35). According to the Classification of Strategic Emerging Industries (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 economic development, the increasing degree of social ageing, coupled with the gradual enhancement of awareness for healthcare. People’s increasing demand for high-quality medical treatment has in turn promoted the prosperous development of the global medical device market. Under the context of the healthcare reform in China, medical devices have been included in medical care insurance coverage, which has increased the market demand and patient’s acceptance for orthopedic implants^(note 2). In addition, various favorable factors such as the aging population, the continuous growth in healthcare expenditure and the improvements in public healthcare infrastructure have promoted the growth of the orthopedic medical industry in the PRC.

In 2024, the successive implementation of policy of centralized procurement of high-value orthopedic consumables in China had caused certain impact on the development of the orthopedic industry, and the Company continued to seek innovation and research and development, firmly insisting on the orthopedic business and continuously expanded its diversified product lines.

On 3 January 2025, the General Office of the State Council issued the “Opinions on Comprehensively Deepening the Reform of Drug and Medical Device Regulation to Promote High Quality Development of the Pharmaceutical Industry”, which clearly stated that the government shall increase support for the research and development (“R&D”) and innovation of pharmaceuticals and medical devices and enhance the quality and efficiency of the review and approval of pharmaceuticals and medical devices. China’s intention of increasing support for the innovation of medical devices and accelerating their review and approval is beneficial for the medical device industry. As the Manufacturing Champion Enterprise of Artificial Joint Prosthesis (Single-item) recognized by the Ministry of Industry and Information Technology (MIIT), the Company actively upholds national policies, increasing its R&D efforts in innovative medical devices, and thereby contributing to the national initiative of building a pharmaceutical industry with stronger innovation creativity and global competitiveness.

During the reporting period, the Company conducted in-depth research and analysis on the national volume-based procurement policy. It actively implemented the policy to ensure a stable supply of selected products, regulate the procurement and usage practices of medical institutions, and facilitate the smooth implementation of the selected results for orthopedic-related centralized procurement.

In the field of artificial joints, in May 2024, the Renewal in Centralized Volume-based Procurement for Artificial Joints was opened for bidding in Tianjin and the selected result had been announced, among which, all the three product systems for hip joints as well as the total knee products of the Company had been successfully selected.

Note 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.

Note 2: Orthopedic implants refer to medical device products that are used for replacing or providing adjuvant treatment for injured bones and skeletons 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 anchors) and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of spinal products, in the centralized volume-based procurement of spinal consumables organized by the state in 2023, all eight product system categories submitted by the Company were successfully selected, and they are currently being implemented in various provinces.

In the field of sports medicine, the state-organized centralized banded procurement of IOL and sports medicine consumables was opened in Tianjin in November 2023, and all the sports medicine products of the Company won the bidding, which has increased the share of total demand. The Company is actively promoting the marketing network construction to further increase its market share.

Through the research and development of new materials, products, technologies and processes, the Company has continued to assess and invest in research and development projects. For instance, the Company has made corresponding arrangements for the research and development of new materials such as porous tantalum, magnesium alloy and PEEK, and enhanced the research and development of products for new pipelines including surgical robots, sports medicine, PRP and oral cavity. The strategic arrangements above are made to continue to improve the Company's product lines and enhance its competitiveness in the market.

While the Company has made in-depth deployment in the field of orthopedic high-value consumables, it has also strengthened its expansion in orthopedic-related fields, actively searched for advanced technologies and excellent products, and enriched its product reserves to further increase its market share and realize long-term stable and sustainable development in the medical field.

Comprehensive medical device registration certificates

According to the domestic joint products registration index (國產關節類產品註冊檢索) of the National Medical Products Administration ("NMPA"), the Company is one of the domestic enterprises that hold the most comprehensive medical device registration certificates for joint prosthesis products in the PRC in terms of the number and type of certificates.

In the field of artificial joints, the Company has obtained registration certificates for components of the hip joint prosthesis system, total knee joint prosthesis, bio-type unicondylar knee joint prosthesis, and the total knee replacement auxiliary measurement system. The launch of these new products further enriches the categories of joint product lines and will promote a further increase of the market share of the Company's artificial joint products.

In the field of spinal products, the Company has obtained registration certificates for the thoracolumbar anterior pedicle screw-rod fixation system and the single-use annulus fibrosus suturing device. Obtaining the above-mentioned registration certificates for spinal products has enriched the spinal product line of the Company, further enhanced the Company's market competitiveness in the spinal orthopedic industry.

In the field of sports medicine products, the Company has obtained registration certificates for products including the meniscus double-needle instrument, which further enriched its sports medicine product line, marking the further improvement of its deployment in the field of sports medicine, and the comprehensive sports medicine product line facilitated the selection of clinical use.

In the field of trauma, the Company has actively researched and developed the products in the field of trauma business. As of 30 June 2026, the launch of various products of the Company's trauma product series had been approved, including bone plate, intramedullary nail, external fixation frame, metal bone needle, hollow bone screws, and titanium mesh plate system which further complemented the orthopedic business product line of the Company.

In the field of stomatologic products, the Company has obtained the registration certificates for machinable abutment posts and screws, stainless steel orthodontic wires and other products. This had further diversified the Company's stomatologic product line and expanded its layout in the stomatologic product field. With the aim of building a comprehensive one-stop stomatologic ecosystem solution, the Company has planned comprehensive solutions in various stomatologic sub-sectors, namely orthodontics, implantology, repair and maxillofacial surgery.

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In the field of PRP products, the Company has obtained marketing approval for the Platelet-Rich Plasma Preparation Kit and the Medical Centrifuge. The Platelet-Rich Plasma Preparation Kit is the first fully automated platelet-rich plasma preparation system in China. The Medical Centrifuge falls under the active medical device category, and the certification and successful launch of this product signified the Company's further expansion in the PRP-product matrix.

In the field of rehabilitation robots, the Company has continued to deepen its technological presence by obtaining two medical device registration certificates for hip joint walking assistance devices and knee joint walking assistance devices. The product integrates multi-dimensional force sensing technology and adaptive gait algorithms to accurately identify the patient's movement intention and output personalized assistive torque, achieving an intelligent upgrade from "passive fixed training" to "active intention following". As such, the Company has formed a complete closed-loop solution in the field of orthopedics, encompassing "intraoperative robot-assisted precision replacement" and "postoperative intelligent assisted rehabilitation", providing strong support for the standardized, digitalized, and precise development of lower limb rehabilitation therapy.

As of 30 June 2026, the Company held 237 medical device registration certificates and recordation certificates in the PRC, covering joint products, spinal products, sports medicine products, trauma, stomatologic products, PRP products and surgical robots. The various registration certificates 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.

As for the international registration, as of 30 June 2026, the Company has obtained registration certificates from multiple countries. All three product series of the hip, knee and spine of the Company successfully passed the CE annual system audit and supervision audit. Meanwhile, the Company received the approval of FDA 510(K) in the US for its "Knee Prosthesis System". The certificates not only serve as proof of the satisfactory performance of the product and its compliance with product safety requirements, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

Diversified product portfolio

As a leading listed company of implantable orthopedic medical devices in China, the Company has always focused on the research and development, production and sale of artificial joint products, spinal internal fixation products and sports medicine products, while actively expanding into the cutting-edge fields such as dentistry, PRP preparation system, and orthopedic surgical robots. Currently, the Company has successfully obtained the registration certificates for the world's first handheld "trinity" joint-replacement surgical robot for hip joints, knee joints and uni-condyle joints, achieving the breakthrough in intelligent surgical solutions; it has taken the lead in obtaining the domestic registration certificates for porous tantalum Class III medical devices with chemical vapor deposition (CVD) technology, breaking the long-term monopoly of foreign countries in the field of high-end biomaterials; it has also obtained the registration certificates for implant-related products, achieving the breakthrough in its dental layout.

Strong research and development capabilities

The Company is a National Manufacturing Champion Enterprise of Artificial Joint Prosthesis (Single-item), a Specialized and New "Little Giant" Enterprise, a National High-tech Enterprise and is certified by the National Enterprise Technology Center, maintaining a leading position in the domestic artificial joint industry and serving as an important force for the domestic replacement of high-end medical devices in China.

The Company has achieved extensive results in industry, academia and research. Over the past five years, we have secured approval for two key research and development projects of the Ministry of Science and Technology, four open-tender projects of MIIT, two projects under the National Postdoctoral Research Fund and one project under the National Natural Science Foundation. Through collaborating with universities, research institutes and medical institutions, taking into account the clinical needs of products and implementing procedures including mechanism research, prototype development and clinical validation, the Company has established a stable mechanism for developing new products, to ensure its products align with market demands.

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During the reporting period, the research and development projects of the Company recognized by the government include:

- “Development of a high-wear-resistance unicondylar knee joint prosthesis” – a 2026 Beijing “Capital High-end Leading Talent Gathering and Training Programme” science and technology innovation leading talent project;
- “Development and evaluation of a novel paediatric tumour hemi-elbow joint prosthesis based on intelligent composite biological coatings and additive manufacturing technology” – a 2026 Beijing Natural Science Foundation project;
- “Development and application of patellofemoral joint prosthesis” – a project which won the first prize in the First Hebei Province Medical Science and Technology Achievement Transfer and Transformation Innovation Competition in 2026.

Apart from the above research and development projects, the Company was awarded as an enterprise leading an individual field of the manufacturing industry at the National Level by the MIIT in 2024. The Company is the first and currently the only enterprise leading an individual field of the manufacturing industry that focuses on the main business of artificial joint prosthesis. It shows full affirmation from MIIT for the Company’s persistent innovation-driven, excellence-driven and continuous pursuit of excellence in the field of artificial joints over the long term.

As of 30 June 2026, the Company had obtained 760 domestic intellectual property rights, including 207 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 the 23rd China Patent Award announced by China National Intellectual Property Administration, the “New Axis Knee Joint Prosthesis” 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 receiving the award demonstrates the level of patent technology and innovation of the Company. It is also a recognition of the Company’s patent market transformative value, patent protection and patent management.

Advanced joint prosthesis products

The Company is one of the earliest enterprises manufacturing advanced joint prosthesis products in the PRC.

The Company continuously innovated in research and development, with a number of products becoming the first in China, or filling the domestic gaps:

- In 2015, it obtained the medical device registration certificate of BIOLOX®delta fourth generation (the most widely used generation at present) ceramic joint prosthesis products, making the Company the first enterprise to acquire the all-ceramic certificate in mainland China, and also the first to gain the refurbished ceramics in the PRC;
- It is the first enterprise in China to have both flexible platform uni-condyle and fixed platform uni-condyle products;
- It is the first enterprise in China to have patellofemoral joint products;
- It is the first enterprise in China to have the Vitamin E high cross-linked polyethylene hip and knee products;
- It is the first enterprise in China to have inverted shoulder joint products;
- It is the first enterprise in China to possess the fully automatic PRP manufacturing system;
- It is the first enterprise in China to have titanium-zirconium hydrophilic implants;
- It is the first enterprise in China to have light-curing glass ionomer cement;
- It is the first enterprise in China to have one-piece ultra-narrow implants;

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- It is the first and sole enterprise in China to have products with CVD technology such as porous tantalum metal femoral head reconstruction rods, tantalum metal filler blocks, hip joint prosthesis components, and porous tantalum metal interbody fusion devices, filling the domestic gaps.

In addition, the Company has also made arrangements for its joint robots and developed orthopedic surgical robots for hip replacement, total knee replacement, uni-condyle joint replacement and other product lines. Among them, the hip joint surgical robots are the first approved handheld orthopedic robots with autonomous sensing all over the world.

Extensive distribution and sales network

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

FINANCIAL REVIEW

Revenue

The Company's revenue was approximately RMB417.10 million for the six months ended 30 June 2026, representing a decrease of 14.46% as compared to approximately RMB487.60 million for the same period of last year. This was mainly attributable to the pace of implementation of centralized procurement for orthopedic products and other periodic market factors both domestically and internationally, which resulted in a decline in revenue for the period.

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

Product category	Six months ended 30 June		Growth over corresponding period
	2026 (RMB'000)	2025 (RMB'000)	
Medical device products	416,865	487,044	-14.41%
Other businesses	239	552	-56.70%
Total	417,104	487,596	-14.46%

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Selling expenses

For the six months ended 30 June 2026, the Company's selling expenses were approximately RMB65.78 million, representing a decrease of 31.67% as compared to approximately RMB96.27 million for the same period of last year, which was mainly attributable to the optimization of marketing resource allocation and the improved efficiency of selling expenses.

Income tax expenses

For the six months ended 30 June 2026, the Company's income tax expenses were approximately RMB13.52 million, representing an increase of 5.35% from approximately RMB12.83 million for the same period of last year, which was mainly attributable to the increase in the profit of the Company.

Net profit

For the six months ended 30 June 2026, the Company achieved a net profit attributable to the shareholders of the parent company of approximately RMB119.96 million, representing an increase of 4.79% from approximately RMB114.47 million for the same period of last year. This was mainly attributable to the Company's continuous and stable supply of products under centralized procurement, optimization of its product and market structure, and strengthening of the competitiveness of its core businesses during the reporting period, which effectively contributed to the steady growth in the Company's profitability.

Liquidity and capital resources

The Company's monetary funds decreased from approximately RMB1,409.12 million as of 31 December 2025 to approximately RMB1,380.85 million as of 30 June 2026.

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 offering. 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 will continue to 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 2023 and 30 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds	Proportion	Amount available (RMB'000)	Balance of proceeds carried forward as at 1 January 2026 (RMB'000)	Net interest (expense)/ income for the current period (RMB'000)	Net interest (expense)/ income as of 30 June 2026 (RMB'000)	Balance of proceeds as of 30 June 2026 (RMB'000)	Amount temporarily used for cash management (Note) (RMB'000)	Amount of proceeds after deducting cash management (Note) (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials (Build a production base and purchase relevant high-precision processing equipment to increase its product capacity and enrich its product structure)	43.11%	460,000.00	313,558.45	(9,858.47)	(156,300.02)	303,699.98	290,000.00	13,699.98	December 2026
Research and development centre construction project (Invest in R&D projects, focusing on the application of cutting-edge domestic and international technologies in actual products, improving existing products, and enhancing product responsiveness to market demand. In addition, a new R&D centre will be built, mainly focusing on new material research, product development, and the establishment of testing institutions and laboratories, etc.)	39.36%	420,000.00	239,135.10	(21,843.99)	(202,708.89)	217,291.11	185,000.00	32,291.11	December 2026
Marketing network construction project (Build a nationwide marketing system based on the Company's existing sales network to enhance the Company's market sales capabilities, customer service capabilities, and distributor management capabilities, etc.)	1.87%	20,000.00	12,829.26	(3,647.66)	(10,818.40)	9,181.60	–	9,181.60	December 2026
Replenishment of working capital	15.66%	167,128.29	69.35	0.02	(167,058.92)	69.37	–	69.37	N/A
	100%	1,067,128.29	565,592.16	(35,350.10)	(536,886.23)	530,242.06	475,000.00	55,242.06	

Note: According to relevant A-share laws and regulations, the Company may conduct cash management on temporarily idle proceeds. The Company confirms that the subscription of structured deposit products is only part of its fund management arrangements, with the aim of preserving principal and enhancing the return on temporarily idle funds. Such subscriptions do not constitute, and are not intended to constitute a use of the relevant proceeds for purposes other than the proposed uses previously disclosed by the Company. Upon the maturity, termination or redemption of the relevant structured deposit products, the relevant proceeds will be returned to the Company and continue to be used for their respective proposed uses as previously disclosed by the Company, and such amounts will be included in the balance of unutilized proceeds.

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Use of Proceeds	Proportion	Amount available (RMB'000)	Balance of proceeds carried forward as of 1 January 2025 (RMB'000)	Net (expenses)/ interest income amount for the current period (RMB'000)	Net (expenses)/ interest income amount as of 30 June 2025 (RMB'000)	Balance of proceeds as of 30 June 2025 (RMB'000)	Of which, amount temporarily used for cash management (Note) (RMB'000)	Amount of funds after deducting those used for cash management (Note) (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project for orthopedic implants and supporting materials (Build a production base and purchase relevant high-precision processing equipment to increase the Company's product capacity and enrich its product structure)	43.11%	460,000.00	344,333.91	(8,917.55)	(124,583.64)	335,416.36	320,000.00	15,416.36	December 2026
Research and development centre construction project (Investing in R&D projects, focusing on the application of cutting-edge domestic and international technologies in actual products, improving existing products, and enhancing product responsiveness to market demand. In addition, a new R&D centre will be built, mainly focusing on new material research, product development, and the establishment of testing institutions and laboratories, etc.)	39.36%	420,000.00	304,572.17	(34,563.77)	(149,991.60)	270,008.40	250,000.00	20,008.40	December 2026
Marketing network construction project (Build a nationwide marketing system based on the network to enhance the Company's market sales capabilities, customer service capabilities, and distributor management capabilities, etc.)	1.87%	20,000.00	19,182.89	(858.44)	(1,675.55)	18,324.45	–	18,324.45	December 2026
Replenishment of working capital	15.66%	167,128.29	69.30	0.03	(167,058.96)	69.33	–	69.33	Not applicable
	100.00%	1,067,128.29	668,158.27	(44,339.73)	(443,309.75)	623,818.54	570,000.00	53,818.54	

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds	Proportion	Amount available (RMB'000)	Balance of proceeds carried forward as of 1 January 2024 (RMB'000)	Net (expenses)/ interest income amount for the current period (RMB'000)	Net (expenses)/ interest income amount as of 30 June 2024 (RMB'000)	Balance of proceeds as of 30 June 2024 (RMB'000)	Of which, amount temporarily used for cash management (Note) (RMB'000)	Amount of funds after deducting those used for cash management (Note) (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project for orthopedic implants and supporting materials (Build a production base and purchase relevant high-precision processing equipment to increase the Company's product capacity and enrich its product structure)	43.11%	460,000.00	353,906.31	(55,946.20)	162,039.88	297,960.12	280,000.00	17,960.12	August 2024
Research and development centre construction project (Investing in R&D projects, focusing on the application of cutting-edge domestic and international technologies in actual products, improving existing products, and enhancing product responsiveness to market demand. In addition, a new R&D centre will be built, mainly focusing on new material research, product development, and the establishment of testing institutions and laboratories, etc.)	39.36%	420,000.00	355,055.95	35,807.36	29,136.69	390,863.31	335,000.00	55,863.31	August 2024
Marketing network construction project (Build a nationwide marketing system based on the network to enhance the Company's market sales capabilities, customer service capabilities, and distributor management capabilities, etc.)	1.87%	20,000.00	21,866.45	(28.16)	(1,838.29)	21,838.29	–	21,838.29	December 2024
Replenishment of working capital	15.66%	167,128.29	69.18	0.07	(167,059.04)	69.25	–	69.25	Not applicable
	100.00%	1,067,128.29	730,897.89	(20,166.93)	(356,397.32)	710,730.97	615,000.00	95,730.96	

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds	Proportion	Amount available (RMB'000)	Balance of proceeds carried forward as of 1 January 2023 (RMB'000)	Net (expenses)/ interest income amount for the current period (RMB'000)	Net (expenses)/ interest income amount as of 30 June 2023 (RMB'000)	Balance of proceeds as of 30 June 2023 (RMB'000)	Of which, amount temporarily used for cash management (Note) (RMB'000)	Amount of funds after deducting those used for cash management (Note) (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project for orthopedic implants and supporting materials (Build a production base and purchase relevant high-precision processing equipment to increase the Company's product capacity and enrich its product structure)	43.11%	460,000.00	347,177.56	6,847.22	(105,975.22)	354,024.78	340,000.00	14,024.78	August 2024
Research and development centre construction project (investing in R&D projects, focusing on the application of cutting-edge domestic and international technologies in actual products, improving existing products, and enhancing product responsiveness to market demand. In addition, a new R&D centre will be built, mainly focusing on new material research, product development, and the establishment of testing institutions and laboratories, etc.)	33.74%	360,000.00	325,315.30	586.81	(34,097.89)	325,902.11	295,000.00	30,902.11	August 2024
Marketing network construction project (Build a nationwide marketing system based on the network to enhance the Company's market sales capabilities, customer service capabilities, and distributor management capabilities, etc.)	7.5%	80,000.00	80,540.17	507.20	1,047.36	81,047.36	60,000.00	21,047.36	December 2024
Replenishment of working capital	15.66%	167,128.29	118.67	0.15	(167,009.47)	118.82	–	118.82	Not applicable
	100.00%	1,067,128.29	753,151.70	7,941.37	(306,035.22)	761,093.07	695,000.00	66,093.08	

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Use of Proceeds	Proportion	Amount available (RMB'000)	Proceeds received in 2022 (RMB'000)	Net (expenses)/ interest income amount for the current period (RMB'000)	Net (expenses)/ interest income amount as of 30 June 2022 (RMB'000)	Balance of proceeds as of 30 June 2022 (RMB'000)	Of which, amount temporarily used for cash management (Note) (RMB'000)	Amount of funds after deducting those used for cash management (Note) (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project for orthopedic implants and supporting materials (Build a production base and purchase relevant high-precision processing equipment to increase the Company's product capacity and enrich its product structure)	43.11%	460,000.00	460,000.00	(140,560.21)	(140,560.21)	319,439.79	300,000.00	19,439.79	August 2024
Research and development centre construction project (Investing in R&D projects, focusing on the application of cutting-edge domestic and international technologies in actual products, improving existing products, and enhancing product responsiveness to market demand. In addition, a new R&D centre will be built, mainly focusing on new material research, product development, and the establishment of testing institutions and laboratories, etc.)	33.74%	360,000.00	360,000.00	(21,970.03)	(21,971.23)	338,028.77	85,000.00	253,028.77	December 2024
Marketing network construction project (Build a nationwide marketing system based on the network to enhance the Company's market sales capabilities, customer service capabilities, and distributor management capabilities, etc.)	7.5%	80,000.00	80,000.00	(299.05)	(299.05)	79,700.95	-	79,700.95	December 2024
Replenishment of working capital	15.66%	167,128.29	167,128.29	(165,761.60)	(165,761.60)	1,366.69	-	1,366.69	Not applicable
	100.00%	1,067,128.29	1,067,128.29	(328,590.09)	(328,592.09)	738,536.20	385,000.00	353,536.20	

Working capital and financial resources

Cash flow analysis

As at 30 June 2026, net cash inflow generated from operating activities was approximately RMB34.32 million, which was mainly attributable to changes in the timing of bill settlement and a decrease in operating cash collections; the net cash inflow generated from investment activities was approximately RMB45.09 million, which was mainly due to the adjustment of wealth management product allocation and optimization of the investment fund structure; the net cash outflow generated from financing activities was approximately RMB106.95 million, which was mainly due to the payment of cash dividends during the current period, resulting in an outflow of dividend funds; and the cash and cash equivalents decreased by approximately RMB28.08 million as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditure

The Company's capital expenditure was mainly used in the expansion of new production base and the acquisition of production facilities. During the reporting period, the Company did not incur any capital expenditure.

Contingent liabilities or guarantees

As of 30 June 2026, 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 30 June 2026 and its financial assets at fair value through profit or loss, which included 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 a certain portion of its temporarily idle capital 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.

All redeemed as of 30 June 2026:

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	29,000.00	13 November 2025	18 May 2026	Idle capital	1.2 or 1.9%	280.78	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	29,000.00	13 November 2025	18 May 2026	Internal funds	1.2 or 1.9%	280.78	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	21,000.00	13 November 2025	18 May 2026	Idle capital	1.2 or 1.9%	203.33	Full Redemption

MANAGEMENT DISCUSSION AND ANALYSIS

Unredeemed as of 30 June 2026:

Trustee	Name of product	Type of entrusted wealth management	Amount of entrusted wealth management (RMB'000)	Fair value as at 30 June 2026 (RMB'000)	Size of fair value relative to the Group's total assets	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital Source	Money Flow	Annualised Yield	Actual recovery
China Construction Bank – Daxing Sub-branch	CCBC Entity-targeted RMB Customised Structured Deposit	Structured deposits	18,500.00	18,500.43	5.15%	29 June 2026	30 December 2026	Idle capital	Banking	0.85% to 1.75%	Undue, not redeemed at the end of the reporting period
Shanghai Pudong Development Bank, Beijing Branch	Li Duo Duo Company Stable Profit 26JG8366 (Bullish Three-tier) RMB-denominated Structured Deposit Product* (利多多公司穩利26JG8366期(三層看漲)人民幣對公結構性存款)	Structured deposits	44,000.00	44,005.73	12.25%	25 June 2026	25 December 2026	Internal funds	Banking	0.95% or 1.65% or 1.85%	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	10,000.00	10,000.27	2.78%	29 June 2026	28 December 2026	Idle capital	Banking	1.00% or 1.72%	Undue, not redeemed at the end of the reporting period
			72,500.00	72,506.43	20.19%						

Note 1: 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.

Note 2: China Construction Bank is a joint stock commercial bank in the PRC which provides services such as accepting deposits, making loans and offering basic investment products. Headquartered in Beijing, it was listed on the Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). China Construction Bank (Daxing Branch) is a branch of China Construction Bank. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, China Construction Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Note 3: Shanghai Pudong Development Bank 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: 600000). Shanghai Pudong Development Bank (Beijing Branch) is a branch of Shanghai Pudong Development Bank. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Pudong Development Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

Looking forward, various favourable factors such as aging population, continuous increase in per capita income and enlarging scope of the medical insurance coverage will continue to sustain the rapid development of 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. While 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 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 will 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 and National Enterprise Technology Centre* (國家企業技術中心), 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 to strengthen cooperation with renowned medical institutions in the PRC in order to enhance its professional knowledge, technology and competitiveness.

Expand brand influence

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

Talent development and incentives

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

EMPLOYEE

As at 30 June 2026, the Company had approximately a total of 969 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As of 30 June 2026, the total salaries and related costs paid to our employees were approximately RMB102.73 million. The Company enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, resignation policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2026, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

As at 30 June 2026, the Company held 1,376,851 treasury shares, all of which were A Shares, and the intended use of which was for the implementation of employee stock ownership plans or equity incentive schemes.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The net profit attributable to owners of the parent company for the first half of 2026 amounted to RMB119,957,018.06. Taking into account the reasonable returns for investors and the long-term development of the Company, and under the premise of guaranteeing the Company's normal operation and business development, the Board has resolved to make a profit distribution for the half-year of 2026 on the basis of the total share capital registered on the date of the implementation of the rights registration for the distribution, less the amount of the shares held by the repurchase account. The proposed profit distribution is set out below:

The Company proposes to distribute a cash dividend of RMB1.3 (before tax) for every 10 shares to all shareholders. As at 30 June 2026, 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 RMB49,684,914.37 (before tax) was proposed to be paid out as cash dividend. The amount of cash dividend of the Company in the first half of 2026 accounts for 41.42% of the net profit attributable to shareholders of the listed company in the consolidated statement. The Company will not carry out any capitalization of capital reserve or distribute bonus shares.

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 report to the date of registration of the rights to implementation of the profit distribution, the Company intends to maintain the amount of the cash 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 proposed profit distribution has been considered and approved at the second meeting of the sixth session of the Board of the Company and is subject to the approval of the 2026 extraordinary general meeting of the Company for implementation. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2026 extraordinary general meeting and to receive the proposed interim dividend and the payment date of the said interim dividend will be announced later.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Board has been committed to maintaining a high standard of corporate governance. The Board believes that, the high standard of corporate governance is essential in providing a framework for the Group to safeguard shareholder interest, enhance enterprise value, formulate its business strategy and policy, and enhance the transparency and accountability. The Company has adopted the principles and code provisions of the Corporate Governance Code (“**CG Code**”) set out in Appendix C1 to the Hong Kong Listing Rules. The Board considers that during the reporting period, the Company has complied with all the code provisions contained in the CG Code.

As stated in the announcement dated 11 September 2026 of the Company, there was a change in the company secretary of the Company on 10 September 2026. Since then, the Company has temporarily had no Company Secretary and Process Agent, and only one Authorised Representative, which will constitute non-compliance with Rules 3.28, 3.05 and 19A.13(2) of the Listing Rules, and Section 474 and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Board is identifying a suitable candidate to fill the vacancies of the Company Secretary, Authorised Representative and Process Agent and a further announcement will be made as and when appropriate.

COMPLIANCE WITH MODEL CODE

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct for directors’ and supervisors’ securities transactions. Having made specific enquiry with the directors, all of the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2026.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

WUYIGE Certified Public Accountants LLP has reviewed these financial statements. The Audit Committee of the Board has reviewed the Company’s consolidated financial statements for the six months ended 30 June 2026, including the accounting principles and practices applied.

DIRECTORS’ AND CHIEF EXECUTIVE OFFICER’S INTERESTS IN SECURITIES

As at 30 June 2026, 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/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, will be as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF THE DIRECTORS IN THE SHARES OF OUR COMPANY

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Mr. Shi Chunbao	A shares	115,473,043 (long position)	Beneficial owner	40.04%	30.10%
	A shares	95,447,900 (long position)	Interest of spouse	33.09%	24.88%
	H shares	4,736,000 (long position)	Beneficial owner	4.98%	1.23%
Ms. Yue Shujun	A shares	95,447,900 (long position)	Beneficial owner	33.09%	24.88%
	A shares	115,473,043 (long position)	Interest of spouse	40.04%	30.10%
	H shares	4,736,000 (long position)	Interest of spouse	4.98%	1.23%

Save as disclosed above, as at 30 June 2026, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2026, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Mr. Shi Chunbao	A shares	115,473,043 (long position)	Beneficial owner	40.04%	30.10%
	A shares	95,447,900 (long position)	Interest of spouse	33.09%	24.88%
	H shares	4,736,000 (long position)	Beneficial owner	4.98%	1.23%
Ms. Yue Shujun	A shares	95,447,900 (long position)	Beneficial owner	33.09%	24.88%
	A shares	115,473,043 (long position)	Interest of spouse	40.04%	30.10%
	H shares	4,736,000 (long position)	Interest of spouse	4.98%	1.23%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Panmao (Shanghai) Equity Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合伙))	A shares	17,250,000 (long position)	Beneficial owner	5.98%	4.50%
Taiping Assets Management (HK)H shares Company Limited		5,743,000 (long position)	Investment manager	6.04%	1.50%
Taiping Trustees Limited	H shares	5,743,000 (long position)	Trustee	6.04%	1.50%

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 30 June 2026, respectively.
2. The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 30 June 2026.

Save as disclosed above, as at 30 June 2026, the directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

REVIEW REPORT



大信會計師事務所
北京市海澱區知春路1號
學院國際大廈22層2206
郵編100083

WUYIGE Certified Public Accountants.LLP
Room 2206 22/F, Xueyuan International Tower
No. 1 Zhichun Road, Haidian Dist.
Beijing, China, 100083

電話Telephone : +86(10) 82330558
傳真Fax : +86(10) 82327668
網址Internet : www.daxincpa.com.cn

DA XIN YUE ZI [2026] No. 3-00003

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

We have reviewed the accompanying financial statements of Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter referred to as the “Company”), which comprise the consolidated and parent company’s balance sheets as at 30 June 2026, the consolidated and parent company’s profit statements from January to June 2026, the consolidated and parent company’s cash flow statements, the consolidated and parent company’s statement of changes in equity, and notes to the financial statements. The preparation of these financial statements is the responsibility of the Company’s management. Our responsibility is to issue a review report on these financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with “Accounting Standards for Business Enterprises” and do not present fairly, in all material respects, the consolidated and parent company’s financial position of the Company as at 30 June 2026, and of its operating results and cash flows from January to June 2026.

WUYIGE Certified Public Accountants LLP
Beijing, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

28 August 2026

CONSOLIDATED BALANCE SHEET

30 June 2026

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current assets:			
Monetary funds	V.(I)	1,380,852,986.07	1,409,120,983.52
Held-for-trading financial assets	V.(II)	745,064,308.22	811,246,684.93
Derivative financial assets			
Notes receivable	V.(III)	2,581,984.85	4,253,186.08
Accounts receivable	V.(IV)	253,086,616.89	225,456,558.88
Accounts receivable financing			
Prepayment	V.(V)	4,232,768.38	4,851,870.27
Other receivables	V.(VI)	2,292,983.09	222,608.48
Including: Interest receivable			
Dividends receivable			
Inventories	V.(VII)	527,532,378.70	535,925,459.39
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V.(VIII)	29,138,268.62	20,422,698.85
Total current assets		2,944,782,294.82	3,011,500,050.40
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets	V.(IX)	345,758,906.51	354,149,308.67
Construction in progress	V.(X)	130,696,918.06	129,329,592.01
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V.(XI)	3,849,284.26	3,840,500.22
Intangible assets	V.(XII)	114,958,897.77	119,787,805.08
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill	V.(XIII)		
Long-term prepayments			
Deferred income tax assets	V.(XIV)	29,409,006.47	30,336,378.81
Other non-current assets	V.(XV)	21,904,673.73	12,191,225.94
Total non-current assets		646,577,686.80	649,634,810.73
Total assets		3,591,359,981.62	3,661,134,861.13

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting
agency:

CONSOLIDATED BALANCE SHEET

30 June 2026

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V.(XVII)	117,724,327.54	160,772,940.21
Advances received			
Contract liabilities	V.(XVIII)	74,626,090.87	82,166,218.34
Employee remuneration payable	V.(XIX)	46,961,711.58	68,607,725.23
Taxes payable	V.(XX)	12,048,571.37	26,060,319.15
Other payables	V.(XXI)	146,798,847.65	181,961,490.77
Including: Interests payable			
Dividends payable		43,062,742.11	80,260,246.29
Liabilities held-for-sale			
Non-current liabilities due within one year	V.(XXII)	2,563,278.73	2,677,095.45
Other current liabilities	V.(XXIII)	49,149,448.02	56,357,165.80
Total current liabilities		449,872,275.76	578,602,954.95
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V.(XXIV)	497,060.35	598,047.04
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains	V.(XXV)	80,354,183.05	82,494,938.18
Deferred income tax liabilities	V.(XIV)	11,033,796.14	12,446,459.51
Other non-current liabilities			
Total non-current liabilities		91,885,039.54	95,539,444.73
Total liabilities		541,757,315.30	674,142,399.68
Shareholders' equity:			
Share capital	V.(XXVI)	383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.(XXVII)	1,044,799,419.83	1,044,799,419.83
Less: Treasury shares	V.(XXVIII)	20,008,021.82	20,008,021.82
Other comprehensive income			
Specific reserve			
Surplus reserve	V.(XXIX)	225,066,727.32	225,066,727.32
Undistributed profits	V.(XXX)	1,414,669,481.53	1,352,041,210.82
Total interests attributable to shareholders of the parent company		3,048,096,106.86	2,985,467,836.15
Minority interests		1,506,559.46	1,524,625.30
Total shareholders' equity		3,049,602,666.32	2,986,992,461.45
Total liabilities and shareholders' equity		3,591,359,981.62	3,661,134,861.13

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting agency:

PARENT COMPANY'S BALANCE SHEET

30 June 2026

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current assets:			
Monetary funds		1,356,246,098.57	1,397,600,534.22
Held-for-trading financial assets		745,064,308.22	811,246,684.93
Derivative financial assets			
Notes receivable		2,581,984.85	3,414,865.08
Accounts receivable	XVII.(I)	275,756,903.94	246,203,911.42
Accounts receivable financing			
Prepayment		4,152,663.64	4,585,560.99
Other receivables	XVII.(II)	20,932,254.85	15,334,436.60
Including: Interest receivable			
Dividends receivable			
Inventories		507,460,238.39	523,704,385.51
Including: Data resources			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		27,522,874.10	18,905,708.49
Total current assets		2,939,717,326.56	3,020,996,087.24
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII.(III)	40,715,263.00	40,715,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		313,256,078.08	321,820,207.37
Construction in progress		127,509,243.63	126,626,839.71
Productive biological assets			
Oil & gas assets			
Right-of-use assets		3,746,656.01	3,669,453.13
Intangible assets		114,677,419.94	119,467,459.31
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill			
Long-term prepayments			
Deferred income tax assets		28,055,113.68	28,911,069.97
Other non-current assets		21,904,673.73	11,713,215.14
Total non-current assets		649,864,448.07	652,923,507.63
Total assets		3,589,581,774.63	3,673,919,594.87

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting agency:

PARENT COMPANY'S BALANCE SHEET

30 June 2026

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		119,341,455.24	175,562,503.57
Advances received			
Contract liabilities		71,933,549.25	78,765,871.54
Employee remuneration payable		43,145,617.22	64,031,887.43
Taxes payable		11,877,945.32	25,375,305.73
Other payables		211,047,869.40	247,037,995.15
Including: Interests payable			
Dividends payable		43,062,742.11	80,260,246.29
Liabilities held-for-sale			
Non-current liabilities due within one year		2,471,237.46	2,536,956.23
Other current liabilities		47,460,255.41	53,992,418.88
Total current liabilities		507,277,929.30	647,302,938.53
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		497,060.35	553,871.15
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		14,981,827.10	15,931,719.74
Deferred income tax liabilities		10,963,796.14	12,368,959.51
Other non-current liabilities			
Total non-current liabilities		26,442,683.59	28,854,550.40
Total liabilities		533,720,612.89	676,157,488.93
Shareholders' equity:			
Share capital		383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,044,799,419.83	1,044,799,419.83
Less: Treasury shares		20,008,021.82	20,008,021.82
Other comprehensive income			
Special reserve			
Surplus reserve		225,066,727.32	225,066,727.32
Undistributed profits		1,422,434,536.41	1,364,335,480.61
Total shareholders' equity		3,055,861,161.74	2,997,762,105.94
Total liabilities and shareholders' equity		3,589,581,774.63	3,673,919,594.87

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting agency:

CONSOLIDATED INCOME STATEMENT

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Revenue	V.(XXXI)	417,104,217.14	487,596,405.66
Less: Operating costs	V.(XXXI)	147,785,747.32	160,472,617.89
Taxes and surcharge	V.(XXXII)	4,246,542.01	4,531,943.83
Selling expenses	V.(XXXIII)	65,783,090.88	96,267,759.62
Administrative expenses	V.(XXXIV)	19,561,228.97	28,394,457.44
Research and development expenses	V.(XXXV)	47,226,656.71	50,854,271.53
Financial expenses	V.(XXXVI)	1,404,286.26	-6,743,274.50
Including: Interest expenses		76,746.69	12,292.70
Interest proceeds		7,282,885.42	7,674,348.71
Add: Other gains	V.(XXXVII)	4,390,159.68	5,307,719.73
Investment income (losses will be shown with “-” sign)	V.(XXXVIII)	2,818,027.41	3,217,026.86
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)	3,648,527.39	4,296,252.04
Impairment loss of credit (losses will be shown with “-” sign)	V.(XL)	-820,156.72	-12,418,491.12
Impairment loss of assets (losses will be shown with “-” sign)	V.(XLI)	-6,043,562.98	-26,911,765.98
Gains (losses will be shown with “-” sign) on disposal of assets	V.(XLII)		3,848.03
II. Operating profit (losses will be shown with “-” sign)		135,089,659.77	127,313,219.41
Add: Non-operating income	V.(XLIII)	160,577.65	0.84
Less: Non-operating expenses	V.(XLIV)	1,792,993.29	700.00
III. Total profit (total losses will be shown with “-” sign)		133,457,244.13	127,312,520.25
Less: Income tax expenses	V.(XLV)	13,518,291.91	12,831,365.21

CONSOLIDATED INCOME STATEMENT

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
IV. Net profit (net losses will be shown with “-” sign)		119,938,952.22	114,481,155.04
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (net losses will be shown with “-” sign)		119,938,952.22	114,481,155.04
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)		119,957,018.06	114,469,490.87
2. Minority profit or loss (net losses will be shown with “-” sign)		-18,065.84	11,664.17
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to shareholders of the parent company			
(II) Net other comprehensive income after tax attributable to minority shareholders			
VI. Total comprehensive income		119,938,952.22	114,481,155.04
(I) Total comprehensive income attributable to shareholders of the parent company		119,957,018.06	114,469,490.87
(II) Total comprehensive income attributable to minority shareholders		-18,065.84	11,664.17
VII. Earnings per share			
(I) Basic earnings per share		0.31	0.30
(II) Diluted earnings per share		0.31	0.30

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting
agency:

PARENT COMPANY'S INCOME STATEMENT

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Revenue	XVII.(IV)	423,712,641.31	491,508,586.62
Less: Operating costs	XVII.(IV)	163,869,881.48	173,822,061.39
Taxes and surcharge		4,086,876.07	4,374,341.67
Selling expenses		64,970,925.05	96,311,864.81
Administrative expenses		17,370,153.30	27,094,348.92
Research and development expenses		45,885,307.76	48,021,381.82
Financial expenses		1,402,526.43	-6,748,492.98
Including: Interest expenses		73,760.52	7,618.79
Interest proceeds		7,277,103.42	7,669,266.23
Add: Other gains		3,201,668.46	3,841,588.22
Investment income (losses will be shown with “-” sign)	XVII.(V)	2,818,027.41	3,217,026.86
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		3,648,527.39	4,296,252.04
Gains (losses will be shown with “-” sign) from changes of fair value		498,681.46	-7,333,631.38
Impairment loss of credit (losses will be shown with “-” sign)		-6,039,868.29	-26,911,765.98
Impairment loss of assets (losses will be shown with “-” sign)			3,848.03
Gains (losses will be shown with “-” sign) on disposal of assets			
II. Operating profit (losses will be shown with “-” sign)		130,254,007.65	125,746,398.78
Add: Non-operating income		160,568.73	
Less: Non-operating expenses		1,569,416.64	700.00
III. Total profit (total losses will be shown with “-” sign)		128,845,159.74	125,745,698.78
Less: Income tax expenses		13,417,356.59	12,646,649.06
IV. Net profit (net losses will be shown with “-” sign)		115,427,803.15	113,099,049.72
(I) Net profit for continuing operation (net losses will be shown with “-” sign)		115,427,803.15	113,099,049.72
(II) Net profit for ceased operation (net losses will be shown with “-” sign)			
V. Net other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income to be reclassified to profit or loss			
VI. Total comprehensive income		115,427,803.15	113,099,049.72
VII. Earnings per share			
(I) Basic earnings per share		0.30	0.29
(II) Diluted earnings per share		0.30	0.29

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting
agency:

CONSOLIDATED CASH FLOW STATEMENT

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		377,757,473.92	565,945,760.08
Receipts of tax refund			2,729,410.74
Other cash receipts related to operating activities	V.(XLVI)	15,710,516.49	11,886,857.73
Subtotal of cash inflow from operating activities		393,467,990.41	580,562,028.55
Cash payments for goods purchased and services received		127,937,374.79	200,241,512.11
Cash paid to and on behalf of employees		102,875,370.52	110,009,221.45
Taxes paid		46,452,984.31	14,727,332.15
Other cash payments related to operating activities	V.(XLVI)	81,880,247.07	114,097,579.74
Subtotal of cash outflow from operating activities		359,145,976.69	439,075,645.45
Net cash flows from operating activities		34,322,013.72	141,486,383.10
II. Cash flows from investing activities:			
Cash received from disinvestments		790,000,000.00	744,000,000.00
Cash received from return on investments		7,648,931.51	6,619,109.04
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		2,838.00	23,000.00
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		797,651,769.51	750,642,109.04
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		27,561,388.98	30,116,695.86
Cash payments for investments		725,000,000.00	860,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units			2,200,000.00
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		752,561,388.98	892,316,695.86
Net cash flows from investing activities		45,090,380.53	-141,674,586.82

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting
agency:

CONSOLIDATED CASH FLOW STATEMENT

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Including: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflow from financing activities			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		104,885,018.28	
Including: Cash paid for distribution of dividends and profits by subsidiaries to minority shareholders			
Other cash payments related to financing activities	V.(XLVI)	2,065,955.47	8,618,899.63
Subtotal of cash outflow from financing activities		106,950,973.75	8,618,899.63
Net cash flows from financing activities		-106,950,973.75	-8,618,899.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-537,020.27	-275,701.18
V. Net increase in cash and cash equivalents		-28,075,599.77	-9,082,804.53
Add: Opening balance of cash and cash equivalents		1,402,472,486.98	1,139,017,650.66
VI. Closing balance of cash and cash equivalents		1,374,396,887.21	1,129,934,846.13

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

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		382,849,162.75	572,031,850.41
Receipts of tax refund			2,729,410.74
Other cash receipts related to operating activities		15,726,884.37	11,732,974.30
Subtotal of cash inflow from operating activities		398,576,047.12	586,494,235.45
Cash payments for goods purchased and services received		157,345,073.89	201,596,558.39
Cash paid to and on behalf of employees		93,021,161.13	99,407,663.75
Taxes paid		44,237,611.44	12,292,546.94
Other cash payments related to operating activities		85,831,313.33	126,579,505.56
Subtotal of cash outflow from operating activities		380,435,159.79	439,876,274.64
Net cash flows from operating activities		18,140,887.33	146,617,960.81
II. Cash flows from investing activities:			
Cash received from disinvestments		790,000,000.00	744,000,000.00
Cash received from return on investments		7,648,931.51	6,619,109.04
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		2,838.00	23,000.00
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		797,651,769.51	750,642,109.04
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		24,566,723.80	27,918,734.03
Cash payments for investments		725,000,000.00	869,200,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		749,566,723.80	897,118,734.03
Net cash flows from investing activities		48,085,045.71	-146,476,624.99

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

January to June 2026

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflow from financing activities			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses		104,885,018.28	
Other cash payments related to financing activities		1,965,932.46	8,543,557.63
Subtotal of cash outflow from financing activities		106,850,950.74	8,543,557.63
Net cash flows from financing activities		-106,850,950.74	-8,543,557.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-537,020.27	-275,701.18
V. Net increase in cash and cash equivalents		-41,162,037.97	-8,677,922.99
Add: Opening balance of cash and cash equivalents		1,390,952,037.68	1,125,142,491.80
VI. Closing balance of cash and cash equivalents		1,349,789,999.71	1,116,464,568.81

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

January to June 2026

Expressed in RMB

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

Items	During the current period												
	Equity attributable to parent company												
	Other equity instruments				Less:								
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interest	Total equity
I.													
	Balance at the end of prior period	383,568,500.00			1,044,799,419.83	20,008,021.82			225,066,727.32	1,352,041,210.82	2,985,467,938.15	1,524,625.30	2,986,992,461.45
	Add: Changes of accounting policies												
	Error correction of prior period												
	Others												
II.													
	Balance at the beginning of current period	383,568,500.00			1,044,799,419.83	20,008,021.82			225,066,727.32	1,352,041,210.82	2,985,467,938.15	1,524,625.30	2,986,992,461.45
III.													
	Amount of current period increase or decrease (decreases will be shown with "-") sign												
(I)	Total comprehensive income												
(II)	Capital contributed and withdrawn by shareholders												
	1. Ordinary shares contributed by shareholders									62,628,270.71	62,628,270.71	-18,065.84	62,610,204.87
	2. Capital contributed by holders of other equity instruments									119,957,018.06	119,957,018.06	-18,065.84	119,938,952.22
	3. Amount of share-based payment included in equity												
	4. Others												
(III)	Profit distribution												
	1. Appropriation of surplus reserve								-57,328,747.35	-57,328,747.35	-57,328,747.35		-57,328,747.35
	2. Distribution to shareholders												
	3. Others								-57,328,747.35	-57,328,747.35	-57,328,747.35		-57,328,747.35
(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	1,414,669,461.53	3,046,086,106.86	1,506,559.46	3,049,002,666.32

Person in charge of the accounting agency:

Person in charge of accounting work:

Person in charge of the company:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2026

Expressed in RMB

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

Items	During the previous period									
	Equity attributable to parent company									
	Other equity instruments					Less:				
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits
I. Balance at the end of prior period	393,568,500.00				1,044,799,419.93	12,018,864.19		195,115,661.94	1,208,437,565.70	2,819,902,283.28
Add: Changes of accounting policies										
Error correction of prior period										
Others										
II. Balance at the beginning of current period	393,568,500.00				1,044,799,419.93	12,018,864.19		195,115,661.94	1,208,437,565.70	2,819,902,283.28
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)										
(I) Total comprehensive income										
(II) Capital contributed and withdrawn by shareholders										
1. Ordinary shares contributed by shareholders						7,988,157.63			95,742,100.07	87,732,942.44
2. Capital contributed by holders of other equity instruments						7,988,157.63			114,469,490.87	114,481,155.04
3. Amount of share-based payment included in equity						7,988,157.63			-7,988,157.63	-7,988,157.63
4. Others										
(III) Profit distribution										
1. Appropriation of surplus reserve									-18,727,390.80	-18,727,390.80
2. Distribution to shareholders									-18,727,390.80	-18,727,390.80
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	393,568,500.00				1,044,799,419.93	20,008,021.82		195,115,661.94	1,304,179,665.77	2,907,655,225.72

Person in charge of the company:

Person in charge of accounting work:

Person in charge of the accounting agency:

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

January to June 2026

Expressed in RMB

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

Items	Other equity instruments				During the current period							Total equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
I. Balance at the end of prior period	383,588,500.00				1,044,799,419.83	20,008,021.82			225,066,727.32	1,364,335,480.61	2,997,762,105.94	
Add: Changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current period	383,588,500.00				1,044,799,419.83	20,008,021.82			225,066,727.32	1,364,335,480.61	2,997,762,105.94	
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)												
(I) Total comprehensive income												
(II) Capital contributed and withdrawn by shareholders												
1. Ordinary shares contributed by shareholders										58,099,055.80	58,099,055.80	
2. Capital contributed by holders of other equity instruments										115,427,803.15	115,427,803.15	
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Distribution to shareholders												
3. Others												
(IV) Internal carry-over within shareholders' equity												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserve to share capital												
3. Surplus reserve to cover losses												
4. Transfer of changes in balance of the defined benefit plans to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	383,588,500.00				1,044,799,419.83	20,008,021.82			225,066,727.32	1,422,434,536.41	3,055,861,161.74	

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

January to June 2026

Expressed in RMB

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

Items	Other equity instruments					During the previous period					Total equity
	Share capital	Preferred shares	Penatal bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Balance at the end of prior period	383,588,500.00				1,044,799,419.83	12,016,864.19			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 period	383,588,500.00				1,044,799,419.83	12,016,864.19			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)											
(I) Total comprehensive income						7,989,157.63				94,371,658.92	86,382,501.29
(II) Capital contributed and withdrawn by shareholders										113,099,049.72	113,099,049.72
1. Ordinary shares contributed by shareholders											-7,989,157.63
2. Capital contributed by holders of other equity instruments						7,989,157.63				-7,989,157.63	-7,989,157.63
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve									-18,727,390.80		-18,727,390.80
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to cover losses											
4. Transfer of changes in balance of the defined benefit plans to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	383,588,500.00				1,044,799,419.83	20,006,021.82			195,115,661.94	1,288,135,188.23	2,891,610,748.18

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 as the “Company”) is established by Mr. Shi Chunbao (史春寶先生) and Ms. Yue Shujun (岳術俊女士) under the approval of Beijing Administration for Industry and Commerce. The Company registered at Beijing Administration for Industry and Commerce, 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 Hong Kong Stock Exchange on 11 March 2015, with Chunli Medical as its stock short name and 01858.HK as its stock code. The Company’s shares were listed and traded on STAR Market of Shanghai Stock Exchange on 30 December 2021, with Chunli Medical as its stock short name and 688236.SH as its stock code.

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 28 August 2026.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements of the Company have been prepared on the basis of going concern, in accordance with actually-occurring transactions and items, requirements such as “Accounting Standard for Business Enterprises – Basic Standards” issued by the Ministry of Finance and specific accounting standards (hereinafter as “ASBEs”), and significant accounting policies and accounting estimates established.

(II) Going concern

The Company has the ability to continue as a going concern within the 12 months after the end of the reporting period and there are no material events that may affect its ability to continue as a going concern.

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in 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 30 June 2026, its results of operations and cash flows in January to June 2026.

(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 ("RMB").

(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 Accounts for more than 10% of respective accounts receivable
Significant write-off of accounts receivable	Accounts for more than 1% of total assets
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 acquiree's share in the carrying amount in the ultimate controlling party's consolidated financial statements as initial investment cost of long-term equity investments. In case the acquirer pays the combination consideration by issuing equity instruments, the aggregate nominal value of shares issued will be 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 income 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 characteristics 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 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 arising (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 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 them 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 income, 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 arising are included in profit or loss for the current period.
- ② Financial liabilities formed when transfer of financial assets does not meet the conditions of derecognition or continues to be involved in the transferred financial assets.
- ③ Financial liabilities at amortized cost. Such financial liabilities are measured at amortized cost by using the effective interest method.

2. Method for recognition of fair value of financial instruments

If there is an active market for the financial instruments, the quoted prices in the active market shall be used to determine their fair values. If there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company utilises all information available in relation to the performance and operation of the investee after the initial recognition date to determine whether the fair value can be represented by cost.

3. The derecognition of financial asset

The financial asset will be derecognized if it satisfies any of the following criteria: (1) the contractual rights to collect the cash flows from the financial asset expire; (2) the financial asset has been transferred, and fulfils the criteria for derecognition.

If the present obligation of the financial liabilities is fully or partly released, portion with liabilities released are 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), accounts receivable financing, 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 gross carrying amount (i.e. before impairment allowance); (2) At second stage, the credit risk on a financial instrument has increased significantly since initial recognition but not to the point that it is considered credit-impaired, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses and calculates the interest income by applying the effective interest rate to its gross carrying amount; (3) At third stage, financial instrument is considered credit-impaired since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses and calculates the interest income by applying the effective interest rate based on the amortized cost, which is gross 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 receivable 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 are 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

Receivables 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 Receivables outside the company scope of consolidated statements
Portfolio 2: Age group	

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 businesses, 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, the aging methodology for determining credit risk characteristic portfolios on aging and the judgement standards of provision made on individual basis, are consistent with the recognition standard of different financing components.

5. *Measurement of loss provision for other financial assets*

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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 realisable 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 was 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.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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.

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 (Continued)

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 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.

(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.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Fixed assets (Continued)

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

(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.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 capitalization amount*

The capitalisation period refers to the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization 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 capitalization rate of the general borrowings so occupied. The capitalization 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 useful life is estimated.

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 phases are targeted and have 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 costs include incremental costs incurred to obtain a contract and costs incurred to fulfill contracts. Incremental costs incurred to obtain a contract (“contract acquisition costs”) are costs that would not have been incurred if the contract had not been obtained. If it is expected that these costs will be recoverable, the Company recognizes them as an asset.

Costs incurred to fulfill a contract that do not fall within the scope of other accounting standards for inventory and meet the following conditions are recognized as an asset as contract fulfillment costs: these costs are directly related to a current or expected contract, including direct labour, direct materials, manufacturing costs (or similar costs), costs borne explicitly by the customer, and other costs incurred solely because of the contract; these costs increase the resources expected to be used to fulfill the contract obligations; and it is expected that these costs will be recoverable.

Contract fulfillment costs recognized as assets by the Company are amortized over a period not exceeding one year or one normal operating cycle, and are included in the “Inventories” item in the balance sheet at initial recognition; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

Contract acquisition costs recognized as assets by the Company are included in the “Other current assets” item in the balance sheet at initial recognition if the amortization period does not exceed one year or one normal operating cycle; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

The assets recognized for contract acquisition costs and contract fulfillment costs are amortized on the same basis as the related revenue recognition and recognized in the current period’s profit or loss. If the amortization period for the asset formed by incremental costs incurred to obtain a contract does not exceed one year, it is recognized in profit or loss when incurred.

If there is an excess of the carrying amount of assets related to contract costs over the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated costs to be incurred to transfer those goods, the Company recognizes the excess as an impairment provision for assets and recognizes it as an impairment loss.

If factors that led to impairment in previous periods change, resulting in the excess mentioned above being higher than the carrying amount of the asset, the Company shall reverse the previously recognized impairment provision for the asset and recognize it in profit or loss for the current period. However, after reversal, the carrying amount of the asset shall not exceed the carrying amount of the asset on the date of reversal assuming no impairment provision was 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 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*

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

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise specified, the amounts are expressed in 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 more 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 commencement date of the lease, 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 is 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 is provided over the shorter of the lease term and the estimated remaining useful life of the leased assets. If the recoverable amount is lower than the carrying amount of the right-of-use asset, its carrying amount shall be written down to the recoverable amount.

(2) Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease (Continued)

2. *Basis of judgement and accounting treatment for the simplified treatment of short-term lease and low-value leases in the capacity of lessee*
For short term leases with a lease term of not more than twelve months, the Company chooses not to recognize the right-of-use assets and lease liabilities, the relevant lease expenditure will be included in the profit or loss of the current period or related asset cost on straight-line method in each period of the lease term.
3. *Criteria for categorization and accounting treatment for leases in the capacity of lessor*
On the lease commencement date, the Company recognizes those leases which substantially all risks and rewards related to the ownership of the leased assets have been effectively transferred as financing leases, leases other than it will be recognized as operating leases.
 - (1) *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*
The Ministry of Finance issued the "Interpretation No. 19 of the Accounting Standards for Business Enterprises" and the "Interpretation No. 20 of the Accounting Standards for Business Enterprises" on 19 December 2025 and 4 June 2026, respectively. Upon assessment, the above interpretations are not related to the Company's business and have no material impact on the Company's financial statements.
2. *Changes in Critical Accounting Estimates*
There is no change in accounting estimates of the Company for the 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%

Different income tax rates applicable to 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 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 to 25% of the annual taxable income, and they are subject to EIT at a tax rate of 20%. The Company's subsidiaries, 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.* (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 small and micro-enterprise income tax rate.

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	171,336.72	182,453.27
Cash in bank	1,379,352,505.49	1,408,250,773.88
Other monetary funds	1,329,143.86	687,756.37
Total	1,380,852,986.07	1,409,120,983.52
Including: the total amount deposited overseas	2,740,557.11	3,678,612.13

Details of other monetary funds:

Items	Closing balance	Opening balance
Funds in specific project account for centralized procurement for medical consumables	1,329,143.86	687,756.37
Total	1,329,143.86	687,756.37

(II) Held-for-trading Financial Assets

Item	Closing balance	Opening balance	Reason and basis for the designation
Financial assets at fair value through profit or loss	745,064,308.22	811,246,684.93	Judgement by management
Including: wealth management products	725,064,308.22	791,246,684.93	Judgement by management
investments in equity instruments	20,000,000.00	20,000,000.00	Judgement by management
Total	745,064,308.22	811,246,684.93	

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	2,581,984.85	4,253,186.08
Commercial acceptance bills		
Sub-total	2,581,984.85	4,253,186.08
Less: Bad debt provision		
Total	2,581,984.85	4,253,186.08

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	22,754,702.55	

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

1. Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	235,335,220.25	204,620,812.90
1 to 2 years	28,458,117.85	23,082,781.57
2 to 3 years	10,657,514.97	22,892,844.58
Over 3 years	43,523,436.52	38,933,888.43
Subtotal	317,974,289.59	289,530,327.48
Less: Bad debt provision	64,887,672.70	64,073,768.60
Total	253,086,616.89	225,456,558.88

2. Disclosure by ways of bad debt provision

Type	Book balance Amount		Closing balance Bad debt provision		Carrying amount
	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	317,974,289.59	100.00	64,887,672.70	20.41	253,086,616.89
Including: Age group	317,974,289.59	100.00	64,887,672.70	20.41	253,086,616.89
Total	317,974,289.59	100.00	64,887,672.70	20.41	253,086,616.89

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)

Type	Book balance		Opening balance		Carrying amount
	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	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
Total	289,530,327.48	100.00	64,073,768.60	22.13	225,456,558.88

Accounts receivable with provision made for bad debts using portfolios with similar 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)	235,335,220.25	11,766,761.01	5.00	204,620,812.90	10,231,040.64	5.00
1 to 2 years	28,458,117.85	4,268,717.68	15.00	23,082,781.57	3,462,417.23	15.00
2 to 3 years	10,657,514.97	5,328,757.49	50.00	22,892,844.58	11,446,422.30	50.00
More than 3 years	43,523,436.52	43,523,436.52	100.00	38,933,888.43	38,933,888.43	100.00
Total	317,974,289.59	64,887,672.70	20.49	289,530,327.48	64,073,768.60	22.13

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.

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)

3. Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period				Closing balance
		Provision made	Collected or reversed	Write-off	Other changes	
Credit risk portfolio	64,073,768.60	813,904.10				64,887,672.70

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 closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Summary of the top 5	95,892,604.39		95,892,604.39	30.16	5,129,346.93

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

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,959,391.10	93.54	4,820,462.18	99.35
1 to 2 years	241,969.19	5.72		
2 to 3 years	10,500.00	0.25	10,500.00	0.22
More than 3 years	20,908.09	0.49	20,908.09	0.43
Total	4,232,768.38	100.00	4,851,870.27	100.00

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

Name of entity	Closing balance	Proportion to closing balance of prepayments (%)
Summary of the top 5	2,822,325.10	66.68

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

Item	Closing balance	Opening balance
Other receivables	2,292,983.09	222,608.48
Total	2,292,983.09	222,608.48

Other receivables

(1) Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	2,129,129.23	232,684.73
1 to 2 years	200,182.73	210.00
2 to 3 years	210.00	2,758.98
More than 3 years	8,257,173.51	8,274,414.53
Subtotal	10,586,695.47	8,510,068.24
Less: Bad debt provision	8,293,712.38	8,287,459.76
Total	2,292,983.09	222,608.48

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(2) Disclosure by nature of payments

Nature of payments	Closing balance	Opening balance
Petty cash	11,646.47	11,646.47
Deposit, guarantee deposit	2,429,592.03	431,810.80
Others	8,145,456.97	8,066,610.97
Subtotal	10,586,695.47	8,510,068.24
Less: Bad debt provision	8,293,712.38	8,287,459.76
Total	2,292,983.09	222,608.48

(3) Disclosure by ways of bad debt provision

Type	Book balance Amount	Proportion (%)	Closing balance Bad debt provision Amount	Proportion of provision made (%)	Carrying amount
Other receivables with provision for bad debts on an individual basis					
Other receivables with provision for bad debts using portfolios	10,586,695.47	100.00	8,293,712.38	78.34	2,292,983.09
Including: Petty cash	11,646.47	0.11	11,646.47	100	
Deposit, guarantee deposit	2,429,592.03	22.95	221,407.84	9.11	2,208,184.19
Others	8,145,456.97	76.94	8,060,658.07	98.96	84,798.90
Total	10,586,695.47	100.00	8,293,712.38	78.34	2,292,983.09

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)

Type	Book balance		Opening balance Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Other receivables with provision for bad debts on an individual basis					
Other receivables with provision 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
Total	8,510,068.24	100.00	8,287,459.76	97.38	222,608.48

② Other receivables with provision for bad debts using portfolios

Name	Book balance	Closing balance Bad debt provision	Proportion of provision made (%)
Petty cash	11,646.47	11,646.47	100.00
Deposit, guarantee deposit	2,429,592.03	221,407.84	9.11
Others	8,145,456.97	8,060,658.07	98.96
Total	10,586,695.47	8,293,712.38	78.34

Name	Book balance	Opening balance Bad debt provision	Proportion of provision made (%)
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
Total	8,510,068.24	8,287,459.76	97.38

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 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit impaired	Stage 3 Lifetime expected credit loss – credit impaired	Total
Balance as at 1 January 2026	231,264.79		8,056,194.97	8,287,459.76
Balance as at 1 January 2026				
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	6,252.62			6,252.62
Reversal for the current period				
Cancelled in the current period				
Write-off for the current period				
Other changes				
Balance as at 30 June 2026	237,517.41		8,056,194.97	8,293,712.38

(5) Provision made for bad debt

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	8,287,459.76	6,252.62				8,293,712.38

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 receivables	Closing balance	Ages	Proportion in the total closing balance of other receivables (%)	Closing 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	76.10	8,056,194.97
China Securities Depository and Clearing Corporation Limited, Shanghai Branch* (中國證券登記結算有限責任公司上海分公司)	Guarantee deposits	2,000,000.00	Within 1 year	18.89	
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	1-2 years	1.89	29,952.41
Beijing Dijie Property Management Co., Ltd. Chaoyang Third Branch* (北京地杰物業管理有限公司朝陽第三分公司)	Guarantee deposits	128,828.00	Over 3 years	1.22	128,828.00
PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司)	Insurance claim receivable	84,162.00	Within 1 year	0.79	4,208.10
Total		10,468,867.70		98.89	8,219,183.48

(VII) Inventories

1. Categories of inventories

Item	Book balance	Closing balance Provision for declines in the value	Carrying amount	Book balance	Opening balance Provision for declines in the value	Carrying amount
Raw material	152,076,337.33	2,979,028.11	149,097,309.22	171,517,208.10	3,148,153.35	168,369,054.75
Goods sold	4,056,060.70		4,056,060.70	11,799,679.27		11,799,679.27
Work in progress	92,394,906.74	3,025,597.98	89,369,308.76	101,773,684.89	3,217,084.41	98,556,600.48
Stock inventory	343,714,304.20	58,704,604.18	285,009,700.02	314,903,788.90	57,703,664.01	257,200,124.89
Total	592,241,608.97	64,709,230.27	527,532,378.70	599,994,361.16	64,068,901.77	535,925,459.39

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 or write-off	Others	
Raw material	3,148,153.35	674,829.63		843,954.87		2,979,028.11
Work in progress	3,217,084.41	1,813,084.17		2,004,570.60		3,025,597.98
Stock inventory	57,703,664.01	3,555,649.18		2,554,709.01		58,704,604.18
Total	64,068,901.77	6,043,562.98		5,403,234.48		64,709,230.27

(VIII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	2,602,648.62	1,522,149.78
Cost of return receivable	12,450,841.59	16,235,301.56
Prepaid income tax	2,665,247.51	2,665,247.51
China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Dividend provision funds)	11,419,530.90	
Total	29,138,268.62	20,422,698.85

(IX) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	345,758,906.51	354,149,308.67
Total	345,758,906.51	354,149,308.67

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	264,298,371.57	231,332,893.80	4,185,878.19	17,447,744.15	517,264,887.71
2. Increase in the current period		3,920,044.27		2,294,072.73	6,214,117.00
Acquisition		3,920,044.27		1,015,195.75	4,935,240.02
Transfer from construction in progress				1,278,876.98	1,278,876.98
3. Decrease in the current period			124,300.00		124,300.00
Disposal or retirement			124,300.00		124,300.00
4. Closing balance	264,298,371.57	235,252,938.07	4,061,578.19	19,741,816.88	523,354,704.71
II. Accumulated depreciation					
1. Opening balance	32,055,415.56	117,192,584.96	3,409,423.58	10,458,154.94	163,115,579.04
2. Increase in the current period	4,179,536.51	9,148,892.32	189,243.39	1,047,174.38	14,564,846.60
Provision	4,179,536.51	9,148,892.32	189,243.39	1,047,174.38	14,564,846.60
3. Decrease in the current period			84,627.44		84,627.44
Disposal or retirement			84,627.44		84,627.44
4. Closing balance	36,234,952.07	126,341,477.28	3,514,039.53	11,505,329.32	177,595,798.20
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	228,063,419.50	108,911,460.79	547,538.66	8,236,487.56	345,758,906.51
2. Opening carrying amount	232,242,956.01	114,140,308.84	776,454.61	6,989,589.21	354,149,308.67

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB51,953,127.06.

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 30 June 2026, application for property ownership certificate not yet completed

Item	Carrying amount	Reason for application not yet completed
Buildings	208,638,494.88	Application in progress

(X) Construction in progress

Type	Closing balance	Opening balance
Construction in progress	130,696,918.06	129,329,592.01
Total	130,696,918.06	129,329,592.01

(1) Basic situation of projects of construction in progress

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Book balance	Opening balance Provision for impairment	Carrying amount
Daxing Biomedicine Industrial Base of Zhongguancun Science Park – First stage construction work	16,975,862.93		16,975,862.93	16,368,656.62		16,368,656.62
Integrated construction project for orthopedic implant and supporting materials	110,533,380.70		110,533,380.70	110,258,183.09		110,258,183.09
Equipment installation work	3,187,674.43		3,187,674.43	2,702,752.30		2,702,752.30
Total	130,696,918.06		130,696,918.06	129,329,592.01		129,329,592.01

NOTES TO FINANCIAL STATEMENTS

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

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

(X) Construction in progress (Continued)

(2) Changes in significant projects of construction in progress

Name of project	Budgets (RMB'0,000)	Opening balance	Increase in amount in the current period	Transferred to fixed assets in the current period	Decrease in amount in the current period	Closing balance
Daxing Biomedicine Industrial Base of Zhongguancun Science Park – First stage construction work	18,429.65	16,368,656.62	607,206.31			16,975,862.93
Integrated construction project for orthopedic implant and supporting materials	94,470.38	110,258,183.09	275,197.61			110,533,380.70
Total		126,626,839.71	882,403.92			127,509,243.63

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	104	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	7,057,269.49	7,057,269.49
2. Increase in the current period	1,640,676.68	1,640,676.68
New lease	1,640,676.68	1,640,676.68
3. Decrease in the current period Disposal		
4. Closing balance	8,697,946.17	8,697,946.17
II. Accumulated depreciation		
1. Opening balance	3,216,769.27	3,216,769.27
2. Increase in the current period	1,631,892.64	1,631,892.64
Provision	1,631,892.64	1,631,892.64
3. Decrease in the current period		
4. Closing balance	4,848,661.91	4,848,661.91
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	3,849,284.26	3,849,284.26
2. Opening carrying amount	3,840,500.22	3,840,500.22

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	31,500,000.00	4,201,428.60	174,990,695.45
2. Increased amount in the current period					
Acquisition					
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	21,464,187.14	4,275,858.93	28,264,269.28	1,198,575.02	55,202,890.37
2. Increased amount in the current period	1,340,295.54	374,474.98	2,498,298.62	615,838.17	4,828,907.31
Provision	1,340,295.54	374,474.98	2,498,298.62	615,838.17	4,828,907.31
3. Decreased amount in the current period					
4. Closing balance	22,804,482.68	4,650,333.91	30,762,567.90	1,814,413.19	60,031,797.68
III. Provisions for impairment					
1. Opening balance					
2. Increased amount in the current period					
3. Decreased amount in the current period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	109,709,927.65	2,124,522.61	737,432.10	2,387,015.41	114,958,897.77
2. Opening carrying amount	111,050,223.19	2,498,997.59	3,235,730.72	3,002,853.58	119,787,805.08

NOTES TO FINANCIAL STATEMENTS

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

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

(XIII) Goodwill

1. Original carrying amount of goodwill

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

2. Provision for goodwill impairment

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

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 income tax assets and deferred income 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	19,245,109.78	128,300,885.22	19,079,955.65	127,199,884.88
Expected sales rebate	1,420,124.96	9,467,499.75	1,420,124.96	9,467,499.75
Expected sales return	6,040,931.90	40,272,879.35	6,776,511.50	45,176,743.30
Deferred income	2,322,274.07	15,481,827.10	2,464,757.96	16,431,719.74
Unrealized internal gains and losses	380,565.76	2,537,105.09	595,028.74	3,966,858.26
Subtotal	29,409,006.47	196,060,196.51	30,336,378.81	202,242,705.93
Deferred income tax liabilities:				
Cost of return receivable	1,867,626.24	12,450,841.59	2,435,295.23	16,235,301.56
Accelerated depreciation of fixed assets	9,096,169.90	60,641,132.65	9,933,664.28	66,224,428.49
Asset valuation gains from business combinations involving entities not under common control	70,000.00	280,000.00	77,500.00	310,000.00
Subtotal	11,033,796.14	73,371,974.24	12,446,459.51	82,769,730.05

2. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	9,589,730.13	9,230,245.25
Deductible loss	25,550,719.48	27,077,295.30
Total	35,140,449.61	36,307,540.55

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	1,490,874.53	
2027	3,582,791.53	3,288,927.99	
2028	3,699,117.37	5,836,688.66	
2029	16,207,808.56	16,244,752.23	
2030	221,891.89	216,051.89	
2031	348,235.60		
Total	25,550,719.48	27,077,295.30	

(XV) Other non-current assets

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Opening balance Book balance	Provision for impairment	Carrying amount
Prepayment for the acquisition of long-term assets	21,904,673.73		21,904,673.73	12,191,225.94		12,191,225.94
Total	21,904,673.73		21,904,673.73	12,191,225.94		12,191,225.94

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

Item	Book balance	Situation at the end of the period			Situation at the beginning of the period			
		Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Monetary funds	1,329,143.86	1,329,143.86	Designated for medical consumables	Specific project account for centralized procurement for medical consumables	687,756.37	687,756.37	Designated for medical consumables	Specific project account for centralized procurement for medical consumables
Monetary funds	5,126,955.00	5,126,955.00	Frozen	Frozen	5,960,740.17	5,960,740.17	Frozen	Frozen
Bills receivable					500,000.00	500,000.00	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity
Total	6,456,098.86	6,456,098.86			7,148,496.54	7,148,496.54		

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)	88,580,652.82	130,243,026.01
More than 1 year	29,143,674.72	30,529,914.20
Total	117,724,327.54	160,772,940.21

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	65,158,591.12	72,698,718.59
Sales rebate	9,467,499.75	9,467,499.75
Total	74,626,090.87	82,166,218.34

(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	67,246,070.14	74,190,667.90	95,432,824.40	46,003,913.64
Post-employment benefits – defined contribution plan	903,438.36	6,232,888.96	6,178,529.38	957,797.94
Termination benefits	458,216.73	661,498.37	1,119,715.10	
Total	68,607,725.23	81,085,055.23	102,731,068.88	46,961,711.58

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	48,453,009.81	64,896,116.56	86,850,279.83	26,498,846.54
Employee welfare premium		1,401,954.91	1,401,954.91	
Social welfare premium	601,138.47	3,785,384.48	3,748,442.88	638,080.07
Including: Medicare premium	536,660.94	3,367,776.04	3,334,787.68	569,649.30
Occupational injuries premium	64,477.53	417,608.44	413,655.20	68,430.77
Housing provident funds	2,742.00	1,835,054.68	1,835,054.68	2,742.00
Labor union fund and employee education fund	18,189,179.86	2,272,157.27	1,597,092.10	18,864,245.03
Total	67,246,070.14	74,190,667.90	95,432,824.40	46,003,913.64

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	876,058.49	6,036,937.88	5,984,225.56	928,770.81
Unemployment insurance premium	27,379.87	195,951.08	194,303.82	29,027.13
Total	903,438.36	6,232,888.96	6,178,529.38	957,797.94

(XX) Taxes payable

Item	Closing balance	Opening balance
VAT	581,061.40	2,458,384.89
Enterprise income tax	8,022,590.09	20,307,383.50
Individual income tax	1,239,971.74	323,509.23
Urban maintenance and construction tax	479,929.17	836,591.43
Education surcharge	285,849.99	501,668.73
Local education surcharge	190,566.67	334,445.85
Housing property tax	1,170,612.78	1,170,612.78
Stamp duty and others	77,989.53	127,722.74
Total	12,048,571.37	26,060,319.15

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
Dividend payable	43,062,742.11	80,260,246.29
Other payables	103,736,105.54	101,701,244.48
Total	146,798,847.65	181,961,490.77

1. Dividend payable

Item	Closing balance	Opening balance
Dividend on ordinary shares	43,062,742.11	80,260,246.29
Total	43,062,742.11	80,260,246.29

2. Other payables categorized by nature

Item	Closing balance	Opening balance
Expenses for sales services	41,578,601.23	41,528,672.25
Guarantee deposits	48,409,173.51	46,089,991.71
Returns payables	6,951,340.14	6,807,288.24
Others	6,796,990.66	7,275,292.28
Total	103,736,105.54	101,701,244.48

NOTES TO FINANCIAL STATEMENTS

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

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

(XXII) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	2,563,278.73	2,677,095.45
Total	2,563,278.73	2,677,095.45

(XXIII) Other current liabilities

Item	Closing balance	Opening balance
Expected sales return	40,272,879.35	45,176,743.30
Output VAT to be carried forward	8,876,568.67	10,680,422.50
Bills receivable not derecognized		500,000.00
Total	49,149,448.02	56,357,165.80

(XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	3,151,511.60	3,387,418.71
Less: unrecognized financing fee	91,172.52	112,276.22
Less: lease liabilities due within one year	2,563,278.73	2,677,095.45
Total	497,060.35	598,047.04

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

Items	Closing balance	Opening balance
Within 1 year	2,597,111.60	2,735,198.64
1 to 2 years	554,400.00	652,220.03
Total	3,151,511.60	3,387,418.67

NOTES TO FINANCIAL STATEMENTS

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

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

(XXV) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	82,494,938.18		2,140,755.13	80,354,183.05	Government grants received
Total	82,494,938.18		2,140,755.13	80,354,183.05	

(XXVI) Share capital

Item	Opening balance	Issue of new shares	Bonus shares	Movements for the period(+, -)			Subtotal	Closing balance
				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	20,008,021.82			20,008,021.82
Total	20,008,021.82			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	225,066,727.32			225,066,727.32
Total	225,066,727.32			225,066,727.32

(XXX) Undistributed profits

Item	Amount for the current period	Amount for the previous period
Unallocated profits at the end of last period before adjustment	1,352,041,210.82	1,208,437,565.70
Total amount of adjustment for unallocated profits at the beginning of the period (“+” for plus; “-” for less)		
Unallocated profits at the beginning of the period after adjustment	1,352,041,210.82	1,208,437,565.70
Add: Net profit attributable to the owners of the Parent Company for the period	119,957,018.06	272,542,347.59
Less: Withdrawal of statutory surplus reserves		29,951,065.38
Dividend payable on ordinary shares	57,328,747.35	98,987,637.09
Unallocated profits at the end of period	1,414,669,481.53	1,352,041,210.82

(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	416,865,201.78	147,782,840.62	487,043,907.76	160,228,803.61
Other operation	239,015.36	2,906.70	552,497.90	243,814.28
Total	417,104,217.14	147,785,747.32	487,596,405.66	160,472,617.89

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	416,865,201.78	147,782,840.62
Other operation	239,015.36	2,906.70
Total	417,104,217.14	147,785,747.32

(XXXII) Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	1,710,741.78	1,842,259.41
Education surcharge	1,012,697.38	1,105,355.64
Local education surcharge	675,126.54	736,903.76
Stamp duty	169,992.52	225,326.82
Housing property tax	189,353.95	142,190.65
Land use tax	483,014.94	474,284.73
Tax on vehicle and vessel usage	5,580.00	5,580.00
Environmental protection tax	34.90	42.82
Total	4,246,542.01	4,531,943.83

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	29,344,328.84	61,519,277.89
Employee remuneration	30,818,566.14	31,069,679.20
Office expenses	1,859,668.33	1,977,910.28
Others	3,760,527.57	1,700,892.25
Total	65,783,090.88	96,267,759.62

(XXXIV) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	8,242,230.17	16,141,293.08
Agency fees	2,722,397.59	3,101,885.38
Depreciation and amortization expenses	4,614,490.84	4,623,328.38
Office and travelling expenses	471,738.74	249,757.99
Rentals and property expenses	33,361.89	1,002,185.40
Business entertainment expenses	166,852.42	132,930.58
Others	3,310,157.32	3,143,076.63
Total	19,561,228.97	28,394,457.44

(XXXV) Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	19,378,405.59	23,857,804.05
Supplies consumed	7,654,455.05	4,038,998.92
Technical services expenses	10,002,786.18	8,270,338.81
Travel and meeting expenses	198,111.38	931,741.08
Depreciation and amortization	6,171,723.03	7,889,571.23
Fuel expenses	1,845,222.12	1,685,302.07
Examination and testing expenses	1,029,762.38	2,705,351.95
Others	946,190.98	1,475,163.42
Total	47,226,656.71	50,854,271.53

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	76,746.69	12,292.70
Less: Interest income	7,282,885.42	7,674,348.71
Less: Foreign exchange gains	-8,468,395.91	-849,529.16
Handling fees	142,029.08	69,252.35
Total	1,404,286.26	-6,743,274.50

(XXXVII) Other income

Item	Amount for the current period	Amount for the previous period	Related to assets/related to income
Transferred from deferred income	2,140,755.13	2,239,036.32	Related to assets
Refund of handling fee on personal tax	145,322.14	483,685.50	Related to income
Subsidy for research and development		693,100.00	Related to income
Postdoctoral research support fund	410,000.00	710,000.00	Related to income
Additional deductions of VAT for advanced manufacturing industry	192,354.41	851,722.91	Related to income
Subsidy for projects enhancing the ability of international operation	924,328.00	280,366.00	Related to income
Other sporadic government grants	577,400.00	49,809.00	Related to income
Total	4,390,159.68	5,307,719.73	

(XXXVIII) Returns on investments

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	2,818,027.41	3,217,026.86
Total	2,818,027.41	3,217,026.86

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXIX) Gains on changes of fair value

Sources of gains on changes of fair value	Amount for the current period	Amount for the previous period
Held-for-trading financial assets	3,648,527.39	4,296,252.04
Total	3,648,527.39	4,296,252.04

(XL) Credit impairment loss

Item	Amount for the current period	Amount for the previous period
Credit impairment loss of accounts receivable	-813,904.10	-12,421,352.22
Credit impairment loss of other receivables	-6,252.62	2,861.10
Total	-820,156.72	-12,418,491.12

(XLI) Asset impairment loss

Item	Amount for the current period	Amount for the previous period
Inventory write-down loss	-6,043,562.98	-26,911,765.98
Total	-6,043,562.98	-26,911,765.98

(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
Total		3,848.03

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

Items	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
Penalty income	100,000.00		100,000.00
Fixed assets retirement gain	47,000.94		47,000.94
Others	13,576.71	0.84	13,576.71
Total	160,577.65	0.84	160,577.65

(XLIV) Non-operating expenses

Items	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
Donation expense	1,231,039.00		1,231,039.00
Others	561,954.29	700.00	561,954.29
Total	1,792,993.29	700.00	1,792,993.29

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	14,003,582.94	16,116,030.44
Deferred income tax expenses	-485,291.03	-3,284,665.23
Total	13,518,291.91	12,831,365.21

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	133,457,244.13
Income tax expenses based on applicable tax rate	20,018,586.62
Effect of different tax rate applicable to subsidiaries	-311,247.85
Effect of prior income tax reconciliation	41,495.47
Effect of non-deductible costs, expenses and losses	720,718.00
Additional deduction of research and development costs	-6,851,829.77
Additional deduction of the wages for employment of disabled persons	-28,409.47
Effect of utilization of deductible losses of unrecognized deferred income tax assets previously	-103,467.01
Effect of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	32,445.92
Income tax expenses	13,518,291.91

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	6,257,004.22	1,995,547.68
Amount of government grant received	1,911,728.00	1,733,275.00
Interest receipts from deposit and others	7,541,784.27	8,158,035.05
Total	15,710,516.49	11,886,857.73

(2) Other cash payment related to operating activities

Item	Amount for the current period	Amount for the previous period
Expenses of cash payment	74,370,420.60	110,802,977.73
Current amount paid	5,574,804.10	3,224,649.66
Handling fee and other expenses	1,935,022.37	69,952.35
Total	81,880,247.07	114,097,579.74

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	790,000,000.00	744,000,000.00
Receipts of the gains from wealth management products	7,648,931.51	6,619,109.04
Total	797,648,931.51	750,619,109.04

(2) Cash payment related to significant investing activities

Item	Amount for the current period	Amount for the previous period
Investment in equity instruments and purchase wealth management products	725,000,000.00	860,000,000.00
Payments for acquisition of long-term assets	27,561,388.98	30,116,695.86
Net cash payments for acquisition of subsidiaries and other business units		2,200,000.00
Total	752,561,388.98	892,316,695.86

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
Payments for lease expenses	2,065,955.47	629,742.00
Total	2,065,955.47	8,618,899.63

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	119,938,952.22	114,481,155.04
Add: Provision for asset impairment	6,043,562.98	26,911,765.98
Impairment loss of credit	820,156.72	12,418,491.12
Depreciation of fixed assets, oil and gas assets, productive biological assets and investment properties	14,564,846.60	13,300,195.10
Depreciation of right-of-use assets	1,631,892.64	334,347.72
Amortization of intangible assets	4,828,907.31	6,376,890.11
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
Fixed assets retirement losses (Gain will be shown with “-” sign)	-47,000.94	
Net loss on hedging exposure (Gain will be shown with “-” sign)		
Losses from changes of fair value (Gain will be shown with “-” sign)	-3,648,527.39	-4,296,252.04
Financial expenses (Gain will be shown with “-” sign)	613,766.96	287,993.88
Investment losses (Gain will be shown with “-” sign)	-2,818,027.41	-3,217,026.86
Decrease of deferred income tax assets (Increase will be shown with “-” sign)	927,372.34	-4,036,046.42
Increase of deferred income tax liabilities (Decrease will be shown with “-” sign)	-1,412,663.37	751,381.19
Decrease in inventories (Increase will be shown with “-” sign)	2,349,517.71	-38,635,181.65
Decrease in operating receivables (Increase will be shown with “-” sign)	-28,594,465.41	87,729,121.24
Increase of operating payables (Decrease will be shown with “-” sign)	-80,876,277.24	-70,916,603.28
Others		
Net cash flow from operating activities	34,322,013.72	141,486,383.10
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 acquired under finance leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	1,374,396,887.21	1,129,934,846.13
Less: Opening balance of cash	1,402,472,486.98	1,139,017,650.66
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-28,075,599.77	-9,082,804.53

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)

2. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,374,396,887.21	1,402,472,486.98
Including: Cash on hand	171,336.72	182,453.27
Bank deposits available for payment at any time	1,374,225,550.49	1,402,290,033.71
Other monetary funds available for payment at any time		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	1,374,396,887.21	1,402,472,486.98

3. Monetary funds other than cash and cash equivalents

Item	Closing balance	Opening balance	Reasons
Other monetary funds	1,329,143.86	687,756.37	Restrictions on use
Bank deposits	5,126,955.00	5,960,740.17	Frozen
Total	6,456,098.86	6,648,496.54	

NOTES TO FINANCIAL STATEMENTS

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

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

(XLVIII) Monetary items in foreign currencies

Item	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Monetary funds			22,009,519.86
Including: USD	916,653.50	6.81	6,243,236.03
EUR	37,671.18	7.77	292,595.82
HKD	17,815,092.61	0.87	15,473,298.69
INR	1,090.00	0.07	78.61
DKK	299.00	1.04	310.71
Accounts receivable			193,342,216.24
Including: USD	28,329,104.98	6.81	192,946,701.14
EUR	50,921.85	7.77	395,515.10
Accounts payable			343,895.96
Including: USD	50,492.00	6.81	343,895.96

VI. RESEARCH AND DEVELOPMENT EXPENSES

Shown by the expense nature

Item	Amount for the current period	Amount for the previous period
Employee remuneration	19,378,405.59	23,857,804.05
Supplies consumed	7,654,455.05	4,038,998.92
Technical services expenses	10,002,786.18	8,270,338.81
Travel and meeting expenses	198,111.38	931,741.08
Depreciation and amortization	6,171,723.03	7,889,571.23
Fuel expenses	1,845,222.12	1,685,302.07
Examination and testing expenses	1,029,762.38	2,705,351.95
Others	946,190.98	1,475,163.42
Total	47,226,656.71	50,854,271.53
Including: Capitalized research and development expense	47,226,656.71	50,854,271.53

NOTES TO FINANCIAL STATEMENTS

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

VII. CHANGE IN SCOPE OF CONSOLIDATION

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

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
				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
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
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
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
Xingtai Langtai Benyuan 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
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
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
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 sales of surgery powering equipment	70.00		Business combination not under common control

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	7,780,811.27			912,317.62		6,868,493.65	Related to assets
Deferred income	73,880,856.44			1,228,437.51		72,652,418.93	Related to assets/ related to income
Deferred income	833,270.47					833,270.47	Related to income
Total	82,494,938.18			2,140,755.13		80,354,183.05	

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

Type	Amount for current period	Amount for previous period
Related to assets	2,140,755.13	2,239,036.32
Related to income	1,911,728.00	1,733,275.00
Total	4,052,483.13	3,972,311.32

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 by using 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 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.

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	30 June 2026	31 December 2025
①Total liabilities	541,757,315.30	674,142,399.68
②Total assets	3,591,359,981.62	3,661,134,861.13
③=①/②Gearing ratio	15.09%	18.41%

NOTES TO FINANCIAL STATEMENTS

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

XII. FAIR VALUES

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

Items	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Total
Recurring fair value measurement				
Held-for-trading financial assets			745,064,308.22	745,064,308.22
Financial assets at fair value through profit or loss			745,064,308.22	745,064,308.22
1. Investments in equity instruments			725,064,308.22	725,064,308.22
2. Wealth management products			20,000,000.00	20,000,000.00

(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 investment was completed in 2025, and the investee has not undergone any significant changes since completion. Therefore, the transaction price is used as its fair value at the end of the period.
- For wealth management products, which are structured deposits purchased by the Company, the Company determines the fair value based on the annualized rate of return of the product structure.

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.

NOTES TO FINANCIAL STATEMENTS

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

XIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(III) Other related party of the Company

Name of other related party	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 and influence on the operating decisions of Meizhuo and cannot exert significant influence. The Company makes related disclosures as if they are related parties based on the principle of prudence.

(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 party	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	1,568,913.79	701,169.59

2. Remuneration of key management

Item	Amount for the current period	Amount for the previous period
Remuneration of key management	1,491,139.10	2,086,272.33

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

Receivables

Name of item	Related party	Closing balance Book balance	Bad debt provision	Opening balance 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)	2,706,668.38	135,333.42	2,235,099.38	111,754.97

NOTES TO FINANCIAL STATEMENTS

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

XIV. COMMITMENTS AND CONTINGENCIES

As of 30 June 2026, the Company has no commitments and contingencies needed to be disclosed.

XV. EVENTS AFTER THE BALANCE SHEET DATE

Profit distribution

Profits or dividends to be distributed 49,684,914.37

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 organisational structure, management requirements, 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
Total	1,000,000.00	1,000,000.00

NOTES TO FINANCIAL STATEMENTS

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

XVI. OTHER SIGNIFICANT EVENTS (Continued)

(III) Emoluments of directors and employees

1. Emoluments of directors

Director	Fees	Wage, allowance, subsidy and bonus			Social insurance premium and housing provident fund	Pension	Others	Total
		Basic salary	Allowance and subsidy	Bonus				
Shi Chunbao		300,590.00			13,977.30			314,567.30
Yue Shujun		210,590.00			13,977.30			224,567.30
Shi Wenling		132,660.00			13,977.30			146,637.30
Xie Feng Bao		134,405.00		47,151.48	13,977.30			195,533.78
Weng Jie	50,000.00							50,000.00
Wong Tak Shing	87,900.00							87,900.00
Xu Hong	50,000.00							50,000.00
Wang Xin	50,000.00							50,000.00
Total	237,900.00	778,245.00		47,151.48	55,909.20			1,119,205.68

2. Five highest paid employees

The five highest paid employees for the year include one director, whose emolument is reflected in the emoluments of directors. The emoluments of the five highest paid employees for the year are as follows:

Item	Amount for the current period
Wage and other emoluments	992,253.00
Discretionary bonus	63,377.48
Contributions to pension scheme	69,886.50
Incentives to absorb high paid individuals	
Compensation for dismissal	
Total	1,125,516.98

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)	234,809,922.69	228,907,250.60
1 to 2 years	27,878,760.78	22,275,985.87
2 to 3 years	23,673,054.24	17,112,285.95
Over 3 years	39,246,736.21	28,263,311.51
Subtotal	325,608,473.92	296,558,833.93
Less: Bad debt provision	49,851,569.98	50,354,922.51
Total	275,756,903.94	246,203,911.42

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 assessment of and provision for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios	325,608,473.92	100.00	49,851,569.98	15.31	275,756,903.94
Including: Portfolio for ages	301,027,346.12	92.45	49,851,569.98	16.56	251,175,776.14
Portfolio of related parties within the scope of consolidation	24,581,127.80	7.55			24,581,127.80
Total	325,608,473.92	100.00	49,851,569.98	15.31	275,756,903.94

Type	Opening balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with assessment of and provision for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios	296,558,833.93	100.00	50,354,922.51	16.98	246,203,911.42
Including: Portfolio for ages	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

NOTES TO FINANCIAL STATEMENTS

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

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

(I) Accounts receivable (Continued)

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

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

① Portfolio of ages

Ages	Book balance	Closing balance Bad debt provision	Proportion of provision made (%)	Book balance	Opening balance Bad debt provision	Proportion of provision made (%)
Within 1 year (inclusive)	234,809,922.69	11,740,496.13	5.00	203,881,402.72	10,194,070.14	5.00
1 to 2 years	27,878,760.78	4,181,814.12	15.00	22,275,985.87	3,341,397.88	15.00
2 to 3 years	8,818,805.84	4,409,402.92	50.00	17,112,285.95	8,556,142.98	50.00
More than 3 years	29,519,856.81	29,519,856.81	100.00	28,263,311.51	28,263,311.51	100.00
Total	301,027,346.12	49,851,569.98	16.56	271,532,986.05	50,354,922.51	18.54

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

② Portfolios of related parties within the scope of consolidation

Ages	Book balance	Closing balance Bad debt provision	Proportion of provision made (%)	Book balance	Opening balance Bad debt provision	Proportion of provision made (%)
Amounts from related parties within the scope of consolidation	24,581,127.80			25,025,847.88		
Total	24,581,127.80			25,025,847.88		

NOTES TO FINANCIAL STATEMENTS

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

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

(I) Accounts receivable (Continued)

3. Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period			Closing balance
		Provision made	Collected or reversed	Write-off	
Portfolios with credit risk	50,354,922.51	-503,352.53			49,851,569.98

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 closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Summary of the top 5	110,669,567.38		110,669,567.38	33.99	4,639,750.24
Total	110,669,567.38		110,669,567.38	33.99	4,639,750.24

(II) Other receivables

Item	Closing balance	Opening balance
Other receivables	20,932,254.85	15,334,436.60
Total	20,932,254.85	15,334,436.60

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

(1) Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	5,650,616.92	14,413,118.00
1 to 2 years	14,385,192.00	465,339.55
2 to 3 years	465,137.95	175,434.76
More than 3 years	8,662,365.46	8,506,930.70
Subtotal	29,163,312.33	23,560,823.01
Less: bad debt provision	8,231,057.48	8,226,386.41
Total	20,932,254.85	15,334,436.60

(2) Categorised by nature

Nature of payment	Closing balance	Opening balance
Within the scope of combination	18,646,964.63	15,118,531.31
Deposit, guarantee deposit	2,375,990.73	381,096.73
Others	8,140,356.97	8,061,194.97
Subtotal	29,163,312.33	23,560,823.01
Less: bad debt provision	8,231,057.48	8,226,386.41
Total	20,932,254.85	15,334,436.60

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	Closing balance		Bad debt provision		Carrying amount
	Book balance			Proportion of provision made	
	Amount	Proportion (%)	Amount	(%)	
Other receivables with provision for bad debts on an individual basis					
Other receivables with provision for bad debts using portfolios	29,163,312.33	100.00	8,231,057.48	28.22	20,932,254.85
Including: Within the scope of combination	18,646,964.63	63.94			18,646,964.63
Deposit, guarantee deposit	2,375,990.73	8.15	170,654.41	7.18	2,205,336.32
Others	8,140,356.97	27.91	8,060,403.07	99.02	79,953.90
Total	29,163,312.33	100.00	8,231,057.48	28.22	20,932,254.85

Type	Opening balance		Bad debt provision		Carrying amount
	Book balance			Proportion of provision made	
	Amount	Proportion (%)	Amount	(%)	
Other receivables with provision for bad debts on an individual basis					
Other receivables 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

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 receivables with provision for bad debts using portfolios

Name	Book balance	Closing balance Bad debt provision	Proportion of provision made (%)
Within the scope of combination	18,646,964.63		
Deposit, guarantee deposit	2,375,990.73	170,654.41	7.18
Others	8,140,356.97	8,060,403.07	99.02
Total	29,163,312.33	8,231,057.48	28.22

Aging	Book balance	Opening balance Bad debt provision	Proportion of provision made (%)
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

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 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit impaired	Stage 3 Lifetime expected credit loss – credit impaired	Total
Balance as at 1 January 2026	170,191.44		8,056,194.97	8,226,386.41
Balance as at 1 January 2026 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	4,671.07			4,671.07
Reversal for the current period				
Cancelled for the current period				
Write-off for the current period				
Other changes				
Balance on 30 June 2026	174,862.51		8,056,194.97	8,231,057.48

(5) Provision made for bad debt

Type	Opening balance	Provision made	Changes in amounts for the current period			Closing balance
			Collected or reversed	Write-off or cancelled	Other changes	
Provision for credit impairment	8,226,386.41	4,671.07				8,231,057.48

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 in the total closing balance of other receivables (%)	Closing balance of bad debt provision
Xingtai Langtai Benyuan 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	14,859,693.65	Note 1	50.95	
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	27.62	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	2,901,001.78	Note 2	9.95	
China Securities Depository and Clearing Corporation Limited, Shanghai Branch* (中國證券登記結算有限責任公司上海分公司)	Guarantee deposits	2,000,000.00	Within 1 year	6.86	
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 3	1.75	
Total		28,328,027.27		97.13	8,056,194.97

Note 1: The amounts of Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司) aged within 1 year, 1 to 2 years, and 2 to 3 years are RMB1,351,371.03, RMB13,109,082.67, and RMB399,239.95, respectively.

Note 2: The amounts of Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司) aged within 1 year and 1 to 2 years are RMB1,824,575.18 and RMB1,076,426.6, respectively.

Note 3: The amounts of Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司) aged 2 to 3 years and over 3 years are RMB48,391.28 and RMB462,745.59, 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	Book balance	Closing balance Provision for impairment	Carrying amount	Book balance	Opening balance Provision for impairment	Carrying amount
Investment in subsidiaries	40,715,263.00		40,715,263.00	40,715,263.00		40,715,263.00
Total	40,715,263.00		40,715,263.00	40,715,263.00		40,715,263.00

Investment in subsidiaries

Investees	Opening balance (Carrying amount)	Opening balance of provision for impairment		Amount of current period increase or decrease			Others	Closing balance (Carrying amount)	Closing balance of provision for impairment
		Additional investments	Reducing investments	Impairment provision					
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	665,263.00							665,263.00	
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	3,000,000.00							3,000,000.00	
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	4,100,000.00							4,100,000.00	
Xingtai Langtai Benyuan 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)	10,000,000.00							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	40,715,263.00							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) Revenue and operating cost

1. Revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Main operation	416,936,835.55	158,894,635.17	485,725,166.69	168,118,267.99
Other operation	6,775,805.76	4,975,246.31	5,783,419.93	5,703,793.40
Total	423,712,641.31	163,869,881.48	491,508,586.62	173,822,061.39

2. Breakdown of revenue and operating cost

Category of revenue	Medical device	
	Revenue	Operating cost
By business type		
Medical device products	416,936,835.55	158,894,635.17
Other business	6,775,805.76	4,975,246.31
Total	423,712,641.31	163,869,881.48

(V) Investment income

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	2,818,027.41	3,217,026.86
Total	2,818,027.41	3,217,026.86

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	47,000.94	3,848.03
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 on the profit and loss of the Company	1,911,728.00	1,733,275.00
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	6,466,554.80	7,513,278.90
4. Other non-operating income and expenses other than aforesaid items	-1,679,416.58	-699.16
5. Other gains or losses items within the definition of non-recurring profit or loss	145,322.14	483,685.50
Less: Impact of income tax	1,081,357.10	1,440,412.93
Effect of minority interests (after tax)	442.60	8,942.70
Total	5,809,389.60	8,284,032.64

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:

Item	Amounts involved	Reason
Additional deduction of VAT for advanced manufacturing industry	192,354.41	Having continuous effect on the profit and loss of the Company
Government grants related to assets	2,140,755.13	Having continuous effect on 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 (%)		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	3.95	3.98	0.31	0.30	0.31	0.30
Net profit attributable to shareholders of ordinary shares of the Company after deducting no n-recurring profit or loss	3.76	3.69	0.30	0.28	0.30	0.28

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

28 August 2026

The Notes to Financial Statements from page 38 to page 122 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: _____