



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

2023

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. Yao Lijie (appointed on 28 June 2023)
Mr. Weng Jie
Mr. Wong Tak Shing
Mr. Ge Changyin (resigned on 28 June 2023)

General Manager

Mr. Shi Chunsheng

SUPERVISORS

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

AUDIT COMMITTEE

Ms. Yao Lijie (*Chairman*)
Mr. Wong Tak Shing
Mr. Weng Jie
Mr. Wang Xin

REMUNERATION COMMITTEE

Mr. Weng Jie (*Chairman*)
Ms. Shi Wenling
Ms. Yao Lijie

NOMINATION COMMITTEE

Ms. Yao Lijie (*Chairman*)
Ms. Yue Shujun
Mr. Weng Jie

STRATEGY COMMITTEE

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

COMPANY SECRETARY

Mr. Ip Pui Sum

AUTHORISED REPRESENTATIVES

Ms. Yue Shujun
Mr. Ip Pui Sum

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITES

<http://www.clzd.com>

AUDITORS

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

LEGAL ADVISORS AS TO HONG KONG LAW

Zhong Lun Law Firm LLP

MANAGEMENT DISCUSSION AND ANALYSIS

The orthopedic medical device^(note 1) market is a segment of the medical device market that has been developing rapidly in recent years. The inclusion of medical devices in medical care insurance coverage under the healthcare reform in the PRC has increased the demand and acceptance for orthopedic implants^(note 2). Various favorable factors such as aging population, continuous growth in healthcare expenditure and improvements in public healthcare infrastructure have also propelled the growth of the orthopedic implants industry in the PRC.

During the reporting period, the Company conducted in-depth research and analysis on the China's Volume-based Procurement policy, and actively took countermeasures. It promotes the stable implementation of the selection outcome of the centralized and volume-based procurement of artificial joint through seven aspects, namely regulating the launch and the price of products, implementing the policy of medical insurance fund prepayment, refining the connection of the policy on the payment of medical insurance fund, implementing the policy of retaining and usage of balance and coordinating the price adjustment on medical services, ensuring the stable supply of products selected, regulating the procurement and usage by medical institutions, and supervising the implementation. In the field of orthopedic joints, the Company continued to maintain its leading position in the industry. All the hip joint products signed up to tenders by the Company have won the bid. In the field of spine, in September 2022, Centralized Volume-based Procurement of Orthopedic and Spinal Consumables Organized by the State announced the results that all eight product system categories submitted by the Company won the bid. Each region has implemented the results successively from the first quarter of 2023. At the same time, the Company will actively promote the construction of marketing network to further increase its market share.

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

Comprehensive medical device registration certificates

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

As of 30 June 2023, the Company held 102 medical device registration certificates and recordation certificates in the PRC which cover joint prosthesis products for four major joints, spinal products, sports medical products, orthodontic products, maxillofacial surgery products, and PRP products, of which 34 are Class III medical device registration certificates, 21 are Class II medical device registration certificates and 47 are Class I medical device recordation certificates. The possession of comprehensive product registration certificates and recordation certificates is the key factor for enterprises to be more competitive in the market. The various registration certificates further diversified the Company's product lines and expanded the Company's layout in the orthopedic field to constantly meet the diversified market and clinical needs. This will strengthen the Company's comprehensive competitiveness and be conducive to further enhancing the Company's market expansion capability.

Note:

1. Orthopedic medical device refer to medical device that are used for orthopedic disease treatment and recovery, mainly including orthopedic medical implant instruments and orthopedic operation implant instruments.
2. Orthopedic implants, orthopedic implant medical device, orthopedic implant materials refer to medical device products that are used for replacing or as an adjuvant treatment for injured bones and skeleton and implanted into human bodies, including joint implants (such as knee joints, hip joint, shoulder joints and elbow joints), spine implants and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

MANAGEMENT DISCUSSION AND ANALYSIS

Obtaining a large number of registration certificates both domestically and internationally during the first half of 2023 is the result of our increased investment in research and development in recent years, serves as the beginning of acceleration in obtaining such certificates, and demonstrates that we are developing from the leading enterprise in artificial joint in PRC to an orthopedic enterprise covering segments like joints, spine, trauma and sports medical rapidly.

Strong research and development capabilities

The Company is an early domestic enterprise engaged in the research, development and production of artificial joint prosthesis products and a large-scale joint prosthesis manufacturer in China. As one of the leading enterprises in joint industry in China, the Company will continue to “inherit the past, and research and develop the refined products” and always design tailor-made prosthesis for Chinese people with the concept of “regarding the products as self-used and continuous innovation” in order to become a world-renowned orthopedic enterprise. By providing high-quality products for global customers, the Company will become an orthopedic world-renowned enterprise. After more than 20 years of development, the brand of “Chunli” has established a high-quality and high-reliability image. As G20 Innovation Leading Enterprise of “Thirteenth Five-Year Plan” and National High-tech Enterprise, the Company has scientific research platforms such as post-doctoral scientific research workstations, and holds qualifications such as Beijing Municipal Enterprise Technology Center and Beijing Artificial Joint Engineering Laboratory. The Company has undertaken government projects of Ministry of Science and Technology of PRC, Beijing Municipal Commission of Science and Technology, Beijing Municipal Commission of Development and Reform, and Beijing Municipal Commission of Economy and Informatization for multiple times. The Company led standard artificial joints, customized joints and spine products in China, broke the foreign monopoly and advanced the independent innovation of domestic medical devices.

As of 30 June 2023, the projects of the Company approved by the government include:

- State Key Laboratories’ open topic of “Study of the Production Technology of In-situ Autogenous Ceramic Oxide Layer on Biomedical Zirconium Alloy Surface and Its Performance” (生物醫用鈳合金表面原位自生氧化陶瓷層的製備技術及其性能研究);
- “The Development and Clinical Application of Porous Tantalum Bone Repair Materials and Implantable Products” (多孔鈹骨修復材料及植入性產品開發與臨床應用) as a key special project in the national key research and development program of the Ministry of Science and Technology of the PRC in 2020;
- “Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants” (高品質醫用金屬粉體材料及增材製造金屬植入體研發) as a key special project in the national key research and development program of the Ministry of Science and Technology of the PRC in 2022;
- The Chinese Postdoctoral Science Foundation’s “Study of Ceramic Composite Modification on the Surface of Medical Zirconium Alloy and Its Performance” (醫用鈳合金表面陶瓷複合化改性及其服役性能研究);
- “National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis” of Zhongguancun Major Frontier Original Technical Achievements Transformation and Industrialization Project; (audited and passed acceptance)
- The “Clinical Study on New Species and Upgrade of Key Technology – Clinical Study and Construction of Pilot Production Capacity of Spinal Artificial Vertebral Fixation System” of Beijing Technology Plan Project; (audited and passed acceptance)
- Beijing’s funded postdoctoral research project of “Study on the Design of Multi-layer Film Structure and Frictional Wear Behavior on the Surface of Tantalum-Modified Biomedical Titanium Alloy” (鈹改性生物醫用鈦合金表面的多層膜結構設計及摩擦磨損行為研究);

MANAGEMENT DISCUSSION AND ANALYSIS

- “Industrialization of Uni-condylar Knee Joint Prosthesis (單髁膝關節假體產業化)” of the Patent Achievement Industrialization Project of Tongzhou District; (audited and passed acceptance)
- “Industrialization of Ceramic Hip Joint Prostheses (陶瓷髖關節假體產業化項目)” of Patent Implementation Project of Tongzhou District; (audited and passed acceptance)
- “Clinical Study and Production Capacity Building for VE Hip Joint Prostheses (VE髖關節假體臨床研究與產能建設)” of Science and Technology Program Project of Tongzhou District; (audited and passed acceptance)
- “Industrialization of Spinal Products” of the Patent and Technology Achievement Industrialization Project of Tongzhou District; (audited and passed acceptance)
- “Tantalum Modified Biomedical Titanium Alloy Material Research Results Transformation Project” (鈦改性生物醫用鈦合金材料研究成果轉化項目) of Science and Technology Program Results Transformation Project of Tongzhou District; (audited and passed acceptance)
- “Knee Orthopedic Surgery Guide System: Yellow River INS-1 Clinical Research (膝關節骨科手術導航系統黃河INS-1臨床研究)” approved by Tongzhou District Committee of Science and Technology.

As of 30 June 2023 the Company has obtained the following honorary qualifications:

- The “Typical Application Scenario of Mass Customization” project of the Company is included in the national “List of Outstanding Scenario for Smart Manufacturing 2021”;
- The Company has been awarded the national Specialized, Excellent, Featured and Innovative “Little Giant” Enterprise by Ministry of Industry and Information Technology of the PRC in 2022;
- The Company has been awarded Beijing Specialized, Excellent, Featured and Innovative “Little Giant” Enterprises (Number: 2022XJR0038) by Beijing Municipal Bureau of Economy and Information Technology in 2022;
- The Company has been awarded “Beijing Specialized, Excellent, Featured and Innovative Small and Medium-sized Enterprises (Number: 2022ZJTX0032)” by Beijing Municipal Bureau of Economy and Information Technology in 2022;
- The Company has obtained the High and New Technology Enterprise Certificate (Certificate No. GR202111003321) issued by Beijing Municipal Commission of Science and Technology Commission, Beijing Municipal Finance Bureau, and State Taxation Administration Beijing Municipal Tax Service in 2021;
- The Company has obtained Zhongguancun High-technology Enterprises (Number: 20232090332204) issued by Administrative Commission of Zhongguancun Science Park in 2023;
- The Company has obtained Beijing Intellectual Property Demonstration Unit issued by Beijing Municipal Intellectual Property Office in 2022;
- The Company has obtained “Beijing Enterprise Innovation Credit Leading Enterprise” and “Comprehensive Credit Rating of Enterprise Certificate” issued by Beijing Committee of Beijing Enterprise Innovation Credit Leading Activities in 2022;
- The Company has obtained “Beijing Maker Excellence Award Certificate” for its project “Industrialization of Uni-condylar Knee Joint Prosthesis” in 2022.

In March 2023, the Testing Center of Beijing Chunlizhengda Medical Instruments Co., Ltd.* passed the CNAS review evaluation for laboratory and obtained China National Accreditation Service for Conformity Assessment – Laboratory Accreditation Decision and Accreditation Certificate.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of artificial joints prosthesis, the Vitamin E high cross-linked polyethylene hip and knee products of the Company have been approved for marketing by the National Medical Products Administration (Guo Xie Zhu Zhun 20223130744 (國械註准20223130744) and Guo Xie Zhu Zhun 20223130868 (國械註准20223130868)), being the first domestic company whose joint prosthesis products approved for marketing. The launch of such products by the Company has filled the gap in domestic market and has made the Company's joint prosthesis the best domestic knee joint prosthesis in terms of abrasion resistance. In addition, the Company obtained the registration certificate for trabecula acetabular implant, 3D-printed "hip joints" registration certificate, which marked the breakthrough of the Company in the field of 3D-printed artificial prosthesis. The launch of these new products will increase the market share of the Company's knee joint prosthesis, further enrich the joint prosthesis product line of the Company and further increase the market share of the Company's joint prosthesis products.

In the field of spinal product, the Company continued to enrich its spinal product line: during the reporting period, the Company obtained registration certificates for self-stabilized cervical lumbar cages (自穩型頸椎椎間融合器), vertebral fixation system and spinal plate fixation system. 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 and maintained its leading market share.

In the field of trauma, the Company has actively replenished the product line in the field of trauma business. As of 30 June 2023, the launch of various products of the Company's trauma product series has been approved, including bone plate, intramedullary nail, external fixation frame, metal bone needle etc., which complemented the orthopedic business product line of the Company.

In the field of sports medical product, the Company was granted seven sports medicine registration certificates for PEEK suture anchors, disposal shavers, interface screws, non-absorbable suture anchors, non-absorbable surgical sutures, suspension device and door-shaped anchor. This has further diversified the Company's sports medical product line and expanded its layout in the sports medical field. This also marked the fundamental completion of the Company's layout in the field of sports medical products. A complete sports medical product line will be favorable to our products in clinical selection and application and will drive a rapid growth in the sales revenue of sports medical products of the Company.

In the field of stomatologic product, the Company was granted four orthodontic product registration certificates for orthodontic wire, orthodontic grooves, orthodontic cheek tubes and clear aligners, as well as two maxillofacial surgical registration certificates for the jawbone system and the 3D printing jawbone cross-section guide. This has further diversified the Company's stomatologic product line and expanded its layout in the stomatologic product field. This also marked the Company's official entry to the field of stomatologic product. With the aim of building a comprehensive one-stop stomatologic ecosystem solution, Chunli has planned comprehensive solutions in various stomatologic sub-sectors, namely orthodontics, planting, repair and maxillofacial surgery and become domestic stomatologic brand with the most comprehensive stomatologic product line.

With the development of PRP products, the Company has been approved to market the platelet-rich plasma (PRP) preparation kit and the medical centrifuge, of which the platelet-rich plasma preparation kit is the first fully automatic platelet-rich plasma preparation system in China. Medical centrifuge is active equipment, and the certification and successful launch of this product signified that the Company's layout in the active equipment field has gradually begun.

In addition, the Company has obtained approval to market products such as electric pulse washer and knee joint bone cement shaping mould. The continuous expansion of medical device products has enriched the Company's diversified product line and expanded the Company's layout in the medical field.

As of the reporting period, the Company obtained registration certificates from 19 countries, including Ukraine, South Korea, Peru, Syria, Mexico, Argentina, Kazakhstan, Uzbekistan and other countries. Meanwhile, the three product series of the Company of hip, knee and spine successfully passed the CE annual system audit and supervision audit. The CE certificates not only serve as proof of the satisfactory performance of our products and their compliance with product safety requirement, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

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As of 30 June 2023, the Company had obtained 528 domestic intellectual properties, including 93 invention patents, 423 utility model patents, 4 design patents and 8 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 has been awarded the Outstanding Award of the China Patent Award. China Patent Award is the highest national accolade in the field of intellectual property, and getting the award demonstrates the level of patent technology and innovation of the Company. It is also a recognition of the Company's patent market transformative value, patent protection and patent management.

Advanced ceramic joint prosthesis products

In April 2015, the Company became the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of BIOLOX[®]*delta* ceramic joint prosthesis products, covering both half-ceramics and full ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. BIOLOX[®]*delta*, being the latest ceramic product of CeramTec, which is a German company, has the clinical advantages of lower abrasion rate and better strength and durability, and can be widely used in hip joint replacement surgeries. In May 2020, the Company's BIOLOX[®]OPTION ceramic head product with cone sleeve was approved and launched into the market, making it the first company in the PRC to have the registration certificate for such ceramic head. For the BIOLOX[®]OPTION ceramic head with cone sleeve, the exterior is a ceramic ball head made of BIOLOX[®]*delta* high-tech ceramics with excellent wear performance, and the interior is a Ti6Al4V titanium alloy cone sleeve. It can be used for primary hip joint replacement and revision surgery, and significantly improves the surgical indications of ceramic ball heads, thus promoting the sales of the Company's high-end ceramic hip joint prostheses.

New products and new technologies

Various products of the Company obtained the Beijing New Product and New Technology Certificates (北京市新產品新技術證書) including:

- 160 Femur Stem (certificate number: XCP2020SY0402)
- Cobalt-Chromium-Molybdenum hip prosthesis (certificate number: XCP2021SY0388)
- Ceramic hip joint prostheses for revision purpose (certificate number: XCP2021SY0385)
- Unicompartmental knee prosthesis (certificate number: XCP2021SY0384)
- Shoulder joint prosthesis (certificate number: XCP2020SY0404)
- Elbow joint prosthesis (certificate number: XCP2021SY0386)
- Spinal spacer (certificate number: XCP2020SY0403)
- CF posterior spinal fixation device (certificate number: XCP2021SY0382)
- Non-absorbable suture anchors (certificate number: XCP2021SY0383)
- Metal cable fixation system (certificate number: XCP2021SY0387)

This fully demonstrates the Company's strengths in product and technology innovation, and also reflects the high recognition of the Company's product innovation and technology innovation by the society.

Extensive distribution and sales network

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB540.71 million for the six months ended 30 June 2023, a decrease of 5.37% as compared to approximately RMB571.39 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the sales of the products of the Company being affected by the “volume-based procurement”.

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
	2023 (RMB'000)	2022 (RMB'000)	
Medical device products	540,242	569,857	-5.20%
Other businesses	465	1,535	-69.68%
Total	540,707	571,392	-5.37%

Gross profit

For the six months ended 30 June 2023, the Company's gross profit amounted to approximately RMB391.41 million, a decrease of 8.08% from approximately RMB425.80 million for the same period of last year, which was mainly attributable to the depressed terminal selling price of related products resulted from the Company being affected by the “volume-based procurement”.

For the six months ended 30 June 2023, the Company's gross profit margin was 72.39%, a decrease of 2.13% as compared to 74.52% from the same period of last year, which was mainly attributable to 1) the increase in prices of certain raw materials, which led to an increase in unit cost; and 2) the depressed terminal selling price of related products resulted from the Company being affected by the “volume-based procurement”.

Selling expenses

For the six months ended 30 June 2023, the Company's selling expenses was approximately RMB166.89 million, an increase of 7.66% from approximately RMB155.01 million for the same period of last year, which was mainly attributable to the gradual resumption of market activities as a result of the end of the COVID-19 pandemic.

Administrative expenses

For the six months ended 30 June 2023, the Company's administrative expenses was approximately RMB18.96 million, an increase of 22.64% from approximately RMB15.46 million for the same period of last year, which was mainly attributable to the increase in the depreciation of fixed assets.

Research and development expenses

For the six months ended 30 June 2023, the Company's research and development expenses was approximately RMB74.57 million, an increase of 3.15% from approximately RMB72.29 million for the same period of last year. The Company's research and development expenses in the first half of 2023 accounted for 13.79% of the revenue. The main reason was that the Company valued the research and development of new products, technology, and technique and has continuously increased its investment in research and development and etc.

Impairment loss of credits

For the six months ended 30 June 2023, the Company's impairment loss of credits was approximately RMB8.79 million, a decrease of 38.57% from approximately RMB14.31 million for the same period of last year, which was mainly attributable to the smaller increase in accounts receivable on a year-on-year basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

For the six months ended 30 June 2023, the Company's income tax expenses was approximately RMB12.55 million, a decrease of 18.56% from approximately RMB15.41 million for the same period of last year, which was mainly attributable to the decrease in the profit of the Company.

Net profit

For the six months ended 30 June 2023, the Company achieved a net profit of RMB125.99 million, a decrease of 19.74% from approximately RMB156.98 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the sales of the products of the Company being affected by the "volume-based procurement".

Liquidity and capital resources

The Company's liquidity decreased from approximately RMB957.19 million as of 31 December 2022 to approximately RMB855.12 million as of 30 June 2023.

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

Use of proceeds from the global offering

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

Use of Proceeds from Issue of H Shares	Proportion	Amount available (RMB million)	Expense as of 30 June 2023 (RMB million)	Outstanding amount as of 30 June 2023 (RMB million)	Expected timeline for the application of the unutilized proceeds
First-installment expense for the development of Daxing New Production Base	57.53%	106.93	100.89	6.04	By 31 December 2023
Research and development activities	12.67%	23.55	23.55	0.00	
Expansion of our existing marketing and distribution network, in order to enhance our market penetration with coverage of more distributors and hospitals for increment of market share	20%	37.17	37.17	0.00	
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00	
Total	100%	185.86	179.82	6.04	

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Issue of A Shares

Use of Proceeds

Unit: RMB

Project Name	Proportion	Amount available (RMB'000)	Net (expenses)/ interest income as of 30 June 2023 (RMB'000)	Outstanding amount as of 30 June 2023 (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	(445,975.22)	14,024.78	August 2024
Construction project of research and development centre	33.74%	360,000.00	(329,097.89)	30,902.11	August 2024
Marketing network construction project	7.50%	80,000.00	(58,952.64)	21,047.36	December 2024
Replenishment of working capital	15.66%	167,128.29	(167,009.47)	118.82	N/A
Sub-total	100%	1,067,128.29	(1,001,035.21)	66,093.08	

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory

The Company's inventory increased from approximately RMB259.79 million as of 31 December 2022 to approximately RMB387.39 million as of 30 June 2023, which was mainly attributable to the reserve of inventory according to market needs.

Fixed assets and construction in progress

The Company's fixed assets and construction in progress increased by 1.82%, from approximately RMB463.40 million as of 31 December 2022 to approximately RMB471.84 million as of 30 June 2023, which was mainly attributable to the increase in our investment in construction works.

Net current assets

The Company's net current assets increased from approximately RMB2,183.28 million as of 31 December 2022 to approximately RMB2,171.08 million as of 30 June 2023, which was mainly attributable to the increase in current liabilities.

Working capital and financial resources

Cash flow analysis

As at 30 June 2023, net cash outflow generated from operating activities was approximately RMB38.97 million, which was mainly attributable to the increase in the cash received by the Company from the sales of the products. Our net cash outflow generated from investment activities was approximately RMB63.93 million, which was mainly because the Company's purchase of wealth management products has not been due. Our net cash outflow generated from financing activities was approximately RMB0.13 million, which was mainly because the Company paid the related cash dividends in the first half of 2022 while distributed the same in the second half of 2023, and our cash and cash equivalents decreased by approximately RMB102.37 million as compared to the end of last year.

Capital expenditure

The Company's capital expenditure was mainly used in the expansion of new production base and the acquisition of production facilities.

Contingent liabilities or guarantees

As of 30 June 2023, the Company did not have any significant contingent liabilities or guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

Pursuant to paragraph 32(4A) of Appendix 16 to the Listing Rules, the Company would like to provide further information in respect of its significant investments with a value of 5% or more of the Group's total assets as at 30 June 2023 and its financial assets at fair value through profit or loss, which consisted of the Group's subscription of certain structured deposit products offered by Bank of Beijing and China Construction Bank (the "**Structured Deposit Products**").

All redeemed as of 30 June 2023:

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	Money Flow	Annualised Yield	Actual Gains (losses) (RMB0'000)	Actual recovery
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	30,000.00	7 September 2022	6 January 2023	Idle capital	Banking	1.35% or 3.15%	313.27	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	24,000.00	17 October 2022	16 January 2023	Idle capital	Banking	1.50% to 3.08%	181.54	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	17 October 2022	16 January 2023	Idle capital	Banking	1.30% or 3.12%	50.24	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	11,500.00	19 January 2023	22 May 2023	Proceeds raised	Banking	1.30% or 2.96%	114.71	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	30,000.00	19 January 2023	22 May 2023	Idle capital	Banking	1.30% or 2.96%	299.24	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	23,400.00	16 February 2023	16 June 2023	Idle capital	Banking	1.30% or 2.96%	227.72	Full Redemption

MANAGEMENT DISCUSSION AND ANALYSIS

Not redeemed as of 30 June 2023:

Trustee	Name of product	Type of entrusted wealth management	Amount of entrusted wealth management (RMB'000)	Fair value as at 30 June 2023 (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
Bank of Beijing – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	34,000.00	34,037.54	9.80%	30 May 2023	11 October 2023	Idle capital	Banking	1.30% or 2.84%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	14,000.00	14,015.46	4.04%	30 May 2023	11 October 2023	Idle capital	Banking	1.30% or 2.84%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	21,500.00	21,506.89	6.19%	21 June 2023	6 November 2023	Idle capital	Banking	1.30% or 2.84%	Undue, not redeemed at the end of the reporting period
			69,500.00	69,559.89	20.03%						

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 enquiry, 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.

The Company's subscription of the Structured Deposit Products is reasonable and effective use of certain portions of its temporary idle funds from the public issuance of A shares and its internal resources, and is beneficial for enhancing the overall capital gain of the Group, which is consistent with the core objectives of the Company to safeguard its capital and ensure liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

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

Diversify our product series

The Company will continue to optimize and modify our existing products, and keep abreast of the technology development of the joint prosthesis sector and invest more resources in the research and development of new products. 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 medical products, and boosted the strategic layout in dentistry, and PRP products. Furthermore, the Company has also closely focused on the development of related new technologies, such as new bio-materials and drug-device combinations and other products. As maintaining its leading position in the domestic market, the Company has also improved its international business team building and increased investment in marketing promotion with a view to developing the international market.

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

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 medical 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 standard joint prostheses products department, spinal products department, orthopedic trauma products department, biomechanics center and orthopedic devices standardization research and development center and so forth. In addition, under the support of the academician and expert workstation, post-doctoral scientific research workstation and Beijing Municipal Enterprise Technology Centre, the Company will focus on cultivating the research and development standards and innovation capabilities of research and development personnel, while continuously optimizing the allocation of research and development resources and iterating on corporate innovation mechanism. The Company can also make good use of Beijing Municipal Enterprise Technology Centre, post-doctoral scientific research and development workstation and academician and expert workstation to strengthen cooperation with renowned medical institutions in the PRC in order to enhance its professional knowledge, technology and competitiveness.

Talent development and incentives

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

EMPLOYEE

As at 30 June 2023, the Company had approximately a total of 1,379 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 2023, the total salaries and related costs paid to our employees were approximately RMB135.89 million. The Company enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct for directors’ and supervisors’ securities transactions. Having made specific enquiry with the Directors and Supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

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 our Company’s consolidated financial statements for the six months ended 30 June 2023, including the accounting principles and practices applied.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, the interests or short positions of the directors, supervisors and the chief executive officer of the Company in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, will be as follows:

INTERESTS OF THE DIRECTORS IN THE SHARES OF OUR COMPANY

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Mr. Shi Chunbao	A shares	113,685,435	Beneficial owner	39.42%	29.64%
	H shares	1,155,250	Beneficial owner	1.2143%	0.3012%
	A shares	95,447,900	Interest of spouse	33.09%	24.88%
Ms. Yue Shujun	A shares	95,447,900	Beneficial owner	33.09%	24.88%
	A shares	113,685,435	Interest of spouse	39.42%	29.64%
	H shares	1,155,250	Interest of spouse	1.2143%	0.3012%

Saved as disclosed above, as at 30 June 2023, none of the directors, supervisors and the chief executive officer of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
Mr. Shi Chunbao	A shares	113,685,435	Beneficial owner	39.42%	29.64%
	H shares	1,155,250	Beneficial owner	1.2143%	0.3012%
		95,447,900	Interest of spouse	33.09%	24.88%
Ms. Yue Shujun	A shares	95,447,900	Beneficial owner	33.09%	24.88%
		113,685,435	Interest of spouse	39.42%	29.64%
	H shares	1,155,250	Interest of spouse	1.2143%	0.3012%
CITIC Securities Co., Ltd. 中信證券股份有限公司	A shares	19,750,000 (long position)	Interest in a controlled corporation	6.85%	5.15%
	A shares	19,750,000 (long position)	Interest in a controlled corporation	6.85%	5.15%
中信產業投資基金管理 有限公司	A shares	17,250,000 (long position)	Beneficial owner	5.98%	4.50%
磐茂(上海)投資中心 (有限合夥)	A shares				

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital (Note 1)	Percentage in total share capital (Note 2)
FIL Limited	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.19%	2.03%
Pandanus Associates Inc.	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.19%	2.03%
Pandanus Partners L.P.	H shares	7,791,000 (long position)	Interest in a controlled corporation	8.19%	2.03%
Taiping Assets Management (HK) Company Limited	H shares	5,743,100 (long position)	Investment manager	6.04%	1.50%
Taiping Trustees Limited	H shares	5,743,100 (long position)	Trustee	6.04%	1.50%
Brown Brothers Harriman & Co	H shares	4,813,766 (long position)	Person having a security interest in shares	5.06%	1.25%
		4,813,766 (short position)		5.06%	1.25%
Fidelity China Special Situations PLC	H shares	4,807,750 (long position)	Beneficial owner	5.05%	1.25%
Citigroup Inc.	H shares	4,800,617 (long position)	Person having a security interest in shares	5.05%	1.25%
		4,800,698 (short position)		5.05%	1.25%

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 2023, respectively.
2. The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

REVIEW REPORT



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

We have audited the accompanying financial statements of Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter as the "Company"), which comprise the consolidated and parent company's balance sheets as at 30 June 2023, the consolidated and parent company's profit statements from January to June 2023, the consolidated and parent company's cash flow statements and 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 provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with "Accounting Standard for Business Enterprises" and do not present fairly, in all material respects, the consolidated and parent company's financial position of the unit being reviewed as at 30 June 2023, and of its operating results and cash flows from January to June 2023.

WUYIGE Certified Public Accountants. LLP
Beijing, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

30 August 2023

CONSOLIDATED BALANCE SHEET

Expressed in RMB

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

Item	Notes	30 June 2023	31 December 2022
Current assets:			
Monetary capital	V (I)	855,124,538.98	957,193,661.02
Held-for-trading financial assets	V (II)	824,618,345.89	767,727,534.25
Derivative financial assets			
Notes receivable	V (III)	148,909,968.63	278,639,012.00
Accounts receivable	V (IV)	578,927,472.41	488,746,494.02
Prepayment	V (V)	10,014,826.13	12,699,528.18
Other receivables	V (VI)	706,896.18	675,810.93
Including: Interests receivable			
Dividends receivable	V (VII)		
Inventories		387,388,842.01	259,789,488.85
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V (VIII)	15,748,234.77	13,617,453.61
Total current assets		2,821,439,125.00	2,779,088,982.86
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)	274,116,011.49	278,294,518.06
Construction in progress	V (X)	197,723,632.67	185,101,678.99
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V (XI)	1,211,990.23	1,875,408.53
Intangible assets	V (XII)	137,018,826.06	138,167,738.59
Development expenditures			
Goodwill		13,359,553.09	
Long-term prepayments	V (XIII)		
Deferred income tax assets	V (XIV)	25,642,305.44	25,761,809.04
Other non-current assets	V (XV)	1,946,550.39	1,476,554.84
Total non-current assets		651,018,869.37	630,677,708.05
Total assets		3,472,457,994.37	3,409,766,690.91

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

CONSOLIDATED BALANCE SHEET

Expressed in RMB

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

Item	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V (XVI)	232,142,733.03	237,786,563.39
Advances received	V (XVII)		
Contract liabilities	V (XVIII)	92,639,701.23	85,681,592.64
Employee remuneration payable	V (XIX)	25,795,502.60	69,723,670.57
Taxes payable	V (XX)	33,750,558.87	53,550,224.66
Other payables	V (XXI)	194,261,029.62	72,509,089.96
Including: Interests payable			
Dividends payable		120,056,940.50	
Liabilities held-for-sale			
Non-current liabilities due within one year	V (XXII)	665,172.47	688,285.72
Other current liabilities	V (XXIII)	71,101,218.71	75,865,112.99
Total current liabilities		650,355,916.53	595,804,539.93
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V (XXIV)		625,860.19
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains	V (XXV)	84,260,288.55	85,757,219.55
Deferred income tax liabilities	V (XIV)	10,439,311.12	7,879,291.52
Other non-current liabilities			
Total non-current liabilities		94,699,599.67	94,262,371.26
Total liabilities		745,055,516.20	690,066,911.19
Shareholders' equity:			
Share capital	V (XXVI)	383,568,500.00	384,280,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V (XXVII)	1,044,799,419.83	1,051,228,272.24
Less: Treasury shares			7,140,352.41
Other comprehensive income			
Specific reserve			
Surplus reserve	V (XXVIII)	154,599,501.79	154,599,501.79
Undistributed profits	V (XXIX)	1,142,752,455.60	1,136,732,358.10
Total interests attributable to shareholders of the parent company		2,725,719,877.22	2,719,699,779.72
Minority interests		1,682,600.95	
Total shareholders' equity		2,727,402,478.17	2,719,699,779.72
Total liabilities and shareholders' equity		3,472,457,994.37	3,409,766,690.91

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

PARENT COMPANY'S BALANCE SHEET

Expressed in RMB

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

Item	Notes	30 June 2023	31 December 2022
Current assets:			
Monetary capital		833,533,442.89	944,993,753.88
Held-for-trading financial assets		823,464,438.36	767,727,534.25
Derivative financial assets			
Notes receivable		142,597,137.03	270,033,176.38
Accounts receivable	XV (I)	596,198,518.53	501,064,940.38
Finance receivables			
Prepayment		7,917,334.50	11,990,101.49
Other receivables	XV (II)	9,994,227.16	4,528,710.89
Including: Interests receivable			
Dividends receivable			
Inventories		373,471,487.48	250,031,349.83
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		14,888,363.09	12,828,370.11
Total current assets		2,802,064,949.04	2,763,197,937.21
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XV (III)	31,715,263.00	10,015,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		265,893,066.02	271,021,878.83
Construction in progress		195,216,372.59	182,329,012.80
Productive biological assets			
Oil & gas assets			
Right-of-use assets		1,211,990.23	1,721,094.39
Intangible assets		136,504,140.59	138,104,185.18
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred income tax assets		24,818,310.83	23,844,947.51
Other non-current assets		1,297,638.39	1,476,554.84
Total non-current assets		656,656,781.65	628,512,936.55
Total assets		3,458,721,730.69	3,391,710,873.76

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

PARENT COMPANY'S BALANCE SHEET

Expressed in RMB

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

Item	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		282,681,731.34	271,470,041.23
Advances received			
Contract liabilities		90,454,088.44	83,615,733.03
Employee remuneration payable		23,876,319.47	68,224,733.72
Taxes payable		31,475,252.13	51,802,209.62
Other payables		237,700,809.13	114,200,353.01
Including: Interests payable			
Dividends payable		120,056,940.50	
Held-for-sale liabilities			
Non-current liabilities due within one year		665,172.47	688,285.72
Other current liabilities		71,317,089.05	75,596,551.24
Total current liabilities		738,170,462.03	665,597,907.57
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			625,860.19
Lease liabilities			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		13,880,623.04	14,931,648.92
Deferred income tax liabilities		10,324,311.12	7,879,291.52
Other non-current liabilities			
Total non-current liabilities		24,204,934.16	23,436,800.63
Total liabilities		762,375,396.19	689,034,708.20
Shareholders' equity:			
Share capital		383,568,500.00	384,280,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,044,799,419.83	1,051,228,272.24
Less: treasury shares			7,140,352.41
Other comprehensive income			
Specific reserve			
Surplus reserve		154,599,501.79	154,599,501.79
Undistributed profits		1,113,378,912.88	1,119,708,743.94
Total shareholders' equity		2,696,346,334.50	2,702,676,165.56
Total liabilities and shareholders' equity		3,458,721,730.69	3,391,710,873.76

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
I. Operating revenue	V (XXX)	540,706,888.57	571,391,616.43
Less: Operating cost	V (XXX)	149,300,529.61	145,594,637.37
Taxes and surcharge	V (XXXI)	4,021,717.04	7,527,471.97
Selling expenses	V (XXXII)	166,890,048.29	155,014,781.22
Administrative expenses	V (XXXIII)	18,957,836.76	15,464,147.98
Research and development expenses	V (XXXIV)	74,572,384.70	72,289,835.94
Finance expenses	V (XXXV)	-4,993,937.49	-5,778,256.50
Including: Interest expenses		39,312.28	34,890.22
Interest proceeds		4,458,526.31	3,290,835.64
Add: Other gains	V (XXXVI)	4,015,733.88	2,593,019.91
Investment income (losses are presented as “-”)	V (XXXVII)	10,067,668.50	3,557,534.25
Including: investment income from associates and joint ventures			
Income from derecognition of financial assets at amortised cost			
Net profit on hedging exposure (losses are presented as “-”)			
Gains on changes of fair value (losses are presented as “-”)	V (XXXVIII)	4,382,142.85	3,962,082.19
Loss on credit impairment (losses are presented as “-”)	V (XXXIX)	-8,788,283.97	-14,310,980.47
Loss on asset impairment (losses are presented as “-”)	V (XL)	-3,175,940.28	-2,468,465.22
Gains on disposal of assets (losses are presented as “-”)	V (XLI)		25,305.66
II. Operating profit (losses are presented as “-”)		138,459,630.64	174,637,494.77
Add: Non-operating income	V (XLII)	286,636.36	44,033.11
Less: Non-operating expenses	V (XLIII)	209,028.67	2,284,268.26
III. Gross profit (total losses are presented as “-”)		138,537,238.33	172,397,259.62
Less: Income tax expenses	V (XLIV)	12,552,076.63	15,414,763.02

CONSOLIDATED INCOME STATEMENT

January to June 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
IV. Net profit (net losses are presented as “-”)		125,985,161.70	156,982,496.60
(I) Classified by continuity of operation:			
1. Net profit for continuing operation (net losses are presented as “-”)		125,985,161.70	156,982,496.60
2. Net profit for ceased operation (net losses are presented as “-”)			
(II) Classified by ownership:			
1. Net profit attributable to the shareholders of the parent company (net losses are presented as “-”)		126,077,038.00	156,982,496.60
2. Non-controlling shareholders’ profit or loss (net losses are presented as “-”)		-91,876.30	
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to the shareholders of the parent company			
1. Other comprehensive income that cannot be reclassified to profit or loss			
2. Other comprehensive income to be reclassified to profit or loss			
(II) Net other comprehensive income after tax attributable to non-controlling shareholders			
VI. Total comprehensive income		125,985,161.70	156,982,496.60
(I) Total comprehensive income attributable to the shareholders of the parent company		126,077,038.00	156,982,496.60
(II) Total comprehensive income attributable to non-controlling shareholders		-91,876.30	
VII. Earning per share			
(I) Basic EPS		0.33	0.41
(II) Diluted EPS		0.33	0.41

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
I. Operating revenue	XV (IV)	537,169,928.44	572,038,992.68
Less: operating cost	XV (IV)	168,314,166.18	158,507,943.28
Taxes and surcharge		3,876,957.93	7,424,147.52
Selling expenses		163,825,278.23	149,284,869.28
Administrative expenses		17,961,951.91	14,885,330.07
Research and development expenses		71,692,514.82	68,933,987.31
Financial expenses		-4,962,981.70	-5,717,873.06
Including: Interest expenses		39,312.28	27,827.28
Interest proceeds		4,422,085.94	3,217,768.44
Add: Other gains		3,473,012.34	2,109,857.27
Investment income (losses are presented as “-”)	XV (V)	10,067,133.70	3,557,534.25
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortised cost			
Net profit on hedging exposure (losses are presented as “-”)			
Gains on changes of fair value (losses are presented as “-”)		4,365,191.78	3,962,082.19
Loss on credit impairment (losses are presented as “-”)		-7,308,140.31	-13,358,438.40
Loss on asset impairment (losses are presented as “-”)		-3,175,940.28	-2,468,465.22
Gains on disposal of assets (losses are presented as “-”)			25,305.66
II. Operating profit (losses are presented as “-”)		123,883,298.30	172,548,464.03
Add: Non-operating income		286,636.36	43,882.69
Less: Non-operating expenses		209,000.00	2,281,868.26
III. Gross profit (total losses are presented as “-”)		123,960,934.66	170,310,478.46
Less: income tax expenses		10,233,825.22	15,142,439.88
IV. Net profit (net losses are presented as “-”)		113,727,109.44	155,168,038.58
(I) Net profit of continuing operation (net losses are presented as “-”)		113,727,109.44	155,168,038.58
(II) Net profit for ceased operation (net losses are presented as “-”)			
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		113,727,109.44	155,168,038.58

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		578,571,339.45	397,678,911.09
Receipts of tax refund			
Other cash receipts related to operating activities	V (XLV)	9,306,861.75	4,249,722.78
Subtotal of cash inflow from operating activities		587,878,201.20	401,928,633.87
<hr/>			
Cash payments for goods purchased and services received		196,107,674.48	137,891,229.36
Cash paid to and on behalf of employees		135,508,064.83	101,511,281.95
Taxes paid		57,363,241.13	66,885,008.84
Other cash payments related to operating activities	V (XLV)	237,871,114.56	177,153,843.31
Subtotal of cash outflow from operating activities		626,850,095.00	483,441,363.46
Net cash flows from operating activities		-38,971,893.80	-81,512,729.59
<hr/>			
II. Cash flows from investing activities:			
Cash received from disinvestments		1,524,200,000.00	920,000,000.00
Cash received from return on investments		13,695,956.17	6,677,808.22
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			63,500.00
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		1,537,895,956.17	926,741,308.22
<hr/>			
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		19,141,158.83	27,100,429.51
Cash payments for investments		1,579,000,000.00	1,410,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units		3,689,298.50	
Other cash payments related to investing activities			
Subtotal of cash outflow from investing activities		1,601,830,457.33	1,437,100,429.51
Net cash flows from investing activities		-63,934,501.16	-510,359,121.29

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Including: cash received by subsidiaries from non-controlling shareholders' investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses			36,936,197.42
Including: cash paid for distribution of dividends and profit by subsidiaries to non-controlling shareholders			
Other cash payments related to financing activities	V (XLV)	132,495.00	1,196,855.47
<hr/>			
Subtotal of cash outflow from financing activities		132,495.00	38,133,052.89
<hr/>			
Net cash flows from financing activities		-132,495.00	-38,133,052.89
<hr/>			
IV. Effect of foreign exchange rate changes on cash and cash equivalents		673,557.68	361,906.10
<hr/>			
V. Net increase in cash and cash equivalents		-102,365,332.28	-629,642,997.67
Add: Opening balance of cash and cash equivalents		957,193,661.02	1,736,493,995.38
<hr/>			
VI. Closing balance of cash and cash equivalents		854,828,328.74	1,106,850,997.71

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		561,880,035.45	391,366,294.71
Receipts of tax refund			
Other cash receipts related to operating activities		13,081,675.40	3,771,887.97
Subtotal of cash inflow from operating activities		574,961,710.85	395,138,182.68
<hr/>			
Cash payments for goods purchased and services received		190,669,302.49	143,052,674.20
Cash paid to and on behalf of employees		127,832,321.88	94,551,597.02
Taxes paid		54,423,931.85	65,228,006.34
Other cash payments related to operating activities		238,194,249.57	186,939,628.36
Subtotal of cash outflow from operating activities		611,119,805.79	489,771,905.92
Net cash flows from operating activities		-36,158,094.94	-94,633,723.24
<hr/>			
II. Cash flows from investing activities:			
Cash received from disinvestments		1,524,000,000.00	920,000,000.00
Cash received from return on investments		13,695,421.37	6,677,808.22
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets			63,500.00
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		1,537,695,421.37	926,741,308.22
<hr/>			
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		20,284,910.34	24,752,037.01
Cash payments for investments		1,593,550,000.00	1,411,400,000.00
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		1,613,834,910.34	1,436,152,037.01
Net cash flows from investing activities		-76,139,488.97	-509,410,728.79

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 2023

Expressed in RMB

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

Item	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflow from financing activities			
<hr/>			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses			36,936,197.42
Other cash payments related to financing activities		132,495.00	965,861.47
<hr/>			
Subtotal of cash outflow from financing activities		132,495.00	37,902,058.89
<hr/>			
Net cash flows from financing activities		-132,495.00	-37,902,058.89
<hr/>			
IV. Effect of foreign exchange rate changes on cash and cash equivalents		673,557.68	361,906.10
<hr/>			
V. Net increase in cash and cash equivalents		-111,756,521.23	-641,584,604.82
<hr/>			
Add: Opening balance of cash and cash equivalents		944,993,753.88	1,723,081,618.53
<hr/>			
VI. Closing balance of cash and cash equivalents		833,237,232.65	1,081,497,013.71

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 2023

Expressed in RMB

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

Items	Current period										Total equity	
	Equity attributable to parent company					Non-controlling interest						
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal		Non-controlling interest
I. Balance at the end of prior year	384,280,000.00			1,051,228,272.24	7,140,352.41	154,599,501.79	1,136,732,335.10	2,719,689,779.72		2,719,689,779.72		2,719,689,779.72
Add: Changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
II. Balance at the beginning of current year	384,280,000.00			1,051,228,272.24	7,140,352.41	154,599,501.79	1,136,732,335.10	2,719,689,779.72		2,719,689,779.72		2,719,689,779.72
III. Amount of current period increase or decrease (decreases are presented as "-")												
(I) Total comprehensive income	-711,500.00			-6,428,852.41	-7,140,352.41	6,020,097.50	6,020,097.50	1,682,600.95	7,702,698.45	1,682,600.95		7,702,698.45
(II) Capital contributed and withdrawn by shareholders	-711,500.00			-6,428,852.41	-7,140,352.41	128,077,038.00	128,077,038.00	-91,876.30	125,985,161.70	-91,876.30		125,985,161.70
1. Ordinary shares contributed by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution	-711,500.00			-6,428,852.41	-7,140,352.41							
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	383,568,500.00			1,044,799,419.83		154,599,501.79	1,462,752,455.60	2,725,719,877.22	1,682,600.95	2,727,402,478.17		2,727,402,478.17

Person in charge of the accounting agency:

Person in charge for accounting work:

Person in charge of the Company:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2023

Expressed in RMB

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

Items	Equity attributable to parent company						Subtotal	Non-controlling interest	Total equity			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares				Other comprehensive income	Special reserve	Surplus reserve
I. Balance at the end of prior year	384,280,000.00				1,051,228,272.24				124,721,689.87	908,847,424.37	2,469,077,386.48	2,469,077,386.48
Add: Changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
II. Balance at the beginning of current year	384,280,000.00				1,051,228,272.24				124,721,689.87	908,847,424.37	2,469,077,386.48	2,469,077,386.48
III. Amount of current period increase or decrease (decreases are presented as "-")												
(I) Total comprehensive income										107,026,096.60	107,026,096.60	107,026,096.60
(II) Capital contributed and withdrawn by shareholders										156,982,496.60	156,982,496.60	156,982,496.60
1. Ordinary shares contributed by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution												
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	384,280,000.00				1,051,228,272.24				124,721,689.87	1,016,873,520.97	2,576,103,483.08	2,576,103,483.08

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 2023

Expressed in RMB

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

Items	Other equity instruments				Current period					Total equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
I. Balance at the end of prior year	384,280,000.00				1,051,228,272.24	7,140,352.41			154,599,501.79	1,119,708,743.94	2,702,676,165.56
Add: Changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	384,280,000.00				1,051,228,272.24	7,140,352.41			154,599,501.79	1,119,708,743.94	2,702,676,165.56
III. Amount of current period increase or decrease (decreases are presented as "-")											
(I) Total comprehensive income	-711,500.00				-6,428,852.41	-7,140,352.41				-6,329,831.06	-6,329,831.06
(II) Capital contributed and withdrawn by shareholders	-711,500.00				-6,428,852.41	-7,140,352.41				113,727,109.44	113,727,109.44
1. Ordinary shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-over within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to cover losses											
4. Transfer of changes in balance of the defined benefit plans to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83				154,599,501.79	1,113,378,912.88	2,696,346,334.50

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 2023

Expressed in RMB

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

Items	Other equity instruments				Previous period				Total equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve		Surplus reserve
I. Balance at the end of prior year	384,280,000.00			1,051,228,272.24	124,721,689.87			124,721,689.87	900,764,836.71	2,460,994,796.82
Add: Changes of accounting policies										
Error correction of prior period										
Others										
II. Balance at the beginning of current year	384,280,000.00			1,051,228,272.24	124,721,689.87			124,721,689.87	900,764,836.71	2,460,994,796.82
III. Amount of current period increase or decrease (decreases are presented as "-")										
(I) Total comprehensive income										
(II) Capital contributed and withdrawn by shareholders										
1. Ordinary shares contributed by shareholders										
2. Capital contributed by holders of other equity instruments										
3. Amount of share-based payment included in equity										
4. Others										
(III) Profit distribution										
1. Appropriation of surplus reserve										
2. Distribution to shareholders										
3. Others										
(IV) Internal carry-over within shareholders' 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	384,280,000.00			1,051,228,272.24	124,721,689.87			124,721,689.87	1,005,976,475.29	2,566,206,437.40

Person in charge of the company:

Person in charge of accounting work:

Person in charge of the accounting agency:

NOTES TO FINANCIAL STATEMENTS

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

I. COMPANY PROFILE

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter as the “Company”) is established by Mr. Shi Chunbao (史春寶先生) and Ms. Yue Shujun (岳術俊女士) under the approval of Beijing Administration for Industry and Commerce. The Company registered at Beijing Administration for Industry and Commerce, 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 RMB384.28 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 abbreviation 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 abbreviation and 688236.SH as its stock code.

The Company belongs to medical device industry. The business scopes of the Company include production of Class III medical devices: III-6846-1 implants, III-6846-2 artificial organ implants (joint prosthesis, custom joint prosthesis and stabler in spine); sales of Class III medical devices: implants materials and artificial organs, medical knitwear and adhesive; sales of Class II medical devices: physiotherapy and rehabilitation equipment and orthopaedic surgery (orthopedics surgery) devices; sales of Class I medical devices: basic surgery devices; production of platelet-rich plasma preparation systems, medical centrifuges, repair and reconstruction and replacement implants for soft tissues damaged by sports injury, medical endoscope systems; production of non-medical masks (only for life support during COVID-19); import and export of goods; technology promotion; sales of non-medical masks; technical testing.

The Company has brought the subsidiaries Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司), Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司), Pilot Medical Device Co., Limited, Beijing Shiyue Changsheng Medical Devices Co., Ltd. (北京實躍長盛醫療器械有限公司), Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Luangtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司) Surgimaster Surgical Co., Ltd. (舒捷醫療科技(蘇州)有限公司) into the current consolidated financial statements’ scope. Please refer to Note VII. INTEREST IN OTHER ENTITIES for details.

This financial report is authorised for issuance by the Board of the Company on 30 August 2023.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with ASBEs

The financial statements have been prepared in accordance with the requirements of ASBEs, and present truly and completely information relating to the Company's financial position as at 30 June 2023, its results of operations and cash flows in January to June 2023.

(II) Accounting period

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

(III) Operating cycle

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

(IV) Functional currency

The functional currency of the Company is Renminbi.

(V) Business combination

1. *Business combination under common control*

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

2. *Business combination not under common control*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Preparation method of consolidated financial statements

- 1. Scope of consolidated financial statements*

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.
- 2. Adoption of uniform accounting policies, date of balance sheets and accounting period for parent company and subsidiaries*

When preparing consolidated financial statements, in case the accounting policies or accounting periods of the subsidiaries differ from those of the Company, necessary adjustments will be made to the financial statements of the subsidiaries based on the accounting policies or accounting periods of the Company.
- 3. Offsetting in consolidated financial statements*

The consolidated financial statements shall be prepared on the basis of the financial statements of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The owners' equity of the subsidiaries not attributable to the Company shall be presented as "minority interests" under the shareholders' equity item in the consolidated balance sheet. The long-term equity investment in the Company held by the subsidiaries is deemed as treasury stock of the Company and a reduction of shareholders' equity, which shall be presented as "Less: treasury shares" under the shareholders' equity in the consolidated balance sheet.
- 4. Accounting treatment of subsidiaries acquired from combination*

For subsidiaries acquired from business combination under common control, the business combination is deemed to have occurred at the commencement of control by the ultimate controlling party. The assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination takes place. For subsidiaries acquired from business combination not under common control, when preparing the consolidated financial statements, adjustments are made to individual financial statements of the subsidiaries based on the fair value of identifiable net assets as at the acquisition date.
- 5. Accounting 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, will be used to adjust the capital reserve (capital premium or share premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Recognition standard for cash and cash equivalents

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

(VIII) Translation of foreign currency business

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

(IX) Financial instruments

1. Classification and reclassification of financial instruments

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

(1) Financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

1. Classification and reclassification of financial instruments (Continued)

(1) Financial assets (Continued)

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

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

(2) Financial liabilities

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

2. Measurement of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Measurement of financial instruments (Continued)

(1) Financial Assets

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

(2) Financial Liabilities

- ① Financial liabilities at fair value through profit or loss
Such financial liabilities include financial liabilities for trading purpose (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. After initial recognition, the financial liabilities are subsequently measured at fair value. Except for those involving the hedge accounting, the gains or losses (including interest expenses) arisen from change in fair value on financial liabilities for trading purpose are included in profit or loss in the period which they incurred. For financial liabilities designated as at fair value through profit or loss, the change in the fair value of such financial liability caused by the change in the credit risk of the enterprise shall be included in other comprehensive income, while other changes in the fair value shall be included in the profit or loss. If presenting the effects of changes in the financial liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company would include all the gains or losses of the financial liability in the current profit and loss.
- ② Financial liabilities at amortised cost
After initial recognition, such financial liabilities are measured at amortised cost by using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

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

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

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

(1) Financial assets

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

If the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, and retain its control over the said financial assets, the Company recognizes the financial asset to the extent of its continuing involvement in the financial asset transferred and recognizes an associated liability accordingly.

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

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

(2) Financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *The determination method of expected credit loss*

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

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

(1) Measurement of loss provision for financial instruments with lower credit risk

For financial instruments with lower credit risk on balance sheet date, the Company need not compare with its credit risk at initial recognition and directly assume that credit risk of that instrument has not increased significantly since its initial recognition.

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

- ① Accounts receivable that exclude significant financing component.
For accounts receivable that exclude significant financing component arising from transactions regulated by the “ASBE No.14 – Revenue”, the Company adopts simplified approach, i.e. always measures the loss provision based on the amount of full lifetime expected credit losses.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. The Company divides notes receivables and receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

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

Receivables portfolio 2: Individually assessed risk portfolio.

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

Notes receivable portfolio 1: Bank acceptance note portfolio.

Notes receivable portfolio 2: Commercial acceptance note portfolio.

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

- ② Accounts receivable and lease receivable that include significant financing component.
For accounts receivable that include significant financing component and lease receivable regulated by the “ASBE No. 21 – Lease”, the Company measures loss provision based on general approach, i.e. “three stages” model.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

(3) Measurement of loss provision for other financial assets

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

While measuring whether a financial instrument has been credit-impaired, the Company took into account the following factors to assess whether credit risk has increased significantly:

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

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

Other receivables portfolio 1: Guarantee deposits, deposits

Other receivables portfolio 2: Petty cash

Other receivables portfolio 3: Others

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. *Accounting method for expected credit loss*

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

(XI) Inventories

1. *Classification of inventories*

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

2. *Accounting method for dispatching inventories*

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

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

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

Determination basis of net realizable value of inventories: (1) Net realizable value of finished goods is the estimated selling prices less selling costs and relevant taxes; (2) for materials held for production, net realizable value is measured at the cost when the net realizable value of the finished goods produced from the materials exceeds the cost. The net realizable value is the estimated selling price less the estimated cost to be incurred up to completion, selling costs and relevant tax when the decrease in the price of raw materials indicate that the net realizable value of the relevant finished goods would be lower than cost; and (3) for materials held for sale, net realizable value is the market selling price.

4. *Inventory system*

Perpetual inventory method is adopted by the Company.

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Contract assets and contract liabilities

1. *Contract assets*

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

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

2. *Contract liabilities*

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

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

(XIII) Long-term equity investments

1. *Determination of initial investment cost*

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term equity investments (Continued)

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

(XIV) Fixed assets

1. *Recognition conditions of fixed assets*
Fixed assets are tangible assets that are held for use more than a useful life of one accounting year in the production of goods and supply of services, for rental to others, or for operation purpose. A fixed asset is recognised when it meets the following conditions: it is probable that the economic benefits associated with the fixed asset will flow into the Company; and its cost can be reliably measured.
2. *Classification and depreciation method of fixed assets*
The fixed assets of the Company mainly comprise: buildings and structures, machinery, transport facilities, electronic facilities, and etc. The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use on an individual basis.

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Construction in progress

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

(XVI) Borrowing costs

1. *Recognition principles of capitalization of borrowing cost*

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

2. *Calculation of capitalisation amount*

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Intangible assets

1. *Measurement method of intangible assets*

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

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

The amortisation methods for the intangible assets with finite useful life are as follows:

Category of assets	Useful life (year)	Amortisation method
Land use rights	37-50	Straight-line method
royalty	8-10	Straight-line method
patent licensing contracts	3-5	Straight-line method
Software	5	Straight-line method

2. *Determination basis of infinite useful life*

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Intangible assets (Continued)

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

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

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

(XVIII) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, 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 recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Long-term prepayments

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

(XX) Employee remuneration

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

1. Short-term benefits

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

2. Post-employment benefits

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

3. Termination benefits

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

4. Other long-term employee benefits

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Revenue

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

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

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

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

The specific method for recognition of the Company's revenue

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Contract costs

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Government grants

1. *Types of government grants and accounting treatment*

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

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

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

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

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

2. *Timing for recognition of governmental grants*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Lease

1. *Accounting treatment for leased assets*

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

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

(1) Right-of-use assets

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

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

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

(2) Lease liabilities

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Lease (Continued)

2. Accounting treatment of assets leased out

(1) Accounting treatment of operating leases

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

(2) Accounting treatment of financing leases

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

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

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

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

Expected credit losses of receivables

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

Provisions for declines in the value of inventories

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

Expected useful life and net residual value of fixed assets

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

With effect from 1 January 2023, the Company implemented the provisions of “Interpretation No. 16 on ASBE”, “accounting treatment that exemption from initial recognition does not apply to deferred income tax associated with assets and liabilities arising from a single transaction”, and the change of such accounting policy has no significant effect on the financial statement of the Company.

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%, 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.*	income tax rate for small and micro firms
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.	15%
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	income tax rate for small and micro firms
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.*	income tax rate for small and micro firms
Luangtai Meikang Medical Devices Co., Ltd.*	income tax rate for small and micro firms
Beijing Lechi Inspection Technology Co.*	income tax rate for small and micro firms
Surgimaster Surgical Co., Ltd.	income tax rate for small and micro firms

NOTES TO FINANCIAL STATEMENTS

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

IV. TAXES (Continued)

(II) Significant preferential tax and official approval

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

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

Pursuant to “the Announcement of the General Administration of Taxation of the Ministry of Finance on Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Entities (Announcement of the General Administration of Taxation of the Ministry of Finance No. 6 of 2023); for small and micro enterprises with annual taxable income not exceeding RMB1 million, the annual taxable income is reduced by 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*, Beijing Shiyue Changsheng Medical Devices Co., Ltd., Xingtai Langtai Bengyuan Medical Devices Co., Ltd.*, Luangtai Meikang Medical Devices Co., Ltd.*, Beijing Lechi Inspection Technology Co.*, and Surgimaster Surgical Co., Ltd., are subject to the small and micro-enterprise income tax rate.

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Item	Closing balance	Opening balance
Cash on hand	329,858.17	362,605.36
Cash in bank	854,498,470.57	956,831,055.66
Other monetary funds	296,210.24	
Total	855,124,538.98	957,193,661.02
Including: the total amount deposited overseas	26,568,175.87	26,062,323.12

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

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Held-for trading Financial Assets

Item	Closing balance	Opening balance
Financial assets measured at fair value with changes included in current profit and loss	824,618,345.89	767,727,534.25
Including: wealth management products	824,618,345.89	767,727,534.25
Total	824,618,345.89	767,727,534.25

(III) Notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	141,881,175.95	271,637,620.00
Commercial acceptance bills	7,028,792.68	7,001,392.00
Total	148,909,968.63	278,639,012.00

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

Note 2: Endorsed or discounted and undue bank acceptance bills at the balance sheet date of the Company at the end of the period are RMB33,101,255.19, of which RMB25,165,496.13 was derecognised and RMB7,935,759.06 was not derecognised.

(IV) Accounts receivable

1. Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year	521,179,452.08	446,765,286.47
1 to 2 years	92,754,930.47	71,233,409.68
2 to 3 years	9,930,604.09	7,542,147.29
Over 3 years	15,835,192.80	15,154,750.33
Less: bad debt provision	60,772,707.03	51,949,099.75
Total	578,927,472.41	488,746,494.02

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

2. Disclosure by bad debt provision

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion of provision (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	639,700,179.44	100.00	60,772,707.03	9.50
Including: portfolios with similar credit risk features	639,700,179.44	100.00	60,772,707.03	9.50
Total	639,700,179.44	100.00	60,772,707.03	9.50

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion of provision (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	540,695,593.77	100.00	51,949,099.75	9.61
Including: portfolios with similar credit risk features	540,695,593.77	100.00	51,949,099.75	9.61
Total	540,695,593.77	100.00	51,949,099.75	9.61

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

2. Disclosure by bad debt provision

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

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Expected credit loss rate (%)	Bad debt provision		Expected credit loss rate (%)	Bad debt provision
Within 1 year	521,179,452.08	5.00	26,058,972.61	446,765,286.47	5.00	22,338,264.32
1-2 years	92,754,930.47	15.00	13,913,239.57	71,233,409.68	15.00	10,685,011.45
2-3 years	9,930,604.09	50.00	4,965,302.05	7,542,147.29	50.00	3,771,073.65
Over 3 years	15,835,192.80	100.00	15,835,192.80	15,154,750.33	100.00	15,154,750.33
Total	639,700,179.44	9.50	60,772,707.03	540,695,593.77	9.61	51,949,099.75

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

3. Provision made for bad debt

Type	Opening balance	Change in amount during the current period				Closing balance
		Provision	Collected or reversed	Write-off	Other changes	
Credit risk portfolio	51,949,099.75	8,787,078.73			36,528.55	60,772,707.03
Total	51,949,099.75	8,787,078.73			36,528.55	60,772,707.03

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

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

Name of entity	Closing balance	Proportion to closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Summary of the top 5	108,770,425.69	17.00	6,032,958.28
Total	108,770,425.69	17.00	6,032,958.28

(V) Prepayments

1. Prepayments shown by age

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,711,195.52	86.98	12,310,940.86	96.94
1-2 years	1,148,707.04	11.47	247,921.44	1.95
2-3 years	154,923.57	1.55	140,665.88	1.11
Total	10,014,826.13	100.00	12,699,528.18	100.00

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

Name of entity	Closing Balance	Proportion to closing balance of prepayments (%)
Summary of the top 5	4,441,811.63	44.35
Total	4,441,811.63	44.35

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables

Item	Closing balance	Opening balance
Other receivables	9,179,058.61	9,018,436.72
Less: bad debt provision	8,472,162.43	8,342,625.79
Total	706,896.18	675,810.93

Other receivables

(1) Disclosure by nature of the amounts

Nature of the amounts	Closing balance	Opening balance
Petty cash	151,713.65	13,800.55
Deposit, guarantee deposit	458,616.60	208,828.00
Others	8,568,728.36	8,795,808.17
Less: bad debt provision	8,472,162.43	8,342,625.79
Total	706,896.18	675,810.93

(2) Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year	674,957.90	667,011.51
1-2 years	71,395.50	29,000.00
2-3 years	10,000.00	35,000.00
Over 3 years	8,422,705.21	8,287,425.21
Less: bad debt provision	8,472,162.43	8,342,625.79
Total	706,896.18	675,810.93

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(3) Bad debt provision

Bad debt provision	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit- impaired	Stage 3 Lifetime expected credit loss – credit- impaired	Total
Balance as at 1 January 2023	286,430.82		8,056,194.97	8,342,625.79
Balance as at 1 January 2023 in the current period after assessment				
– transfer to Stage 2				
– transfer to Stage 3				
– transfer back to Stage 2				
– transfer back to Stage 1				
Provision for the current period	1,205.24			1,205.24
Reversal for the current period				
Write-off for the current period				
Other changes	128,331.40			128,331.40
Balance as at 30 June 2023	415,967.46		8,056,194.97	8,472,162.43

(4) Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period			Closing balance
		Provision	Collected or reversed	Write-off	
Impairment loss of credits	8,342,625.79	1,205.24		128,331.40	8,472,162.43
Total	8,342,625.79	1,205.24		128,331.40	8,472,162.43

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables (Continued)

Other receivables (Continued)

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

Name of entity	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Yuanfeng Metal Technology Hebei Co., Ltd. (元豐金屬科技河北有限公司)	Returns receivable	8,056,194.97	Over 3 years	87.77	8,056,194.97
北京德元九和集團有限公司	Guarantee deposit	152,505.60	Within 1 year	1.66	7,625.28
Beijing Dijie Property Management Co., Ltd. Chaoyang Third Branch (北京地杰物業管理有限公司 朝陽第三分公司)	Guarantee deposit	128,828.00	Over 3 years	1.40	128,828.00
蘇州醫療器械產業發展有限公司	Guarantee deposit	125,280.00	Over 3 years	1.36	125,280.00
Beijing Aikang Dacheng Kemao Development Co., Ltd.(北京愛康大成科貿發展有限公司)	Others	82,402.24	Over 3 years	0.90	82,402.24
Total		8,545,210.81		93.09	8,400,330.49

(VII) Inventories

1. Categories of inventories

Item	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw material	152,517,933.68	2,569,606.51	149,948,327.17	85,077,518.73	2,456,503.27	82,621,015.46
Goods sold	1,386,370.22		1,386,370.22	1,129,899.82		1,129,899.82
Work in progress	54,923,565.20	168,054.66	54,755,510.54	51,833,245.40	89,984.16	51,743,261.24
Stock inventory	199,661,078.26	18,362,444.18	181,298,634.08	142,731,746.75	18,436,434.42	124,295,312.33
Total	408,488,947.36	21,100,105.35	387,388,842.01	280,772,410.70	20,982,921.85	259,789,488.85

NOTES TO FINANCIAL STATEMENTS

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

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

(VII) Inventories (Continued)

2. Movement in provision for inventory write-down

Item	Opening balance	Amount decreased in the current period		Closing balance		Amount increased in the current period
		Provision	Others	Reversal or write-off	Others	
Raw material	2,456,503.27	539,179.97		426,076.73		2,569,606.51
Work in progress	89,984.16	145,942.31		67,871.81		168,054.66
Stock inventory	18,436,434.42	2,490,818.00		2,564,808.24		18,362,444.18
Total	20,982,921.85	3,175,940.28		3,058,756.78		21,100,105.35

(VIII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	859,871.68	658,844.30
Cost of return receivable	14,888,363.09	12,828,370.11
Prepaid other taxes		130,239.20
Total	15,748,234.77	13,617,453.61

(IX) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	274,116,011.49	278,294,518.06
Less: Provision for impairment		
Total	274,116,011.49	278,294,518.06

NOTES TO FINANCIAL STATEMENTS

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

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

(IX) Fixed assets (Continued)

Fixed assets

(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	184,578,166.64	170,600,480.02	4,057,704.43	5,301,636.61	364,537,987.70
2. Increase in the current period	736,441.60	5,677,744.22		2,118,300.15	8,532,485.97
(1) Acquisition		5,584,069.00		197,744.66	5,781,813.66
(2) Transferred from construction in progress	736,441.60			28,141.59	764,583.19
(3) Business combinations increase		93,675.22		1,892,413.90	1,986,089.12
3. Decrease in the current period					
4. Closing balance	185,314,608.24	176,278,224.24	4,057,704.43	7,419,936.76	373,070,473.67
II. Accumulated depreciation					
1. Opening balance	10,978,768.25	69,715,288.50	2,434,106.34	3,115,306.55	86,243,469.64
2. Increase in the current period	2,948,851.57	7,386,156.93	188,508.90	2,187,475.14	12,710,992.54
(1) Provision	2,948,851.57	7,327,997.59	188,508.90	531,814.86	10,997,172.92
(2) Business combinations increase		58,159.34		1,655,660.28	1,713,819.62
3. Decrease in the current period					
4. Closing balance	13,927,619.82	77,101,445.43	2,622,615.24	5,302,781.69	98,954,462.18
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	171,386,988.42	99,176,778.81	1,435,089.19	2,117,155.07	274,116,011.49
2. Opening carrying amount	173,599,398.39	100,885,191.52	1,623,598.09	2,186,330.06	278,294,518.06

Note 1: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB25,202,753.25.

Note 2: The carrying amount of fixed assets at the end of the period with application for property ownership certificate in progress totaled RMB147,934,037.09.

NOTES TO FINANCIAL STATEMENTS

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

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

(IX) Fixed assets (Continued)

Fixed assets (Continued)

(2) Temporarily idle fixed assets as at 30 June 2023

Type	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Note
Mechanical equipment	1,228,922.93	737,400.88		491,522.05	
Total	1,228,922.93	737,400.88		491,522.05	

(X) Construction in progress

Type	Closing balance	Opening balance
Projects of construction in progress	197,723,632.67	185,101,678.99
Total	197,723,632.67	185,101,678.99

(1) *Basic situation of projects of construction in progress*

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Production plant and facilities in Daxing						
Biomedicine Industrial Base of Zhongguancun						
Science Park First stage construction work	16,403,964.47		16,403,964.47	10,771,941.23		10,771,941.23
Integrated construction project for orthopedic implant and supporting materials	175,782,020.36		175,782,020.36	169,316,186.62		169,316,186.62
Equipment installation work	5,476,405.46		5,476,405.46	4,871,574.81		4,871,574.81
Other sporadic work	61,242.38		61,242.38	141,976.33		141,976.33
Total	197,723,632.67		197,723,632.67	185,101,678.99		185,101,678.99

NOTES TO FINANCIAL STATEMENTS

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

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

(X) Construction in progress (Continued)

(2) Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase of amount in the current period	Transferred to fixed assets in the current period	Other decrease in the current period	Closing balance
Production plant and facilities in Daxing Biomedicine Industrial Base of Zhongguancun Science Park First stage construction work	18,429.65	10,771,941.23	6,396,606.43	764,583.19		16,403,964.47
Integrated construction project for orthopedic implant and supporting materials	94,470.38	169,316,186.62	6,465,833.74			175,782,020.36
Total		180,088,127.85	12,862,440.17	764,583.19		192,185,984.83

Name of project	Accumulated investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation rate in the current period (%)	Source of funding
Production plant and facilities in Daxing Biomedicine Industrial Base of Zhongguancun Science Park First stage construction work	103.57	99.00				Self-generated funds and raised funds
Integrated construction project for orthopedic implant and supporting materials	20.28	20.28				Self-generated funds and raised funds
Total						

NOTES TO FINANCIAL STATEMENTS

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

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

(XI) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	3,800,353.03	3,800,353.03
2. Increase in the current period Rentals newly added		
3. Decrease in the current period Disposals	1,364,344.29	1,364,344.29
4. Closing balance	1,364,344.29	1,364,344.29
	2,436,008.74	2,436,008.74
II. Accumulated depreciation		
1. Opening balance	1,924,944.50	1,924,944.50
2. Increase in the current period Provision	549,531.23	549,531.23
3. Decrease in the current period Disposals	549,531.23	549,531.23
4. Closing balance	1,250,457.22	1,250,457.22
	1,250,457.22	1,250,457.22
	1,224,018.51	1,224,018.51
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
3. Decrease in the current period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	1,211,990.23	1,211,990.23
2. Opening carrying amount	1,875,408.53	1,875,408.53

NOTES TO FINANCIAL STATEMENTS

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

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

(XII) Intangible assets

Item	Land use rights	Software	Patent licenses	Patent rights	Total
I. Original carrying amount					
1. Opening balance	132,514,410.33	4,154,184.64	22,500,000.00		159,168,594.97
2. Increased amount in the current period			3,000,000.00	480,000.00	3,480,000.00
(1) Acquisition			3,000,000.00		3,000,000.00
(2) Business combination increase				480,000.00	480,000.00
3. Decreased amount in the current period					
4. Closing balance	132,514,410.33	4,154,184.64	25,500,000.00	480,000.00	162,648,594.97
II. Accumulated amortization					
1. Opening balance	13,422,413.90	2,792,165.88	4,786,276.60		21,000,856.38
2. Increased amount in the current period	1,340,295.54	332,659.51	2,935,957.48	20,000.00	4,628,912.53
Provision	1,340,295.54	332,659.51	2,935,957.48	20,000.00	4,628,912.53
3. Decreased amount in the current period					
4. Closing balance	14,762,709.44	3,124,825.39	7,722,234.08	20,000.00	25,629,768.91
III. Provision for impairment					
1. Opening balance					
2. Increased amount in the current period					
3. Decreased amount in the current period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	117,751,700.89	1,029,359.25	17,777,765.92	460,000.00	137,018,826.06
2. Opening carrying amount	119,091,996.43	1,362,018.76	17,713,723.40		138,167,738.59

NOTES TO FINANCIAL STATEMENTS

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

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

(XIII) Goodwill

1. Original carrying amount of goodwills

Item	Opening balance	Increase in the current period – Business combinations formation	Decrease in the current period	Closing balance
Surgimaster Surgical Co., Ltd.		13,359,553.09		13,359,553.09
Total		13,359,553.09		13,359,553.09

2. Details of impairment of goodwill

Item	Surgimaster Surgical Co., Ltd.
Book balance of goodwill ^①	13,359,553.09
Balance of provision for impairment of goodwill ^②	
Book value of goodwill ^③ = ① – ②	13,359,553.09
Unrecognised goodwill value attributable to minority interest ^④	5,725,522.75
Adjusted carrying value of goodwill as a whole ^⑤ = ④ + ③	19,085,075.84
Carrying value of asset groups ^⑥	717,206.78
Carrying value of asset groups containing goodwill as a whole ^⑦ = ⑤ + ⑥	19,802,282.62
Present value of estimated future cash flow from asset groups (recoverable amount) ^⑧	19,892,116.27
Loss on impairment of goodwill (more than 0) ^⑨ = ⑦ – ⑧	

In accordance with the requirements of Accounting Standard for Business Enterprises, the Company conducts an impairment test on the goodwill. When performing impairment test on goodwill, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. The recoverable amount of the asset groups containing goodwill calculated based on the present value of its expected future cash flow. The Company prepares projected future cash flows based on indicators of historical actual operating data, development trends of the industry, expected revenue growth, gross profit margin. The management uses the specific risk rates of 12.50% as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups.

Based on the above test, the Company believes that no impairment provision will be required for goodwill as of 30 June 2023.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference	Deferred income tax assets/liabilities	Deductible/Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	13,162,994.49	90,014,269.34	12,401,486.60	81,273,854.25
Expected sales rebate	1,813,817.95	12,092,119.64	2,358,638.30	15,724,255.33
Expected sales return	8,035,184.31	53,567,895.38	7,473,145.32	49,820,968.80
Deferred income	2,082,093.46	13,880,623.04	2,239,747.34	14,931,648.92
Unrealized internal gains and losses	548,215.23	3,654,768.23	1,288,791.48	8,591,943.23
Subtotal	25,642,305.44	173,209,675.63	25,761,809.04	170,342,670.53
Deferred income tax liabilities:				
Cost of return receivable	2,233,254.46	14,888,363.09	1,924,255.52	12,828,370.11
Accelerated depreciation of fixed assets	8,091,056.66	53,940,377.71	5,955,036.00	39,700,239.97
Asset valuation gains from business combinations involving entities not under common control	115,000.00	460,000.00		
Subtotal	10,439,311.12	69,288,740.80	7,879,291.52	52,528,610.08

2. *Breakdown of unrecognized deferred income tax assets*

Item	Closing balance	Opening balance
Deductible temporary differences	330,705.47	793.14
Deductible loss	7,826,292.21	3,129,823.19
Total	8,156,997.68	3,130,616.33

Note: Due to the uncertainty in availability of sufficient taxable income in the future of our subsidiaries, namely Beijing Zhao Yi Te Medical Devices Co., Ltd.*, Xingtai Langtai Bengyuan Medical Devices Co., Ltd.*, Luangtai Meikang Medical Devices Co., Ltd.*, Surgimaster Surgical Co., Ltd., deferred tax assets are not recognized.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Year	Closing balance	Opening balance	Remarks
2023	2,201,360.03		
2024	367,313.61		
2026	2,103,728.82	1,581,647.23	
2027	2,592,238.18	1,548,175.96	
2028	561,651.57		
Total	7,826,292.21	3,129,823.19	

(XV) Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayment for the acquisition of long-term assets	1,946,550.39		1,946,550.39	1,476,554.84		1,476,554.84
Total	1,946,550.39		1,946,550.39	1,476,554.84		1,476,554.84

NOTES TO FINANCIAL STATEMENTS

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

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

(XVI) Accounts payable

1. Details

Item	Closing balance	Opening balance
Acquired materials and others	164,066,918.03	166,360,323.15
Acquired machines equipment and engineering	68,075,815.00	71,426,240.24
Total	232,142,733.03	237,786,563.39

2. By age

Item	Closing balance	Opening balance
Within 1 year (inclusive)	224,678,588.57	233,129,239.02
Over 1 year	7,464,144.46	4,657,324.37
Total	232,142,733.03	237,786,563.39

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

(XVII) Contract liabilities

Item	Closing balance	Opening balance
Advance payment	80,547,581.59	69,957,337.31
Sales rebate	12,092,119.64	15,724,255.33
Total	92,639,701.23	85,681,592.64

NOTES TO FINANCIAL STATEMENTS

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

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

(XVIII) 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	68,809,911.50	84,771,168.77	128,814,956.87	24,766,123.40
Post-employment benefits- defined contribution plan	913,759.07	7,172,721.37	7,057,101.24	1,029,379.20
Termination benefits		20,000.00	20,000.00	
Total	69,723,670.57	91,963,890.14	135,892,058.11	25,795,502.60

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	58,862,029.65	73,616,126.42	117,991,122.11	14,487,033.96
Employee welfare premium		2,006,058.51	2,006,058.51	
Social welfare premium	564,653.34	4,243,499.54	4,172,163.67	635,989.21
Including: Medicare premium	542,499.33	4,069,124.07	4,000,680.15	610,943.25
Occupational injuries premium	22,154.01	174,375.47	171,483.52	25,045.96
Housing provident funds		2,568,521.88	2,568,041.88	480.00
Labor union fund and employee education fund	9,383,228.51	2,336,962.42	2,077,570.70	9,642,620.23
Total	68,809,911.50	84,771,168.77	128,814,956.87	24,766,123.40

3. *Defined contribution plan*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	885,971.08	6,949,947.30	6,837,935.59	997,982.79
Unemployment insurance premium	27,787.99	222,774.07	219,165.65	31,396.41
Total	913,759.07	7,172,721.37	7,057,101.24	1,029,379.20

NOTES TO FINANCIAL STATEMENTS

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

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

(XIX) Taxes payable

Taxes	Closing balance	Opening balance
VAT	25,750,432.46	38,528,775.39
Enterprise income tax	4,809,119.57	10,881,445.75
Individual income tax	799,444.03	409,958.53
Urban maintenance and construction tax	498,463.67	1,162,713.84
Education surcharge	299,313.53	697,402.91
Local education surcharge	199,542.37	464,935.27
Housing property tax	1,170,612.78	1,170,612.78
Stamp duty and others	223,630.46	234,380.19
Total	33,750,558.87	53,550,224.66

(XX) Other payables

Type	Closing balance	Opening balance
Dividends payable	120,056,940.50	
Other payables	74,204,089.12	72,509,089.96
Total	194,261,029.62	72,509,089.96

1. Dividends payable

Item	Closing balance	Opening balance
Dividends of ordinary shares	120,056,940.50	
Total	120,056,940.50	

NOTES TO FINANCIAL STATEMENTS

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

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

(XX) Other payables

2. Other payables

(1) Categorized by nature

Nature	Closing balance	Opening balance
Sales services fees	38,996,050.45	40,055,859.49
Guarantee deposits	19,920,510.44	19,421,935.00
Returns payable	3,974,986.85	8,977,708.85
Others	11,312,541.38	4,053,586.62
Total	74,204,089.12	72,509,089.96

(2) Explanation on material other payables aging over 1 year

Name of entity	Closing balance	Reason for non-repayment or not yet carry-over
Shaanxi Lianziquan Technology Co., Ltd. (陝西鏈滋泉科技有限公司)	4,872,712.00	Guarantee deposit
Anhui Weiyi Medical Technology Co., Ltd. (安徽為一醫療科技有限公司)	3,700,000.00	Guarantee deposit
Fujian Fengkaida Trade Co., Ltd. (福建豐凱達商貿有限責任公司)	3,224,550.00	Guarantee deposit
Xingtai Roller Casting Engineering Technology Co. Ltd.* (邢臺軋鑄誠工程技術有限公司)	2,700,000.00	Guarantee deposit
Total	14,497,262.00	

(XXI) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	665,172.47	688,285.72
Total	665,172.47	688,285.72

NOTES TO FINANCIAL STATEMENTS

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

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

(XXII) Other current liabilities

Item	Closing balance	Opening balance
Expected sales returns payable	53,567,895.38	50,089,530.55
Output VAT to be carried forward	9,597,564.27	8,825,892.10
Bills receivable not derecognised	7,935,759.06	16,949,690.34
Total	71,101,218.71	75,865,112.99

(XXIII) Lease liabilities

Item	Closing balance	Opening balance
Lease payments		1,376,571.44
Less: unrecognised financing fee		62,425.53
Less: lease liabilities due within one year		688,285.72
Total		625,860.19

(XXIV) Deferred income

1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	85,757,219.55	244,500.00	1,741,431.00	84,260,288.55	Received Government grants
Total	85,757,219.55	244,500.00	1,741,431.00	84,260,288.55	

NOTES TO FINANCIAL STATEMENTS

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

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

(XXIV) Deferred income (Continued)

2. Items of government grants

Item	Opening balance	Amount of grants increased for the period	Amount included in the non-operating income for the period	Amount included in the other profit for the current period	Other changes	Closing balance	Related to assets/related to income
Industrialization of ceramic femoral head on ceramic hip joint prostheses	986,115.76			283,500.00		702,615.76	Related to assets
PEEK interbody fusion cage	665,500.00			99,825.00		565,675.00	Related to assets
Innovation ability development on joint prosthesis of Beijing engineering laboratory	2,853,000.00			475,500.00		2,377,500.00	Related to assets
Clinical study and construction project of pilot production capacity of spinal artificial vertebral fixation system	632,266.70			85,399.98		546,866.72	Related to assets
National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis Achievement	2,846,784.16			250,000.02		2,596,784.14	Related to assets
Incentive for 2019 key support program for development of high-precision industry – Medicine and medical Instruments (2019年度高精尖產業發展重點支撐項目-藥品醫療器械獎勵)	210,000.00			15,000.00		195,000.00	Related to assets
Incentive for 2019 key support program for development of high-precision industry – Stable development of enterprise (2019年度高精尖產業發展重點支撐項目-企業平穩發展獎勵)	505,983.82			34,999.98		470,983.84	Related to assets
Incentive payment for 2020 support program for development of high-precision industry (2020年度高精尖產業發展資金)	325,833.29			19,000.02		306,833.27	Related to assets/ related to income
2021 key support program for development of high-precision industry – technological innovation and industrialization (2021年度高精尖企業發展重點支撐項目-技術改造和產業化)	1,866,165.19			32,300.88		1,833,864.31	Related to assets
2022 key support program for development of high-precision industry (2022年度高精尖企業發展重點支撐項目)	4,040,000.00					4,040,000.00	Related to assets
High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants (高品質醫用金屬粉體材料及增材製造金屬植入體研發項目)		244,500.00				244,500.00	Related to income
Industrial guidance and subsidies (產業引導扶持基金)	69,325,570.63			445,905.12		68,879,665.51	Related to assets/ related to income
Joint prosthesis research and industrialization project	1,500,000.00					1,500,000.00	Related to assets/ related to income
Total	85,757,219.55	244,500.00		1,741,431.00		84,260,288.55	

NOTES TO FINANCIAL STATEMENTS

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

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

(XXV) Share capital

Item	Opening balance	Issue of new shares	Movements for the period (+, -)			Subtotal	Closing balance
			Bonus shares	Reserves transferred to shares	Others		
Total shares	384,280,000.00				-711,500.00	-711,500.00	383,568,500.00

Note: Other changes in total shares due to completion of the cancellation of repurchased of 711,500 shares of H shares.

(XXVI) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	1,049,428,272.24		6,428,852.41	1,042,999,419.83
Other capital reserve	1,800,000.00			1,800,000.00
Total	1,051,228,272.24		6,428,852.41	1,044,799,419.83

(XXVII) Treasury shares

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share repurchase	7,140,352.41		7,140,352.41	
Total	7,140,352.41		7,140,352.41	

(XXVIII) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	154,599,501.79			154,599,501.79
Total	154,599,501.79			154,599,501.79

NOTES TO FINANCIAL STATEMENTS

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

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

(XXIX) Undistributed profits

	Amount in the Current Period	Last year
Balance before adjustment at the end of preceding period	1,136,732,358.10	908,847,424.37
Total balance at the beginning of the adjustment (Increase+, decrease-)		
Balance after adjustment at the beginning of the period	1,136,732,358.10	908,847,424.37
Add: Net profit attributable to owners of the parent company for the current period	126,077,038.00	307,719,145.65
Less: Appropriation of statutory surplus reserve		29,877,811.92
Dividend payable on ordinary shares	120,056,940.50	49,956,400.00
Undistributed profits at end of period	1,142,752,455.60	1,136,732,358.10

(XXX) Operating revenue and operating cost

1. Operating revenue and operating cost by item

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal from main operation	540,241,563.44	149,300,529.61	569,856,989.16	145,594,637.37
Medical device	540,241,563.44	149,300,529.61	569,856,989.16	145,594,637.37
II. Other business subtotal	465,325.13		1,534,627.27	
Total	540,706,888.57	149,300,529.61	571,391,616.43	145,594,637.37

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

Time of revenue recognition	Medical device products	Revenue from other operation
Recognition at a point of time	540,241,563.44	465,325.13
Total	540,241,563.44	465,325.13

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXI) Taxes and surcharges

Item	Amount for current period	Amount for previous period
Urban maintenance and construction tax	1,584,105.55	2,413,688.80
Education surcharge	948,074.36	1,447,722.25
Local education surcharge	632,049.56	965,148.13
Stamp duty	235,616.08	207,984.01
Housing property tax	142,190.65	142,190.65
Land use tax	474,284.73	2,056,298.53
Vehicle and vessel use tax	5,230.00	5,230.00
Environmental protection tax	166.11	289,209.60
Total	4,021,717.04	7,527,471.97

(XXXII) Selling expenses

Item	Amount for current period	Amount for previous period
Market development expenses	133,317,373.39	120,571,455.87
Employee remuneration	26,649,634.25	29,979,471.74
Office expenses	1,733,403.63	1,838,507.89
Others	5,189,637.02	2,625,345.72
Total	166,890,048.29	155,014,781.22

(XXXIII) Administrative expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	8,418,212.87	7,260,360.71
Agency fees	2,579,786.02	2,499,179.23
Depreciation and amortization expenses	4,840,392.78	3,082,976.67
Office and traveling expenses	260,591.27	328,693.88
Rentals and property expenses	917,126.10	575,582.57
Business entertainment expenses	73,987.49	9,093.54
Others	1,867,740.23	1,708,261.38
Total	18,957,836.76	15,464,147.98

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXIV) Research and development expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	30,300,687.88	18,998,214.37
Supplies consumed	11,640,070.78	14,084,404.66
Technical services expenses	15,192,157.08	20,612,672.98
Travel and meeting expenses	729,778.85	3,797,340.64
Depreciation and amortization	5,742,300.99	4,050,848.47
Fuel expenses	1,072,811.71	1,031,602.36
Examination and testing expenses	7,455,635.50	7,029,356.62
Others	2,438,941.91	2,685,395.84
Total	74,572,384.70	72,289,835.94

(XXXV) Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses	39,312.28	34,890.22
Less: Interest income	4,458,526.31	3,290,835.64
Less: Foreign exchange gains	692,194.89	2,615,518.70
Handling fee and other expenses	117,471.43	93,207.62
Total	-4,993,937.49	-5,778,256.50

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXVI) Other income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
Transferred from deferred income	1,741,431.00	2,062,827.74	Related to assets/related to income
Subsidy for stable development and expansion of enterprises	86,201.84	10,770.64	related to income
Daily subsidized funding for postdoctoral scientific research workstation		317,500.00	related to income
Tax refund	229,656.04	118,055.03	related to income
Subsidy for insurance	75,500.00	83,866.50	related to income
Subsidy for patented technology	15,600.00		related to income
Subsidy for projects enhancing the ability of international operation	40,000.00		related to income
Subsidy for research and development projects	1,827,345.00		related to income
Total	4,015,733.88	2,593,019.91	

(XXXVII) Investment income

Item	Amount for current period	Amount for previous period
Investment income from disposal of held-for-trading financial assets	10,067,668.50	3,557,534.25
Total	10,067,668.50	3,557,534.25

(XXXVIII) Gains on changes of fair value

Sources of gains on changes of fair value	Amount for current period	Amount for previous period
Held-for-trading financial assets	4,382,142.85	3,962,082.19
Total	4,382,142.85	3,962,082.19

(XXXIX) Credit impairment loss

Item	Amount for current period	Amount for previous period
Credit impairment loss of accounts receivable	-8,787,078.73	-14,281,700.32
Credit impairment loss of other receivables	-1,205.24	-29,280.15
Total	-8,788,283.97	-14,310,980.47

NOTES TO FINANCIAL STATEMENTS

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

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

(XL) Assets impairment loss

Item	Amount for current period	Amount for previous period
Inventory write-down loss	-3,175,940.28	-2,468,465.22
Total	-3,175,940.28	-2,468,465.22

(XLI) Gain from disposal of assets

Item	Amount for current period	Amount for previous period
Disposal gains or losses arising from the disposal of fixed assets not classified as held for sale		25,305.66
Total		25,305.66

(XLII) Non-operating income

1. Non-operating income by item

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
Government grant not related to daily activities	200,000.00	20,000.00	200,000.00
Others	86,636.36	24,033.11	86,636.36
Total	286,636.36	44,033.11	286,636.36

2. Government grants included in non-operating income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
“Specialized and New” incentive	200,000.00		Related to income
Other piecemeal incentives		20,000.00	Related to income
Total	200,000.00	20,000.00	

NOTES TO FINANCIAL STATEMENTS

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

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

(XLIII) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
External donations	200,000.00	1,608,269.23	200,000.00
Others	9,028.67	675,999.03	9,028.67
Total	209,028.67	2,284,268.26	209,028.67

(XLIV) Income tax expenses

1. Details of income tax expenses

Item	Amount for current period	Amount for previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	9,992,553.43	13,034,992.32
Deferred income tax expenses	2,559,523.20	2,379,770.70
Total	12,552,076.63	15,414,763.02

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	138,537,238.33
Income tax expenses based on applicable tax rate	20,780,585.74
Effect of different tax rates applicable to subsidiaries	-72,078.87
Effect of prior income tax adjustment	2,504,285.45
Effect on research and development expenses and additional deductions	-10,997,108.28
Effect of non-deductible costs, expenses and losses	343,004.53
Effect of using the deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	-28,511.29
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets in current period	21,899.35
Income tax expenses	12,552,076.63

NOTES TO FINANCIAL STATEMENTS

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

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

(XLV) Cash flow statement

1. *Other cash receipts related to operating activities*

Item	Amount for current period	Amount for previous period
Receipts from current accounts	2,042,996.44	384,661.86
Amount of government grant received	2,718,802.88	550,192.17
Interest receipts from deposit and others	4,545,062.43	3,314,868.75
Total	9,306,861.75	4,249,722.78

2. *Other cash payment related to operating activities*

Item	Amount for current period	Amount for previous period
Expenses of cash payment	225,984,076.19	174,776,367.43
Current amount paid	11,560,538.27	
Handling fee and other expenses	326,500.10	2,377,475.88
Total	237,871,114.56	177,153,843.31

3. *Other cash payment related to fundraising activities*

Item	Amount for current period	Amount for previous period
Payment of lease fee	132,495.00	1,196,855.47
Total	132,495.00	1,196,855.47

NOTES TO FINANCIAL STATEMENTS

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

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

(XLVI) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	125,985,161.70	156,982,496.60
Add: Provision for assets impairment	3,175,940.28	2,468,465.22
Credit impairment loss	8,788,283.97	14,310,980.47
Depreciation of fixed assets, oil and gas assets, productive biological assets, investment properties	10,997,172.92	9,104,401.89
Depreciation of right-of-use assets	549,531.23	1,136,457.54
Amortization of intangible assets	4,628,912.53	2,936,610.52
Amortization of long term prepayments		109,999.98
Loss on disposal of fixed assets, intangible assets and other long term assets (Gain represented by “-”)		-25,305.66
Fixed assets retirement loss (Gain represented by “-”)		
Net loss on hedging exposure (Gain represented by “-”)		
Losses on changes in fair value (Gain represented by “-”)	-4,382,142.85	-3,962,082.19
Financial expenses (Gain represented by “-”)	-634,245.40	-327,202.57
Investments losses (Gain represented by “-”)	-10,067,668.50	-3,557,534.25
Decrease of deferred income tax assets (Increase represented by “-”)	119,503.60	2,900,817.29
Increase of deferred income tax liabilities (Decrease represented by “-”)	2,440,019.60	-521,046.59
Decrease in inventories (Increase represented by “-”)	-128,677,939.93	-25,107,522.84
Decrease in operating receivables (Increase represented by “-”)	24,427,312.04	-220,515,350.53
Increase of operating payables (Decrease represented by “-”)	-76,321,734.99	-17,446,914.47
Others		
Net cash flow from operating activities	-38,971,893.80	-81,512,729.59
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented under leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	854,828,328.74	1,106,850,997.71
Less: Opening balance of cash	957,193,661.02	1,736,493,995.38
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-102,365,332.28	-629,642,997.67

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Item	Amount
Cash or cash equivalents paid for business combinations that occurred in the current period	3,850,000.00
Including: Surgimaster Surgical Co., Ltd.	3,850,000.00
Less: the cash and cash equivalents held by the subsidiary on the acquisition date	160,701.50
Including: Surgimaster Surgical Co., Ltd.	160,701.50
Net cash paid to purchase subsidiary	3,689,298.50

3. *Cash and cash equivalents*

Item	Closing balance	Opening balance
I. Cash	854,828,328.74	957,193,661.02
Including: Cash on hand	329,858.17	362,605.36
Cash in bank on demand for payment	854,498,470.57	956,831,055.66
II. Cash equivalents		
Including: Bond investments due within 3 months		
III. Closing balance of cash and cash equivalents	854,828,328.74	957,193,661.02

NOTES TO FINANCIAL STATEMENTS

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

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

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

Item	Carrying amount at the end of the period	Reasons for restriction
Bills receivables	7,935,759.06	Bills endorsed or discounted but yet reached maturity
Monetary funds	296,210.24	Specific project account for centralized procurement for medical consumables

(XLVIII) Monetary items in foreign currencies

Item	Foreign currency balance at the end of period	Exchange rate	Closing balance converted to RMB
Monetary funds			31,390,230.95
USD	695,155.02	7.23	5,023,051.14
HKD	28,452,409.34	0.92	26,232,552.35
EUR	17,078.80	7.88	134,531.41
INR	1,090.00	0.09	96.05
Accounts receivable			61,930,263.13
USD	8,570,713.71	7.23	61,930,263.13
Accounts payable			17,888,223.61
USD	117,591.42	7.23	849,692.08
HKD	1,089,593.24	0.92	1,004,583.18
EUR	2,035,514.13	7.88	16,033,948.35

NOTES TO FINANCIAL STATEMENTS

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

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

(XLIX) Government grants

Basic situation of government grants

Type	Amount	Items for presentation	Amount included in profit or loss for the current period
Project of Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants	244,500.00	Deferred revenue	
Subsidy for stable development and expansion of enterprises	86,201.84	Other revenue	86,201.84
Subsidy for insurance	75,500.00	Other revenue	75,500.00
Subsidy for patented technology	15,600.00	Other revenue	15,600.00
Subsidy for projects enhancing the ability of international operation	40,000.00	Other revenue	40,000.00
Subsidy for research and development projects	1,827,345.00	Other revenue	1,827,345.00
“Specialized and New” incentive	200,000.00	Non-operating income	200,000.00
Total	2,489,146.84		2,244,646.84

NOTES TO FINANCIAL STATEMENTS

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

VI. CHANGE IN SCOPE OF CONSOLIDATION

Business combinations not under the same control during the current period

1. Basic situation of business combination

Name of acquiree	Equity obtained on	Equity acquisition cost	Percentage of equity obtained	Equity obtained through	Acquisition date	Basis for determining the acquisition date	Acquiree's revenue for the period from acquisition date to the end of the period	Acquiree's net profit for the period from acquisition date to the end of the period
Surgimaster Surgical Co., Ltd.	2023-2-28	17,500,000.00	70.00%	Equity Acquisition together with Capital injection	2023-2-28	Formalities of transfer of shares completed. The Company has actually controlled the financial and operating policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.	546,041.52	-291,254.34

Note: Injected capital in respect of and the acquisition by the Company of 70% equity interest of Surgimaster Surgical Co., Ltd.: The Company acquired 12,050,000 shares of Surgimaster Surgical Co., Ltd. held by Xu linfeng* (徐林峰) at RMB11,000,000.00; The Company injected RMB6,500,000.00 and acquired 6,500,000 shares of Surgimaster Surgical Co., Ltd.. After the completion of the capital injection and acquisition, the registered capital of Surgimaster Surgical Co., Ltd. was RMB26.50 million. The Company in total held 70% of equity interest of Surgimaster Surgical Co., Ltd..

2. Combination costs and goodwill

Combination costs	Surgimaster Surgical Co., Ltd.
Cash	17,500,000.00
Total combination costs	17,500,000.00
Less: fair value of the share of identifiable net assets acquired	4,140,446.91
Amount for Goodwill/combination cost lower than the portion of fair value of net identifiable assets acquired	13,359,553.09

NOTES TO FINANCIAL STATEMENTS

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

VI. CHANGE IN SCOPE OF CONSOLIDATION (Continued)

Business combinations not under the same control during the current period (Continued)

3. *Acquiree's identifiable assets and liabilities at acquisition date*

Company name	Surgimaster Surgical Co., Ltd.	
	Fair value on the acquisition date	Carrying value on the acquisition date
Assets:	11,698,844.03	11,218,844.03
Monetary funds	160,701.50	160,701.50
Held-for-trading financial assets	1,336,956.46	1,336,956.46
Accounts receivable	6,684,836.40	6,684,836.40
Prepayments	234,971.41	234,971.41
Inventories	2,097,353.51	2,097,353.51
Other current assets	431,755.25	431,755.25
Fixed assets	272,269.50	272,269.50
Intangible assets	480,000.00	
Liabilities:	5,783,919.87	5,663,919.87
Accounts payable	5,663,919.87	5,663,919.87
Deferred tax liabilities	120,000.00	
Net assets:	5,914,924.16	5,554,924.16
Less: Minority interests	1,774,477.25	1,666,477.25
Portions acquired attributable to acquiror	4,140,446.91	3,888,446.91

NOTES TO FINANCIAL STATEMENTS

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

VII. INTEREST IN OTHER ENTITIES

(I) Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Beijing Zhao Yi Te Medical Devices Co., Ltd.*	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.*	Hebei Province	Hebei Province	Manufacture and sales of alloy materials	100.00		Through capital contribution to establish a new company
Pilot Medical Device Co., Limited	Hong Kong	Hong Kong	Development and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.	Hebei Province	Hebei Province	Manufacture and sales of medical devices	100.00		Through capital contribution to establish a new company
Luangtai Meikang Medical Devices Co., Ltd.	Hebei Province	Hebei Province	Manufacture and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Lechi Inspection Technology Co.*Beijing (北京樂馳檢測技術有限公司)		Beijing	Inspection and testing services	100.00		Through capital contribution to establish a new company
Surgimaster Surgical Co., Ltd.	Jiangsu Province	Jiangsu Province	Research and development on surgery powering equipment, production and sale	70.00		Business combination not under common control

NOTES TO FINANCIAL STATEMENTS

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

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

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

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

(I) Credit risk

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

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

1. *Bank balances*

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

2. *Receivables*

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

(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- and short-term liquidity requirements.

NOTES TO FINANCIAL STATEMENTS

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

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

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

1. *Interest risk*

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

2. *Foreign currency risk*

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

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

IX. CAPITAL MANAGEMENT

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

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

Item	30 June 2023	31 December 2022
①Total liabilities	745,055,516.20	690,066,911.19
②Total assets	3,472,457,994.37	3,409,766,690.91
③=①/②Gearing ratio	21.46%	20.24%

NOTES TO FINANCIAL STATEMENTS

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

X. FAIR VALUE

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

Item	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Closing balance
Continuous fair value measurement			824,618,345.89	824,618,345.89
Held for-trading financial assets			824,618,345.89	824,618,345.89

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

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

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(i) Actual controllers 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	29.94	29.94
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 "VII. INTEREST IN OTHER ENTITIES" for details.

(iii) Other related party of the Company

Name of other related party	Relationships with the Company
Beijing Meizhuo Medical Instruments Co. Limited	Guo Fuxiang, person-in-charge of the business is the husband of Shi Chunbao's cousin

Note: 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 Beijing Meizhuo Medical Instruments Co. Limited. They do not have the majority control over Meizhuo and influence on the operating decisions of Meizhuo and cannot exert significant influence and not a legal related party. The Company makes related disclosures as if they are related parties based on the principle of prudence.

NOTES TO FINANCIAL STATEMENTS

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

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(IV) Related party transactions

1. *Table of 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	Medical devices	4,463,146.37	2,564,968.32

2. *Remuneration of key management*

Item	Amount for the current period	Amount for the previous period
Remuneration of key management	2,228,275.17	2,109,438.92

(V) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Beijing Meizhuo Medical Instruments Co. Limited	9,717,803.72	753,002.54	5,898,703.82	393,389.67

NOTES TO FINANCIAL STATEMENTS

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

XII. COMMITMENTS AND CONTINGENCIES

As of 30 June 2023, the Company has no commitments nor contingencies needed to be disclosed.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

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

XIV. OTHER SIGNIFICANT EVENTS

(I) Segment Report

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

(II) Auditor's remuneration

Auditor's remuneration	Amount for the current period	Amount for the previous period
Annual audit services	950,000.00	580,000.00
Total	950,000.00	580,000.00

NOTES TO FINANCIAL STATEMENTS

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

XIV. OTHER SIGNIFICANT EVENTS (Continued)

(III) Emoluments of directors, supervisors and employees

1. Emoluments of directors and supervisors

Director/ supervisor	Wage, allowance, subsidy and bonus					Pension	Others	Total
	Fees	Basic salary	Allowance and subsidy	Bonus	Social insurance premium and housing provident fund			
Director								
Shi Chunbao		300,410.00			12,429.00			312,839.00
Yue Shujun		210,410.00			12,429.00			222,839.00
Shi Wenling		132,120.00			12,429.00			144,549.00
Xie Fengbao		112,915.00		31,808.00	12,429.00			157,152.00
Wang Xin	50,000.00							50,000.00
Yao Lijie								0.00
Weng Jie	50,000.00							50,000.00
Wong Tak Shing	87,900.00							87,900.00
Subtotal for directors	187,900.00	755,855.00		31,808.00	49,716.00			1,025,279.00
Supervisor								
Zhang Jie		145,672.50		1,100.00	11,628.00			158,400.50
Wei Zhangli		106,580.45			11,418.18			117,998.63
Zhang Lanlan		51,759.58		34,544.00	11,418.18			97,721.76
Subtotal for supervisors		304,012.53		35,644.00	34,464.36			374,120.89
Total	187,900.00	1,059,867.53		67,452.00	84,180.36			1,399,399.89

2. Five highest paid employees

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

Item	Amount for the current period
Wage and other emoluments	891,494.73
Discretionary bonus	313,314.60
Contributions to pension scheme	44,910.40
Incentives to absorb high paid individuals	
Compensation for dismissal	
Total	1,249,719.73

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

NOTES TO FINANCIAL STATEMENTS

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

XV. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Accounts receivable

1. Disclosure by age

Age	Closing balance	Opening balance
Within 1 year	535,456,179.03	464,596,037.13
1 to 2 years	92,350,663.78	63,041,871.27
2 to 3 years	9,163,486.30	7,542,147.29
Over 3 years	15,796,749.20	15,154,750.33
Less: bad debt provision	56,568,559.78	49,269,865.64
Total	596,198,518.53	501,064,940.38

2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance	
	Amount	Proportion (%)	Amount	Proportion of provision (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	652,767,078.31	100.00	56,568,559.78	8.67
Including: Portfolios with similar credit risk features	595,795,584.50	91.27	56,568,559.78	9.49
Portfolios of related parties within the scope of consolidation	56,971,493.81	8.73		
Total	652,767,078.31	100.00	56,568,559.78	8.67

Type	Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	550,334,806.02	100.00	49,269,865.64	8.95
Including: Portfolios with similar credit risk features	503,518,450.36	91.49	49,269,865.64	9.79
Portfolios of related parties within the scope of consolidation	46,816,355.66	8.51		
Total	550,334,806.02	100.00	49,269,865.64	8.95

NOTES TO FINANCIAL STATEMENTS

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

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

(I) Accounts receivable (Continued)

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

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

① Portfolio 1: Portfolios with similar credit risk features

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Expected credit loss rate (%)	Bad debt provision		Expected credit loss rate (%)	Bad debt provision
Within 1 year	494,352,349.18	5.00	24,717,617.46	417,791,912.47	5.00	20,889,595.62
1-2 years	76,482,999.82	15.00	11,472,449.97	63,029,640.27	15.00	9,454,446.04
2-3 years	9,163,486.30	50.00	4,581,743.15	7,542,147.29	50.00	3,771,073.65
Over 3 years	15,796,749.20	100.00	15,796,749.20	15,154,750.33	100.00	15,154,750.33
Total	595,795,584.50	9.49	56,568,559.78	503,518,450.36	9.79	49,269,865.64

② Portfolio 2: Portfolios of related parties within the scope of consolidation

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Expected credit loss rate (%)	Bad debt provision		Expected credit loss rate (%)	Bad debt provision
Within 1 year	41,103,829.85			46,804,124.66		
1-2 years	15,867,663.96			12,231.00		
Total	56,971,493.81			46,816,355.66		

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

NOTES TO FINANCIAL STATEMENTS

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

XV. 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 features	49,269,865.64	7,298,694.14			56,568,559.78
Total	49,269,865.64	7,298,694.14			56,568,559.78

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

Name of entity	Closing balance	Proportion to total receivables (%)	Balance of provision for bad debts
Summary of the top 5	137,155,234.30	21.01	5,227,779.03
Total	137,155,234.30	21.01	5,227,779.03

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables

Item	Closing balance	Opening balance
Other receivables	18,240,329.44	12,765,367.00
Less: Bad debt provision	8,246,102.28	8,236,656.11
Total	9,994,227.16	4,528,710.89

Other receivables

(1) Other receivables categorised by nature

Item	Closing balance	Opening balance
Within the scope of combination	9,538,511.28	4,272,681.31
Petty cash	100,214.29	5,092.72
Deposit, guarantee deposit	168,540.00	198,828.00
Others	8,433,063.87	8,288,764.97
Less: Bad debt provision	8,246,102.28	8,236,656.11
Total	9,994,227.16	4,528,710.89

(2) Disclosure by age

Age	Closing balance	Opening balance
Within 1 year	7,957,184.43	4,510,344.03
1-2 years	2,063,525.14	15,000.00
2-3 years	4,596.90	35,000.00
Over 3 years	8,215,022.97	8,205,022.97
Less: bad debt provision	8,246,102.28	8,236,656.11
Total	9,994,227.16	4,528,710.89

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables (Continued)

(3) Bad debt provision

Bad debt provision	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit- impaired	Stage 3 Lifetime expected credit loss – credit- impaired	Total
Balance as at 1 January 2023	180,461.14		8,056,194.97	8,236,656.11
Balance as at 1 January 2023 in 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	9,446.17			9,446.17
Reversal for the current period				
Write-off for the current period				
Other changes				
Balance as at 30 June 2023	189,907.31		8,056,194.97	8,246,102.28

(4) 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	
Provision of credit impairment	8,236,656.11	9,446.17				8,246,102.28
Total	8,236,656.11	9,446.17				8,246,102.28

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables (Continued)

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

Name of entity	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Yuanfeng Metal Technology Hebei Co., Ltd. (元豐金屬科技河北有限公司)	Returns receivables	8,056,194.97	Over 3 years	44.17	8,056,194.97
Xingtai Langtai Bengyuan Medical Devices Co., Ltd. (邢台市琅泰本元醫療器械有限公司)	Current accounts	5,628,299.33	Within 2 year	30.86	
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.	Current accounts	3,533,973.84	Within 1 year	19.37	
Luangtai Meikang Medical Devices Co., Ltd. (琅泰美康醫療器械有限公司)	Current accounts	371,641.21	Within 2 year	2.04	
Beijing Dijie Property Management Co., Ltd. Chaoyang Third Branch (北京地杰物業管理有限公司朝陽第三分公司)	Guarantee deposits	128,828.00	Over 3 years	0.71	128,828.00
Total		17,718,937.35		97.14	8,185,022.97

NOTES TO FINANCIAL STATEMENTS

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

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

(III) Long-term equity investments

Items	Book balance	Closing balance		Book balance	Opening balance Provision for impairment	Carrying amount
		Provision for impairment	Carrying amount			
Investment in subsidiaries	31,715,263.00		31,715,263.00	10,015,263.00		10,015,263.00
Total	31,715,263.00		31,715,263.00	10,015,263.00		10,015,263.00

Investment in subsidiaries

Investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.*	3,000,000.00			3,000,000.00		
Beijing Shiyue Changsheng Medical Devices Co., Ltd.	100,000.00			100,000.00		
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.	5,000,000.00			5,000,000.00		
Luangtai Meikang Medical Devices Co., Ltd.*	450,000.00			450,000.00		
Beijing Lechi Inspection Technology Co.*	800,000.00	4,200,000.00		5,000,000.00		
Surgimaster Surgical Co., Ltd.		17,500,000.00		17,500,000.00		
Total	10,015,263.00	21,700,000.00		31,715,263.00		

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Operating revenue and operating cost

1. Operating revenue and operating cost by major category

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal from main operation	531,755,246.68	162,904,516.17	565,743,482.94	155,454,139.43
Medical device products	531,755,246.68	162,904,516.17	565,743,482.94	155,454,139.43
II. Subtotal from other business	5,414,681.76	5,409,650.01	6,295,509.74	3,053,803.85
Total	537,169,928.44	168,314,166.18	572,038,992.68	158,507,943.28

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

Time of revenue recognition	Medical device products	Revenue from other operation
Recognition at a point of time	531,755,246.68	5,414,681.76
Total	531,755,246.68	5,414,681.76

(V) Investment income

Item	Amount for current period	Amount for previous period
Investment income from disposal of held-for-trading financial assets	10,067,133.70	3,557,534.25
Total	10,067,133.70	3,557,534.25

NOTES TO FINANCIAL STATEMENTS

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

XVI. SUPPLEMENTARY INFORMATION

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

Item	Amount	Remarks
1. Government grants included in profit or loss for the current period (exclusive of those closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)	3,986,077.84	
2. 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 for trading, other non-current financial assets, derivative financial asset, held-for-trading financial liabilities, and investment gains realized from disposal of held-for-trading financial assets, other non-current financial assets, other equity instruments investment, held-for-trading financial liabilities and derivative financial liabilities.	14,449,811.35	
3. Other non-operating income and expenses other than aforesaid items	-122,392.31	
4. Other gains or losses items within the definition of non-recurring profit or loss	229,656.04	
5. Less: Effect of income tax	2,779,765.23	
6. Effect of minority interests	5,245.76	
Total	15,758,141.93	

NOTES TO FINANCIAL STATEMENTS

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

XVI. SUPPLEMENTARY INFORMATION (Continued)

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS			
	RONA (%)		Basic EPS		Diluted EPS	
	Current period	Previous period	Current period	Previous period	Current period	Previous period
Net profit attributable to shareholders of ordinary shares	4.53	6.16	0.33	0.41	0.33	0.41
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	3.96	6.15	0.29	0.41	0.29	0.41

Beijing Chunlizhengda Medical Instruments Co., Ltd.*
30 August 2023

The Notes to Financial Statements from page 35 to page 112 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: _____