



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

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

Stock code: 1858



2024 INTERIM REPORT

* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wang Xin

Independent non-executive Directors

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

General Manager

Mr. Shi Chunsheng

SUPERVISORS

Mr. Zhang Jie (*Chairman*)
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. Xu Hong

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

COMPANY SECRETARY

Mr. Ip Pui Sum

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
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW

Zhong Lun Law Firm LLP

MANAGEMENT DISCUSSION AND ANALYSIS

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

The topic of health has become a global hotspot, with the economic development, the aging society and the increasing awareness for healthcare, resulting in the growing demand for high-quality medical treatment and in turn promoting the booming development of the global medical device market. 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 implant industry in the PRC.

In 2024, the development of the orthopedic industry has been affected to some extent due to the implementation or enforcement of the policy on high-value orthopedic consumables progressively at a national level. The Company has continued to innovate research and development, insisted to focus on the orthopedic business and strive to expand its diversified product lines.

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

In the field of artificial joints, in May 2024, the results were announced for the Centralized Volume-based Procurement for Artificial joints bid opening in Tianjin. All the three product systems for hip joints as well as the total knee products of the Company have been successfully selected.

In the field of spinal products, among the selected results of the national organized centralized procurement of spinal consumables in 2023, with all eight product system categories submitted by the Company being successfully selected and in implementation by the provinces currently.

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

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

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

Notes:

1. Orthopedic medical devices refer to medical devices that are used for orthopedic disease treatment and recovery, mainly including orthopedic medical implant instruments and orthopedic operation implant instruments.
2. Orthopedic implants refer to medical device products that are used for replacing or as an adjuvant treatment for injured bones and skeleton and implanted into human bodies, including joint implants (such as knee joints, hip 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

Comprehensive medical device registration certificates

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

In the field of artificial joints, the femoral head reconstruction rods and tantalum filler blocks of the Company have been approved for marketing by the National Medical Products Administration, marking that the Company has broken the dominance of foreign brands and became the first domestic enterprise with chemical vapor deposition (CVD) porous tantalum implants. The launch of these new products further enriches the categories of joint product lines and will increase the market share of the Company’s joint products.

In the field of spinal products, the Company obtained registration certificates including for porous tantalum metal lumbar cage, occipito-cervico-thoracic posterior internal fixation system and posterior spinal internal 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.

In the field of sports medicine, the Company has obtained various sports medicine registration certificates for 3D-printed titanium alloy anchors, tantalum-coated anchors, and anchors (insertion type), which further enriched its sports medicine product line, marking the further improvement of its deployment in the field of sports medicine, and the complete sports medicine product line facilitates the selection of clinical use. Furthermore, the acquisition of registration certificates for arthroscopes, arthroscopic endoscopic surgical instruments and arthroscopic trocars marks the entry of the company’s sports medicine instrument products into the minimally invasive era.

In the field of trauma, the Company has actively researched and developed the products in the field of trauma business. As of 30 June 2024, 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 further complemented the orthopedic business product line of the Company.

In the field of stomatologic products, the Company was granted the registration certificates for dental implants and orthodontic products including lingual clasps and free retractor hooks; the craniomaxillofacial surgical registration certificates including for the jawbone system; the registration certificates for dental repair products including bonded glass ionized valves and temporary bonded glass ionized valves. This has further diversified the Company’s stomatologic product line and expanded its layout in the stomatologic product field. With the aim of building a comprehensive one-stop stomatologic ecosystem solution, the Company has planned comprehensive solutions in various stomatologic sub-sectors, namely orthodontics, planting, repair and maxillofacial surgery.

In the field of PRP products, the Company has been approved to market the PRP preparation kit, PRP preparation device 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 the Company’s further expansion in the PRP-product matrix.

In the field of surgical robots, the Company has obtained the registration certificates of knee joint replacement surgical navigation system and hip joint replacement surgical navigation system, the first self-developed orthopedic handheld robot system in China. The advanced sensor control system and self-sensing power system are used for their strength including high precision, simple operation, trivial floor space, fewer disinfection steps and lower cost. The success in research and development of handheld orthopedic robots has improved surgical precision and promoted the progress of minimally invasive, intelligent and digitalized orthopedic surgery.

As of 30 June 2024, the Company held 155 medical device registration certificates and recordation certificates in the PRC which cover joint products, spinal products, sports medical products, trauma, stomatologic products, PRP products and surgical robots. The various registration certificates further diversified the Company’s product lines and expanded the Company’s layout in the medical field to constantly meet the diversified market and clinical needs. This will strengthen the Company’s comprehensive competitiveness and be conducive to further enhancing the Company’s market expansion capability.

As for the international registration, as of 30 June 2024, the Company obtained registration certificates from multiple countries. It also held the CE certificates for three product series of the hip, knee and spine. Meanwhile, the Company received the approval of FDA 510(K) in the US for its “Knee Prosthesis System” on 15 April 2024. The certificates not only serve as proof of the satisfactory performance of the product and its compliance with product safety requirements, but also demonstrate the Company’s technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

MANAGEMENT DISCUSSION AND ANALYSIS

Diversified Product Portfolio

As one of the first local enterprises engaged in the research and development and production of joint prosthesis products in the PRC, the Company has established a large portfolio of joint prosthesis products, spine products, trauma products and sports medicine products. Our joint prosthesis products cover the four major joints of the human body: hip, knee, shoulder and elbow. Our spine products are a full range of spinal fixation and spinal fusion systems, including anterior and posterior cervical fixation series, anterior and posterior thoracolumbar fixation series, cervical fusion series and thoracolumbar fusion series. The Company's trauma products provide comprehensive solutions for repositioning, immobilizing and stabilizing various types of fractures, including bone splints, intramedullary nails, external fixation braces, and metal bone pins. The Company's sports medicine products include non-absorbable anchor nails, meniscus repair systems, titanium plates with tabs, PEEK anchor nails, PEEK interface screws, and other products that provide solutions for the four major joints of the human body – hips, knees, shoulders and elbows – as well as the small joints of the hands, wrists and feet, etc., which enable us to formulate a wide range of products for clinically complex sports injuries. In addition, our joint prosthesis products are divided into standard joint prosthesis products and customized joint prosthesis products. Standard joint prosthesis products mainly include hip prosthesis products and knee prosthesis products, while customized joint prosthesis products are divided into two categories, i.e. traditional customized joint prosthesis products and customized (combination) joint prosthesis products. Custom joint prosthesis products are applicable to four major human joints and are specially designed and manufactured to meet clinical needs.

Strong research and development capabilities

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 Municipal Enterprise Technology Center of the PRC 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, with a number of products filling the gaps in the domestic market and enhancing the level of independent innovation of domestic medical devices.

The Company emphasizes the integration of production, learning, research and clinical application in terms of research and development. In its efforts to new product research and development as well as product improvement, the opinions from experts in related fields gained full absorption while the Company collaborated closely with experts to ensure that the products developed meet the market demand and fulfill the requirements of clinical practicability.

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

- 2024 Beijing Postdoctoral Research Activity Funding Project “Design, Mechanism and Application of Light-Responsive Solid-State Organic Light-Emitting Materials”;
- 2024 “Orthopedic Surgical Navigation Robot System Research and Development Project”, “Robot+” Typical Application Scene Project, Department of Industry and Information Technology of Hebei Province;
- 2024 “Orthopedic Surgical Navigation Robot System Research and Development Project”, “Robot+” Application “Unveiling and Hailing” Project, Department of Industry and Information Technology of Hebei Province;
- 2024 “Research on Preparation and Performance of Biodegradable Zinc-Lithium Alloy Materials”, Funding Project of Tongzhou Golden Bridge Seed Project;

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

As of 30 June 2024, the Company had obtained 606 domestic intellectual properties, including 124 invention patents, 468 utility model patents, 5 design patents and 9 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Advanced joint prosthesis products

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

The Company continuously innovated in research and development, so that a number of products have become the first in China or to fill the domestic gaps:

- In 2015, it obtained the medical device registration certificate of BILOX®delta fourth generation (the most widely used generation at present) ceramic joint prosthesis products, remarking it as the first enterprise to acquire the all-ceramic certificate in mainland China, and also the first to gain the refurbished ceramics in the PRC;
- It is the first enterprise in China to have both single movable and stationary platform condyle products;
- It is the first enterprise to have patellofemoral joint products;
- It is the first enterprise to have the Vitamin E high cross-linked polyethylene hip and knee products;
- It is the first enterprise in China to have inverted shoulder joint products;
- It is the first enterprise in China to possess the fully automatic PRP manufacturing system;
- It is the first enterprise in China to have porous tantalum metal femoral head reconstruction rods.

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

Extensive distribution and sales network

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB380.13 million for the six months ended 30 June 2024, a decrease of 29.70% as compared to approximately RMB540.71 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the implementation of the PRC's bulk purchase of high-value consumables.

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
	2024 (RMB'000)	2023 (RMB'000)	
Medical device products	379,972	540,242	-29.67%
Other businesses	159	465	-65.81%
Total	380,131	540,707	-29.70%

Gross profit

For the six months ended 30 June 2024, the Company's gross profit amounted to approximately RMB271.88 million, a decrease of 30.54% from approximately RMB391.41 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the implementation of the PRC's bulk purchase of high-value consumables.

Selling expenses

For the six months ended 30 June 2024, the Company's selling expenses were approximately RMB111.48 million, a decrease of 33.20% from approximately RMB166.89 million for the same period of last year, which was mainly attributable to the decrease in marketing expenses resulted from the implementation of the PRC's bulk purchase of high-value consumables.

Administrative expenses

For the six months ended 30 June 2024, the Company's administrative expenses were approximately RMB21.31 million, an increase of 12.39% from approximately RMB18.96 million for the same period of last year, which was mainly attributable to the increase in the employee remuneration and rentals and property expenses.

Research and development expenses

For the six months ended 30 June 2024, the Company's research and development expenses were approximately RMB67.66 million, a decrease of 9.27% from approximately RMB74.57 million for the same period of last year. The Company's research and development expenses in the first half of 2024 accounted for 17.80% of the revenue (the research and development expenses accounted for 13.79% of the revenue for the same period of last year). The Company will continue to invest in and optimise the management of the research and development to improve the relevant efficiency and the quality of results.

Impairment loss of credits

For the six months ended 30 June 2024, the Company's impairment loss of credits was approximately RMB5.79 million, a decrease of 34.13% from approximately RMB8.79 million for the same period of last year, which was mainly attributable to the decrease in trade receivables, leading to a corresponding decrease in the provision for impairment of trade receivables in accordance with the policy on bad debt provision for trade receivables.

Impairment loss of assets

For the six months ended 30 June 2024, the Company's impairment loss of assets was approximately RMB5.23 million, an increase of 64.47% from RMB3.18 million for the same period of last year, which was mainly attributable to the increase in the inventories of the Company, leading to a corresponding increase in the provision for the impairment of inventories according to the Company's policy on inventory impairment.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

For the six months ended 30 June 2024, the Company's income tax expenses were approximately RMB4.11 million, a decrease of 67.25% from approximately RMB12.55 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 2024, the Company achieved a net profit attributable to the shareholders of the parent company of RMB79.03 million, a decrease of 37.32% from approximately RMB126.08 million for the same period of last year, which was mainly attributable to the depressed selling price of related products of the Company resulted from the implementation of the PRC's bulk purchase of high-value consumables.

Liquidity and capital resources

The Company's monetary funds increased from approximately RMB1,266.37 million as of 31 December 2023 to approximately RMB1,277.67 million as of 30 June 2024.

The Company's principal sources of liquidity are generated from our operations. 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 Listing on the Science and Technology Innovation Board

Upon the approval of the listing committee of the Science and Technology Innovation Board of the Shanghai Stock Exchange and pursuant to the document for the approval of registration Zheng Jian Xu Ke (2021) No. 3702 (證件許可(2021) 3702 號) issued by the China Securities Regulatory Commission, on 30 December 2021, the Company completed the A Share offering of 38,428,000 A Shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange at an issue price of RMB29.81 per share, raising gross proceeds of RMB1,145,538,680.00 through the A Share. After deducting the issue expenses of RMB78,410,387.77, the actual net proceeds from the A Share offering amounted to RMB1,067,128,292.23. The net proceeds from the initial public offering of A Shares have been and will be used in accordance with the uses described in the Company's A Share offering prospectus dated 14 December 2021 and the Company's announcement dated 30 August 2023.

Unit: RMB

Project Name	Proportion	Amount available (RMB'000)	Net (expenses)/ interest income	Outstanding amount	The date on which the project is ready for its intended useable condition
			as of 30 June 2024 (RMB'000)	as of 30 June 2024 (RMB'000)	
Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	(442,039.88)	17,960.12	August 2024
Construction project of research and development centre	39.36%	420,000.00	(364,136.69)	55,863.31	August 2024
Marketing network construction project	1.87%	20,000.00	1,838.29	21,838.29	December 2024
Replenishment of working capital	15.66%	167,128.29	(167,059.04)	69.25	N/A
Sub-total	100%	1,067,128.29	(971,397.32)	95,730.97	

MANAGEMENT DISCUSSION AND ANALYSIS

Notes receivables

The Company's notes receivable decreased significantly from approximately RMB35.83 million as of 31 December 2023 to approximately RMB75.74 million as of 30 June 2024, mainly resulted from changes with the various return method of receivables.

Inventory

The Company's inventory increased from approximately RMB434.49 million as of 31 December 2023 to approximately RMB520.40 million as of 30 June 2024, 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 decreased, from approximately RMB463.07 million as of 31 December 2023 to approximately RMB462.73 million as of 30 June 2024, which was mainly attributable to the depreciation of fixed assets.

Net current assets

The Company's net current assets increased from approximately RMB2,328.69 million as of 31 December 2023 to approximately RMB2,273.49 million as of 30 June 2024, which was mainly attributable to the allowance made for final dividend in 2023. As at 30 June 2024, the current ratio was 4.16 (31 December 2023: 4.44).

Working capital and financial resources

Cash flow analysis

As at 30 June 2024, net cash outflow generated from operating activities was approximately RMB69.06 million, which was mainly attributable to the during the reporting period, the sales returns of the Company decreased as compared to the same period of last year while cash paid to and for employees increased as compared to the same period of last year; the net cash flow inflow generated from investment activities was approximately RMB79.64 million, which was mainly due to an increase in the net recoveries of financial investments in the first half of 2024; the net cash outflow generated from financing activities was approximately RMB0.55 million, which was mainly due to the leasing-related capital expenditure of the Company; and the cash and cash equivalents increased by approximately RMB11.31 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 2024, the Company did not have any significant contingent liabilities or guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER DISCLOSURES

Material Investments

Pursuant to paragraph 32(4A) of Appendix D2 to the Listing Rules, the Company would like to provide information in respect of its significant investments with a value of 5% or more of the Group's total assets as at 30 June 2024 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 (the "**Structured Deposit Products**").

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

All redeemed as of 30 June 2024:

Trustee	Type of entrusted wealth Trustee management	Amount of entrusted wealth management (RMB0'000)	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital Source	Annualised Yield	Actual Gains or (losses) (RMB0'000)	Actual recovery
Bank of Beijing-Daxing Sub-branch	Structured deposits	35,000.00	18 October 2023	16 January 2024	Idle capital	1.3 or 2.76%	238.19	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	14,000.00	18 October 2023	16 January 2024	Idle capital	1.3 or 2.76%	95.28	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	18 October 2023	16 January 2024	Internal funds	1.3 or 2.76%	85.07	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	21,500.00	9 November 2023	11 March 2024	Idle capital	1.3 or 2.78%	201.42	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,000.00	22 January 2024	20 May 2024	Idle capital	1.3 or 2.78%	108.76	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	22 January 2024	20 May 2024	Internal funds	1.3 or 2.78%	113.29	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	33,500.00	22 January 2024	20 May 2024	Idle capital	1.3 or 2.78%	303.63	Full Redemption

MANAGEMENT DISCUSSION AND ANALYSIS

Not redeemed as of 30 June 2024:

Trustee	Name of product	Type of entrusted wealth Trustee management	Amount of entrusted wealth management (RMB'000)	Fair value as at 30 June 2024 (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 – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	16,000.00	16,061.55	4.42%	14 March 2024	15 July 2024	Idle capital	Banking	1.30% or 2.78%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	33,500.00	33,5404.57	9.23%	27 May 2024	18 October 2024	Idle capital	Banking	1.30% or 2.72%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	CCBC Entity-targeted RMB Customised Structured Deposit	Structured deposits	12,000.00	12,014.53	3.31%	27 May 2024	18 October 2024	Idle capital	Banking	1.30% or 2.72%	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	12,500.00	12,515.14	3.44%	27 May 2024	18 October 2024	Internal funds	Banking	1.30% or 2.72%	Undue, not redeemed at the end of the reporting period
			74,000.00	74,131.78	20.41%						

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

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

Diversify our product series

The Company will continue to optimize and modify 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, shoulder, elbow, spine, small joints of the extremities and maxillofacial positions, which are intended to be used for the position, guide and protection during osteotomies at the joint site. The 3D printed osteotomy guide boards can be highly compatible with the anatomical shape of the patients' bone tissue with its customized design and additive manufacturing and position and guide accurately during osteotomies, which can greatly reduce the time of osteotomy in joint surgery, minimize surgical errors and boost the surgery success rate and patient satisfaction to a significant extent. The Company believes that advanced, customized and individualized joint prosthesis products can generate higher profit margins. In recent years, the relevant regulations issued by the NMPA are also more conducive to the development of customized prostheses. The Company will take this opportunity to promote the rapid development of patents for customized and individualized products.

MANAGEMENT DISCUSSION AND ANALYSIS

Strengthen the Company's innovation ability and increase the research and development resources

In the future, the Company shall continue its focus on the research and development of standard joint prosthesis products, advanced customized and individualized joint prosthesis products, orthopedic robots, spinal products, trauma, sports 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 research and development centers on joint product, spinal product and orthopedic trauma product. Meanwhile, the Company would continue to recruit more research and development talents to join its research and development team and continue to increase its expenditure on the verification of the research and development projects. In addition, under the support of the 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.

Expand brand influence

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

Talent development and incentives

The Company will continue to adhere to its existing talent development policy while establishing a new training system for talent development and attracting high quality talents with 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 2024, the Company had approximately a total of 1,291 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 2024, the total salaries and related costs paid to our employees were approximately RMB151.56 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 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The net profit attributable to owners of the parent company for the half-year of 2024 amounted to RMB79,026,078.82. Taking into account the reasonable returns for investors and the long-term development of the Company, and under the premise of guaranteeing the Company's development of normal operation and business, the Board has resolved to make a profit distribution for the half-year of 2024 on the basis of the total share capital registered on the date of the implementation of the rights registration for the distribution, less the amount of the shares held by the repurchase account, and the number of shares held by the repurchase account. The proposed profit distribution is set out below:

The Company proposes to distribute a cash dividend of RMB0.83 (tax inclusive) for every 10 shares to all shareholders. As of 31 July 2024, the total share capital of the Company was 383,568,500 shares, and after deducting the number of shares held by the A-share repurchase account of 227,145 shares, the actual number of shares participating in the profit distribution was 383,341,355 shares, and based on this calculation, a total of RMB31,817,332.47 (tax inclusive) was proposed to be paid out as cash dividend. The amount of cash dividend of the Company in the first half of 2024 accounts for 40.26% of the net profit attributable to shareholders of the listed company in the consolidated statement. The Company will not carry out any capitalization of capital reserve and distribute bonus shares.

If the total share capital of the Company changes as a result of conversion of convertible bonds, share repurchase, share buyback and cancellation of share repurchase under share incentive scheme, share buyback and cancellation of share repurchase under major asset reorganization during the period from the date of disclosure of this report to the date of registration of the rights to implementation of the profit distribution, the Company intends to maintain the amount of the cash dividend per share as it is and adjust the total amount of the distribution accordingly, and will make a separate announcement of the specific adjustments.

The proposed profit distribution has been considered and approved at the Sixteenth Meeting of the Fifth Session of the Board of the Company and is subject to the approval of the 2024 Extraordinary General Meeting of the Company for implementation. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2024 EGM and to receive the proposed interim dividend and the payment date of the said interim dividend will be announced later.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The 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 C1 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 C3 to the Listing Rules (the “**Model Code**”) as its code of conduct for directors’ and supervisors’ securities transactions. Having made specific enquiry with the Directors and Supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

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 2024, including the accounting principles and practices applied.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the interests or short positions of the directors, supervisors and the chief executive officer of the Company in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, will be as follows:

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 2024, none of the directors, supervisors and the chief executive officer of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares	Nature of interest	Percentage 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%
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%
CITIC Private Equity Funds Management Co., Ltd.	A shares	19,750,000 (long position)	Interest in a controlled corporation	6.85%	5.15%
Panmao (Shanghai) Equity Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合夥))	A shares	17,250,000 (long position)	Beneficial owner	5.98%	4.50%

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:

- 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 2024, respectively.
- The calculation is based on the total number of 383,568,500 shares of the Company in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

REVIEW REPORT



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

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

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

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 2024, the consolidated and parent company’s profit statements from January to June 2024, 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 2024, and of its operating results and cash flows from January to June 2024.

WUYIGE Certified Public Accountants LLP
Beijing, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

30 August 2024

CONSOLIDATED BALANCE SHEET

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary funds	V.(I)	1,277,673,997.37	1,266,367,522.67
Held-for-trading financial assets	V.(II)	741,317,808.22	832,019,095.90
Derivative financial assets			
Notes receivable	V.(III)	75,735,313.10	35,825,458.71
Accounts receivable	V.(IV)	349,739,397.39	405,895,527.39
Accounts receivable financing			
Prepayment	V.(V)	6,619,881.25	10,802,201.19
Other receivables	V.(VI)	296,736.06	348,800.03
Including: Interests receivable			
Dividends receivable			
Inventories	V.(VII)	520,397,879.92	434,485,725.70
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	V.(VIII)	21,916,403.62	19,615,485.87
Total current assets		2,993,697,416.93	3,005,359,817.46
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets	V.(IX)	311,861,259.48	312,930,579.87
Construction in progress	V.(X)	150,868,963.17	150,138,063.04
Productive biological assets			
Oil & gas assets			
Right-of-use assets	V.(XI)	1,351,376.09	2,065,991.49
Intangible assets	V.(XII)	133,120,183.42	136,270,839.38
Development expenditures			
Goodwill		13,359,553.09	13,359,553.09
Long-term prepayments	V.(XIII)		
Deferred income tax assets	V.(XIV)	25,643,613.31	27,631,861.33
Other non-current assets	V.(XV)	3,003,786.50	1,804,219.22
Total non-current assets		639,208,735.06	644,201,107.42
Total assets		3,632,906,151.99	3,649,560,924.88

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.

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	V.(XVII)	224,093,248.17	225,500,169.91
Advances received			
Contract liabilities	V.(XVIII)	166,451,250.34	149,563,275.39
Employee remuneration payable	V.(XIX)	30,371,918.12	89,719,385.48
Taxes payable	V.(XX)	18,323,718.11	61,519,271.32
Other payables	V.(XXI)	195,764,287.77	66,314,036.00
Including: Interests payable			
Dividends payable		138,851,797.00	
Held-for-sale liabilities			
Non-current liabilities due within one year	V.(XXII)	668,355.09	1,221,386.17
Other current liabilities	V.(XXIII)	84,538,713.08	82,835,311.24
Total current liabilities		720,211,490.68	676,672,835.51
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V.(XXIV)	251,946.43	531,543.62
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred gains	V.(XXV)	82,669,278.59	83,790,835.82
Deferred income tax liabilities	V.(XIV)	10,428,905.56	9,330,276.98
Other non-current liabilities			
Total non-current liabilities		93,350,130.58	93,652,656.42
Total liabilities		813,561,621.26	770,325,491.93
Shareholders' equity:			
Share capital	V.(XXVI)	383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	V.(XXVII)	1,044,799,419.83	1,044,799,419.83
Less: Treasury shares			
Other comprehensive income			
Specific reserve			
Surplus reserve	V.(XXVIII)	181,585,925.26	181,585,925.26
Undistributed profits	V.(XXIX)	1,207,687,290.07	1,267,513,008.25
Total interests attributable to shareholders of the Parent Company		2,817,641,135.16	2,877,466,853.34
Minority interests		1,703,395.57	1,768,579.61
Total shareholders' equity		2,819,344,530.73	2,879,235,432.95
Total liabilities and shareholders' equity		3,632,906,151.99	3,649,560,924.88

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

PARENT COMPANY'S BALANCE SHEET

Expressed in RMB

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

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary funds		1,265,206,074.57	1,248,248,316.89
Held-for-trading financial assets		741,317,808.22	832,019,095.90
Derivative financial assets			
Notes receivable		75,735,313.10	32,049,314.43
Accounts receivable	XVII.(I)	356,404,518.98	425,717,223.32
Accounts receivable financing			
Prepayment		6,374,538.81	9,925,591.88
Other receivables	XVII.(II)	12,823,685.76	13,681,393.95
Including: Interests receivable			
Dividends receivable			
Inventories		506,341,331.41	424,009,730.86
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		20,380,183.39	18,348,402.74
Total current assets		2,984,583,454.24	3,003,999,069.97
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII.(III)	32,715,263.00	31,715,263.00
Other investments in equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		293,886,321.53	296,636,766.76
Construction in progress		150,868,963.17	147,837,178.08
Productive biological assets			
Oil & gas assets			
Right-of-use assets		975,072.48	2,065,991.49
Intangible assets		132,683,233.83	135,796,499.84
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred income tax assets		24,477,047.23	26,348,882.97
Other non-current assets		1,509,280.57	926,988.96
Total non-current assets		637,115,181.81	641,327,571.10
Total assets		3,621,698,636.05	3,645,326,641.07

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.

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		284,053,394.77	286,743,607.88
Advances received			
Contract liabilities		162,300,792.29	145,554,943.16
Employee remuneration payable		27,214,914.40	87,046,596.20
Taxes payable		17,273,451.79	60,227,189.48
Other payables		230,346,939.13	105,040,412.65
Including: Interests payable			
Dividends payable		138,851,797.00	
Held-for-sale liabilities			
Non-current liabilities due within one year		535,353.02	1,221,386.17
Other current liabilities		83,999,153.53	83,314,228.05
Total current liabilities		805,723,998.93	769,148,363.59
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			531,543.62
Lease liabilities			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income		13,591,271.28	13,940,497.16
Deferred income tax liabilities		10,328,905.56	9,222,776.98
Other non-current liabilities			
Total non-current liabilities		23,920,176.84	23,694,817.76
Total liabilities		829,644,175.77	792,843,181.35
Shareholders' equity:			
Share capital		383,568,500.00	383,568,500.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,044,799,419.83	1,044,799,419.83
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		181,585,925.26	181,585,925.26
Undistributed profit		1,182,100,615.19	1,242,529,614.63
Total shareholders' equity		2,792,054,460.28	2,852,483,459.72
Total liabilities and shareholders' equity		3,621,698,636.05	3,645,326,641.07

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

CONSOLIDATED INCOME STATEMENT

January to June 2024

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Revenue	V.(XXX)	380,130,570.92	540,706,888.57
Less: Operating costs	V.(XXX)	108,247,815.46	149,300,529.61
Taxes and surcharge	V.(XXXI)	4,342,874.75	4,021,717.04
Selling expenses	V.(XXXII)	111,481,168.80	166,890,048.29
Administrative expenses	V.(XXXIII)	21,310,062.04	18,957,836.76
Research and development expenses	V.(XXXIV)	67,659,413.06	74,572,384.70
Financial expenses	V.(XXXV)	-9,012,489.46	-4,993,937.49
Including: Interest expenses		27,050.23	39,312.28
Interest proceeds		8,040,034.97	4,458,526.31
Add: Other gains	V.(XXXVI)	6,413,483.27	4,015,733.88
Investment income (losses will be shown with “-” sign)	V.(XXXVII)	6,084,909.58	10,067,668.50
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized cost			
Gains (losses will be shown with “-” sign) on net exposure hedges			
Gains (losses will be shown with “-” sign) from changes of fair value	V.(XXXVIII)	4,670,205.47	4,382,142.85
Impairment loss of credit (losses will be shown with “-” sign)	V.(XXXIV)	-5,794,060.61	-8,788,283.97
Impairment loss of assets (losses will be shown with “-” sign)	V.(XL)	-5,229,285.17	-3,175,940.28
Gains (losses will be shown with “-” sign) on disposal of assets	V.(XLI)	39,213.61	
II. Operational profit (losses will be shown with “-” sign)		82,286,192.42	138,459,630.64
Add: Non-operating income	V.(XLII)	856,684.38	286,636.36
Less: Non-operating expenses	V.(XLIII)	72,914.25	209,028.67
III. Total profit (total losses will be shown with “-”)		83,069,962.55	138,537,238.33
Less: Income tax expenses	V.(XLIV)	4,109,067.77	12,552,076.63

CONSOLIDATED INCOME STATEMENT

January to June 2024

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
IV. Net profit (net losses will be shown with “-” sign)		78,960,894.78	125,985,161.70
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (net losses will be shown with “-” sign)		78,960,894.78	125,985,161.70
2. Net profit attributable to ceased operations (net losses will be shown with “-” sign)			
(II) Categorized by ownership:			
1. Net profit attributable to the shareholders of the parent company (net losses will be shown with “-” sign)		79,026,078.82	126,077,038.00
2. Minority profit or loss (net losses will be shown with “-” sign)		-65,184.04	-91,876.30
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to 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 minority shareholders			
VI. Total comprehensive income		78,960,894.78	125,985,161.70
(I) Total comprehensive income attributable to shareholders of the Parent Company		79,026,078.82	126,077,038.00
(II) Total comprehensive income attributable to minority shareholders		-65,184.04	-91,876.30
VII. Earnings per share			
(I) Basic earnings per share		0.21	0.33
(II) Diluted earnings per share		0.21	0.33

Person in charge of the company:

Person in charge for accounting work:

Person in charge of the accounting agency:

PARENT COMPANY'S INCOME STATEMENT

January to June 2024

(Expressed in RMB)

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

Items	Notes	Amount for current period	Amount for previous period
I. Revenue	XVII.(IV)	384,123,956.15	537,169,928.44
Less: Operating costs	XVII.(IV)	125,298,194.44	168,314,166.18
Taxes and surcharge		4,146,097.81	3,876,957.93
Selling expenses		107,376,952.16	163,825,278.23
Administrative expenses		19,627,445.62	17,961,951.91
Research and development expenses		64,050,604.62	71,692,514.82
Financial expenses		-8,998,189.70	-4,962,981.70
Including: Interest expenses		25,108.95	39,312.28
Interest proceeds		8,015,177.01	4,422,085.94
Add: Other gains		5,539,322.83	3,473,012.34
Investment income (losses will be shown with “-” sign)	XVII.(V)	6,084,909.58	10,067,133.70
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized cost			
Gains (losses will be shown with “-” sign) on net exposure hedges			
Gains (losses will be shown with “-” sign) from changes of fair value		4,670,205.47	4,365,191.78
Impairment loss of credit (losses will be shown with “-” sign)		-2,953,989.34	-7,308,140.31
Impairment loss of assets (losses will be shown with “-” sign)		-5,229,285.17	-3,175,940.28
Gains (losses will be shown with “-” sign) on disposal of assets		39,213.61	
II. Operational profit (losses will be shown with “-” sign)		80,773,228.18	123,883,298.30
Add: Non-operating income		855,456.83	286,636.36
Less: Non-operating expenses		72,914.25	209,000.00
III. Total profit (total losses will be shown with “-” sign)		81,555,770.76	123,960,934.66
Less: Income tax expenses		3,132,973.20	10,233,825.22
IV. Net profit (net losses will be shown with “-” sign)		78,422,797.56	113,727,109.44
(I) Net profit for continuing operation (net losses will be shown with “-” sign)		78,422,797.56	113,727,109.44
(II) Net profit for ceased operation (net losses will be shown with “-” sign)			
V. Net other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
(II) Other comprehensive income to be reclassified to profit or loss			
VI. Total comprehensive income		78,422,797.56	113,727,109.44

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 2024

(Expressed in RMB)

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

Items	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		429,527,022.11	578,571,339.45
Receipts of tax refund		3,087,364.54	
Other cash receipts related to operating activities	V. (XLV)	15,833,062.76	9,306,861.75
Subtotal of cash inflow from operating activities		448,447,449.41	587,878,201.20
Cash payments for goods purchased and services received		151,428,022.31	196,107,674.48
Cash paid to and on behalf of employees		151,107,351.38	135,508,064.83
Taxes paid		54,044,919.54	57,363,241.13
Other cash payments related to operating activities	V. (XLV)	160,925,044.70	237,871,114.56
Subtotal of cash outflow from operating activities		517,505,337.93	626,850,095.00
Net cash flows from operating activities		-69,057,888.52	-38,971,893.80
II. Cash flows from investing activities:			
Cash received from disinvestments		1,410,000,000.00	1,524,200,000.00
Cash received from return on investments		11,456,402.73	13,695,956.17
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		21,000.00	
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflow from investing activities		1,421,477,402.73	1,537,895,956.17
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		21,842,237.92	19,141,158.83
Cash payments for investments		1,320,000,000.00	1,579,000,000.00
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		1,341,842,237.92	1,601,830,457.33
Net cash flows from investing activities		79,635,164.81	-63,934,501.16

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 2024

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Including: Cash received by subsidiaries from 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			
Including: Cash paid for distribution of dividends and profits by subsidiaries to minority shareholders			
Other cash payments related to financing activities	V. (XLV)	554,400.00	132,495.00
<hr/>			
Subtotal of cash outflow from financing activities		554,400.00	132,495.00
<hr/>			
Net cash flows from financing activities		-554,400.00	-132,495.00
<hr/>			
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,282,812.94	673,557.68
<hr/>			
V. Net increase in cash and cash equivalents		11,305,689.23	-102,365,332.28
Add: Opening balance of cash and cash equivalents		1,266,013,075.67	957,193,661.02
<hr/>			
VI. Closing balance of cash and cash equivalents		1,277,318,764.90	854,828,328.74
<hr/>			

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 2024

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		448,209,641.50	561,880,035.45
Receipts of tax refund		3,087,364.54	
Other cash receipts related to operating activities		16,605,727.27	13,081,675.40
Subtotal of cash inflow from operating activities		467,902,733.31	574,961,710.85
Cash payments for goods purchased and services received		177,250,611.85	190,669,302.49
Cash paid to and on behalf of employees		139,811,645.45	127,832,321.88
Taxes paid		51,694,928.61	54,423,931.85
Other cash payments related to operating activities		164,071,448.10	238,194,249.57
Subtotal of cash outflow from operating activities		532,828,634.01	611,119,805.79
Net cash flows from operating activities		-64,925,900.70	-36,158,094.94
II. Cash flows from investing activities:			
Cash received from disinvestments		1,410,000,000.00	1,524,000,000.00
Cash received from return on investments		11,456,402.73	13,695,421.37
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		21,000.00	
Net cash received from the disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflow from investing activities		1,421,477,402.73	1,537,695,421.37
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		19,322,942.76	20,284,910.34
Cash payments for investments		1,321,000,000.00	1,593,550,000.00
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		1,340,322,942.76	1,613,834,910.34
Net cash flows from investing activities		81,154,459.97	-76,139,488.97

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 2024

Expressed in RMB

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

Items	Notes	Amount for current period	Amount for previous period
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflow from financing activities			
Cash repayment of debts			
Cash paid for distribution of dividends, profits or for interest expenses			
Other cash payments related to financing activities		554,400.00	132,495.00
Subtotal of cash outflow from financing activities		554,400.00	132,495.00
Net cash flows from financing activities		-554,400.00	-132,495.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,282,812.94	673,557.68
V. Net increase in cash and cash equivalents		16,956,972.21	-111,756,521.23
Add: Opening balance of cash and cash equivalents		1,247,893,869.89	944,993,753.88
VI. Closing balance of cash and cash equivalents		1,264,850,842.10	833,237,232.65

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 2024

Expressed in RMB

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

Items	Equity attributable to parent company						Subtotal	Minority interest	Total equity		
	Share capital	Preferred shares	Perpetual bonds	Other instruments	Capital reserve	Less: Treasury shares				Other comprehensive income	Surplus reserve
I. Balance at the end of prior year	333,568,500.00				1,044,798,419.83			1,768,579.61	2,877,466,853.34	1,768,579.61	2,879,235,432.95
Add: Changes of accounting policies											
Error correction of prior period											
Business combination under common control											
Others											
II. Balance at the beginning of current year	333,568,500.00				1,044,798,419.83			1,768,579.61	2,877,466,853.34	1,768,579.61	2,879,235,432.95
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)											
(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	333,568,500.00				1,044,798,419.83			1,768,579.61	2,877,466,853.34	1,768,579.61	2,879,235,432.95

Person in charge of the company: _____

Person in charge of accounting work: _____

Person in charge of the accounting agency: _____

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June 2024

Expressed in RMB

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

Items	Equity attributable to parent company										Total equity
	Other equity instruments					Previous period					
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Other comprehensive income	Undistributed profit	Surplus reserve	Subtotal	
I. Balance at the end of prior year	384,280,000.00			1,051,228,272.24	7,140,352.41	154,589,501.79	1,136,732,338.10	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	154,589,501.79	1,136,732,338.10	2,719,689,779.72			2,719,689,779.72
III. Amount of current period increase or decrease (decreases will be shown with "-") sign)											
(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
(II) Capital contributed and withdrawn by shareholders	-711,500.00			-6,428,852.41	-7,140,352.41		126,077,038.00	126,077,038.00	-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	-711,500.00			-6,428,852.41	-7,140,352.41				1,774,477.25		1,774,477.25
(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	1,407,992,419.83	154,589,501.79	1,142,752,455.60	2,725,719,877.22	1,682,600.95		2,727,402,478.17

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 2024

(Expressed in RMB)

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

Items	Other equity instruments				Current period					Total equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
I. Balance at the end of prior year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,242,528,614.63	2,852,483,459.72
Add: Changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	383,568,500.00				1,044,799,419.83				181,585,925.26	1,242,528,614.63	2,852,483,459.72
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)											
(I) Total comprehensive income											
(II) Capital contributed and withdrawn by shareholders											
1. Ordinary shares contributed by shareholders											
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											
(M) 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											
(N) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(O) Others											
IV. Balance at the end of current period	383,568,500.00				1,044,799,419.83				181,585,925.26	1,182,104,615.19	2,792,054,460.28

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 2024

(Expressed in RMB)

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

Items	Other equity instruments				Previous period				Total equity		
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
I. Balance at the end of prior year	384,280,000.00				1,051,228,272.24	71,403,524.41			154,539,501.79	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	71,403,524.41			154,539,501.79	1,119,708,743.94	2,702,676,165.56
III. Amount of current period increase or decrease (decreases will be shown with "-" sign)											
(I) Total comprehensive income	-711,500.00				-6,428,852.41	-71,403,524.41			-6,329,831.06	-6,329,831.06	-6,329,831.06
(II) Capital contributed and withdrawn by shareholders	-711,500.00				-6,428,852.41	-71,403,524.41				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	-711,500.00				-6,428,852.41	-71,403,524.41					
(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				154,539,501.79	1,113,378,912.88	2,686,346,334.50

Person in charge of the accounting agency:

Person in charge for accounting work:

Person in charge of the company:

NOTES TO FINANCIAL STATEMENTS

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

I. COMPANY PROFILE

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter as the “Company”) is established by Mr. Shi Chunbao (史春寶先生) and Ms. Yue Shujun (岳術俊女士) under the approval of Beijing Administration for Industry and Commerce. The Company registered at Beijing Administration for Industry and Commerce, Haidian Sub-bureau on 12 February 1998 and its headquarters is located in Beijing. The Company acquired a business license with unified social credit code of 91110000633737758W and its registered capital is RMB383.5685 million, and total shares are 383.5685 million shares (each with par value of RMB1). The Company’s shares were listed and traded on Hong Kong Stock Exchange on 11 March 2015, with Chunli Medical as its stock short name and 01858.HK as its stock code. The Company’s shares were listed and traded on STAR Market of Shanghai Stock Exchange on 30 December 2021, with Chunli Medical as its stock short name and 688236.SH as its stock code.

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

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 Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司) and Surgimaster Surgical Co., Ltd. into the current consolidated financial statements’ scope. Please refer to Note VIII. INTEREST IN OTHER ENTITIES for details.

This financial report is authorised for issuance by the Board of the Company on 30 August 2024.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

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

(II) Going concern

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with ASBEs

The financial statements have been prepared in accordance with the requirements of ASBEs, and present truly and completely information relating to the Company's financial position as at 30 June 2024, its results of operations and cash flows in January to June 2024.

(II) Accounting period

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

(III) Operating cycle

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

(IV) Functional currency

The functional currency of the Company is Renminbi ("RMB").

(V) Method for determining significance criteria and basis for selection

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Business combination

1. *Business combination under common control*

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

2. *Business combination not under common control*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Determination criteria on controls*

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

2. *Preparation method of consolidated financial statements*

(1) Adoption of uniform accounting policies, date of balance sheets and accounting period for parent company and subsidiaries

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

(2) Offsetting in consolidated financial statements

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

(3) Accounting treatment of subsidiaries acquired from combination

For subsidiaries acquired from business combination under common control, the business combination is deemed to have occurred at the commencement of control by the ultimate controlling party. The assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination takes place. For subsidiaries acquired from business combination not under common control, when preparing the consolidated financial statements, adjustments are made to individual financial statements of the subsidiaries based on the fair value of identifiable net assets as at the acquisition date.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Preparation method of consolidated financial statements (Continued)

(4) Accounting treatment for disposal of a subsidiary

For the disposal of a portion of long-term equity investments in a subsidiary without losing control, in the consolidated financial statements, the difference between disposal price and share of net assets of the subsidiary enjoyed correspondingly in the disposal of the long-term equity investment, which is continuously calculated from the acquisition date or combination date, shall be used to adjust the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Where the control over the investee is lost due to the disposal of partial equity investment or other reasons, the residual equity will be remeasured based on the fair value thereof on the date when the control is lost in the preparation of the consolidated financial statements. The balance of the sum of the consideration obtained from the equity disposal and the fair value of the residual equity after deduction of the share of the net assets of the original subsidiaries calculated continuously in proportion to the original shareholding percentage from the acquisition date or combination date shall be included in the investment profit for the period in which the control is lost, with goodwill being offset simultaneously. Other comprehensive incomes relating to the equity investment of the original subsidiaries shall be transferred to investment profit for the period when the control is lost.

(VIII) Recognition standard for cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Translation of foreign currency business*

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

2. *Translation of financial statements in foreign currency*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments

1. Classification, recognition and measurement of financial instruments

(1) Financial assets

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

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

For investments in non-trading equity instruments, the Company may, at the time of initial recognition, irrevocably designate it as a financial asset at fair value through other comprehensive income. The designation is based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective. Subsequent measurement is being conducted at fair value for such financial assets, except for dividend (excluding the portion belongs to the investment cost recovered), other related gains or losses are included in other comprehensive profit or loss, and shall not be transferred to the profit or loss for the current period subsequently.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial instruments (Continued)

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

(2) Financial liabilities

On initial recognition, financial liabilities are classified as:

- ① Financial liabilities at fair value through profit or loss. Subsequent measurement is being conducted at fair value for such financial liabilities, the gains or losses arising are included in profit or loss for the current period.
- ② Financial liabilities formed when transfer of financial assets does not meet the conditions of derecognition or continues to be involved in the transferred financial assets.
- ③ Financial liabilities at amortized cost. Such financial liabilities are measured at amortized cost by using the effective interest method.

2. *Method for recognition of fair value of financial instruments*

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

3. *The derecognition of financial asset*

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Scope of expected credit loss*

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

2. *The determination method of expected credit loss*

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

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

3. *Accounting method for expected credit loss*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

Notes receivable based on the credit risk characteristics portfolio:

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

Receivable based on the credit risk characteristics portfolio:

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

For the notes receivable classified as a group, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the default risk exposure and expected credit loss rates throughout the lifetime.

For the trade receivables classified as a group, reference is made to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the reference table prepared for account receivable and expected credit loss rate through full life cycle.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

(1) (Continued)

② Method for calculating ages for ages recognized by the credit risk characteristics portfolio

For ages recognized by the credit risk characteristics portfolio, the date on which receivables of the customer occur will be used as the starting point for calculating the age. For customers who possess a number of business, the corresponding date of occurrence of each business is treated as the occurrence date of age, in order to calculate the respective final time for recovery.

(2) Accounts receivable and lease receivable that include significant financing component

For accounts receivable that include significant financing component and lease receivable, the Company measures loss provision based on general approach, i.e. "three stages" model. Credit risk characteristics portfolio, method for calculating ages for ages recognized by the credit risk characteristics portfolio and the judgement standards of provision made on individual basis, are consistent with the recognition standard of different financing components.

5. Measurement of loss provision for other financial asset

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

(XII) Inventories

1. *Classification of inventories*
Inventories mean the finished goods or goods held for sale in the ordinary course of business of the Company, unfinished products in the process of production, and materials or supplies etc. to be consumed in the production process or in the rendering of services. Inventories mainly include raw materials, unfinished products, goods sold, stock inventory, etc.
2. *Accounting method for dispatching inventories*
Upon delivery of inventories, the actual cost of such inventories will be determined using the weighted average method.
3. *Inventory system*
Perpetual inventory method is adopted by the Company.
4. *Amortization method of low-value consumables and packages*
Low-value consumables and packages are amortized using one-off method.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories (Continued)

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

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

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

(XIII) Contract assets and contract liabilities

1. *Contract assets*

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The provision for impairment of contract assets is made with reference to recognition method of the expected credit loss on financial instruments.

2. *Contract liabilities*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term equity investments

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

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

2. *Determination of initial investment cost*

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Fixed assets

1. *Recognition conditions of fixed assets*

Fixed assets are tangible assets that are held for use more than a useful life of one accounting year in the production of goods and supply of services, for rental to others, or for operation purpose. A fixed asset is recognized when it meets the following conditions: it is probable that the economic benefits associated with the fixed asset will flow into the Company; and its cost can be reliably measured.

2. *Depreciation method of fixed assets*

The fixed assets of the Company mainly comprise: buildings and structures, machinery, transport facilities, electronic facilities and others. The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use.

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Construction in progress

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

(XVII) Borrowing costs

1. *Capitalization of borrowing cost*

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

2. *Calculation of capitalization amount*

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Intangible assets

1. *Measurement method of intangible assets*

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Intangible assets (Continued)

3. *Scope of categorization and relevant accounting treatment on the research and development expenses*
The scope of categorization of the research and development expenses of the Company are mainly based on the situation of the research and development project of the Company, and mainly comprise of: employee remuneration of research and development personnel, supplies consumed, technical services expenses, depreciation and amortization, examination and testing expenses, other expenses, etc.

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflow.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognized accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

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

(XX) Long-term prepayments

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Employee remuneration

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

1. *Accounting treatment on short-term benefits*

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

2. *Accounting treatment on post-employment benefits*

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

3. *Accounting treatment on termination benefits*

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

4. *Accounting treatment on other long-term employee benefits*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Revenue

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

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

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 RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Contract costs

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Government grants

1. *Types of government grants and accounting treatment*

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

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

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

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

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

2. *Timing for recognition of governmental grants*

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Recognition of deferred income tax*

Deferred income tax assets or deferred income tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognized as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. *Measurement of deferred income tax*

A deferred income tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognized unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognized when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

3. *Basis of write off for the net amount of deferred income tax*

The Company will listed both deferred income tax assets and deferred income tax liabilities in the net value after offsetting if the following criteria are met: if it has the legal right to settle the current income tax asset and current income tax liability on net basis; deferred income tax asset and deferred income tax liability are related to the income tax charged by the same tax authority on the same taxable entity, or are related to different taxable entity, but during each of the significance period which deferred income tax asset and deferred income tax liability is reversed in the future, the taxable entity involved intends to settle the current income tax asset and current income tax liability on net basis, or to obtain assets and settle liabilities at the same time.

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease

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

1. Accounting treatment for lessee

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

(1) Right-of-use assets

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

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided over the shorter of the lease term and the estimated remaining useful life of the leased assets. If the recoverable amounts is lower than the carrying amount of the right-of-use asset, its carrying amount shall be written down to the recoverable amount.

(2) Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease (Continued)

2. *Basis of judgement and accounting treatment for the simplified treatment of short-term lease and low-value leases in the capacity of lessee*
For short term leases with a lease term of not more than twelve months, the Company chooses not to recognize the right-of-use assets and lease liabilities, the relevant lease expenditure will be included in the profit or loss of the current period or related asset cost on straight-line method in each period of the lease term.
3. *Criteria for categorization and accounting treatment for leases in the capacity of lessor*
On the lease commencement date, the Company recognizes those leases which substantially all risks and rewards related to the ownership of the leased assets have been effectively transferred as financing leases, leases other than it will be recognized as operating leases.
 - (1) *Accounting treatment of operating leases*
The lease payments are recognized as rental income on a straight-line basis over the respective lease terms. Initial direct costs shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term. Variable rentals not included in lease payments shall be included as rental income when it is actually incurred.
 - (2) *Accounting treatment of financing leases*
At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future, and derecognizes financing lease assets. The initial direct costs shall be included in the initial measurement of the finance lease receivables.

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

1. *Changes in Critical Accounting Policies*
The Company has implemented the requirements of the “Classification of Current and non-Current Liabilities, Disclosure of Supplier Finance Arrangements and Accounting Treatment for Sale and Leaseback Transactions” in the “Notice on the Publication of ‘Interpretation No.17 on Accounting Standards for Business Enterprises’ published by the Ministry of Finance on 9 November 2023 since 1 January 2024, and this change in accounting policy has no effect to the financial statements of the Company.
2. *Changes in Critical Accounting Estimates*
There is no change in accounting estimates of the Company for the period.

NOTES TO FINANCIAL STATEMENTS

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

IV. TAXES

(I) Main taxes and tax rates

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

Different income tax rates applicable to different taxable entities:

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

(II) Significant preferential tax and official approval

The Company passed the certification of high and new technology enterprise review on 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 Further Supporting Small and Micro Enterprises and Individual Industrial and Commercial Entities" (Announcement of the General Administration of Taxation of the Ministry of Finance No. 12 of 2023): for small and micro enterprises, the annual taxable income is reduced 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.* (北京兆億特醫療器械有限公司), Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司), Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司), and Surgimaster Surgical Co., Ltd., are subject to the small and micro-enterprise income tax rate.

NOTES TO FINANCIAL STATEMENTS

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

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Item	Closing balance	Opening balance
Cash on hand	274,311.24	303,264.27
Cash in bank	1,277,044,453.66	1,265,709,811.40
Other monetary funds	355,232.47	354,447.00
Total	1,277,673,997.37	1,266,367,522.67
Including: the total amount deposited overseas	26,524,338.45	26,388,611.78

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

(II) Held-for-trading Financial Assets

Item	Closing balance	Opening balance	Reason and basis for the designation
Financial assets at fair value through profit and loss	741,317,808.22	832,019,095.90	Judgement by management
Including: wealth management products	741,317,808.22	832,019,095.90	Judgement by management
Total	741,317,808.22	832,019,095.90	–

NOTES TO FINANCIAL STATEMENTS

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

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

(III) Notes receivable

1. Classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bills	75,735,313.10	30,440,522.61
Commercial acceptance bills		5,384,936.10
Total	75,735,313.10	35,825,458.71

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

Item	Amounts derecognized at the end of the period	Amounts not derecognized at the end of the period
Bank acceptance bills	40,000,000.00	15,200,000.00
Total	40,000,000.00	15,200,000.00

3. Disclosure by bad debt provision

Type	Book balance		Closing balance Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Bills receivable with provision for bad debts on an individual basis					
Bills receivable with provision for bad debts using portfolios	75,735,313.10	100.00			75,735,313.10
Including: Portfolio 1: Bank acceptance bills	75,735,313.10	100.00			75,735,313.10
Portfolio 2: Commercial acceptance bills					
Total	75,735,313.10	100.00			75,735,313.10

NOTES TO FINANCIAL STATEMENTS

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

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

(III) Notes receivable (Continued)

3. Disclosure by bad debt provision (Continued)

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

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

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

(IV) Accounts receivable

1. Disclosure by aging

Ages	Closing balance	Opening balance
Within 1 year	284,644,367.98	356,332,383.30
1 to 2 years	77,509,476.70	67,750,933.51
2 to 3 years	26,888,385.23	19,582,939.58
Over 3 years	19,306,357.30	15,021,798.42
Subtotal	408,348,587.21	458,688,054.81
Less: Bad debt provision	58,609,189.82	52,792,527.42
Total	349,739,397.39	405,895,527.39

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision made for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios	408,348,587.21	100.00	58,609,189.82	14.35	349,739,397.39
Including: Age group	408,348,587.21	100.00	58,609,189.82	14.35	349,739,397.39
Total	408,348,587.21	100.00	58,609,189.82	14.35	349,739,397.39

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

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

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

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

Ages	Book balance	Closing balance	Proportion of provision (%)	Book balance	Opening balance	Proportion of provision (%)
		Bad debt provision			Bad debt provision	
Within one year	284,644,367.98	14,232,218.40	5.00	356,332,383.30	17,816,619.16	5
1 to 2 years	77,509,476.70	11,626,421.51	15.00	67,750,933.51	10,162,640.04	15
2 to 3 years	26,888,385.23	13,444,192.61	50.00	19,582,939.58	9,791,469.80	50
More than 3 years	19,306,357.30	19,306,357.30	100.00	15,021,798.42	15,021,798.42	100
Total	408,348,587.21	58,609,189.82	14.35	458,688,054.81	52,792,527.42	11.51

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

3. Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period				Closing balance
		Provision made	Collected or reversed	Write-off	Other changes	
Credit risk portfolio	52,792,527.42	5,816,662.40				58,609,189.82
Total	52,792,527.42	5,816,662.40				58,609,189.82

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Accounts receivable (Continued)

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

Name of entity	Closing balance of accounts receivable	Proportion to closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Summary of the top 5	66,558,295.06	16.30	3,813,217.75
Total	66,558,295.06	16.30	3,813,217.75

(V) Prepayments

1. Prepayments shown by aging

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	6,331,269.80	95.64	10,167,728.81	94.12
1 to 2 years	226,851.63	3.43	559,761.29	5.18
2 to 3 years	37,791.90	0.57	51,392.29	0.48
More than 3 years	23,967.92	0.36	23,318.80	0.22
Total	6,619,881.25	100.00	10,802,201.19	100.00

NOTES TO FINANCIAL STATEMENTS

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

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

(V) Prepayments (Continued)

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

Name of entity	Closing balance	Proportion to closing balance of prepayments (%)
Summary of the top 5	4,750,050.13	71.75
Total	4,750,050.13	71.75

(VI) Other receivables

Item	Closing balance	Opening balance
Other receivables	296,736.06	348,800.03
Total	296,736.06	348,800.03

Other receivables

(1) Disclosure by aging

Ages	Closing balance	Opening balance
Within one year	160,731.00	221,194.95
1 to 2 years	169,443.07	163,135.09
More than 3 years	8,315,809.18	8,336,318.97
Subtotal	8,645,983.25	8,720,649.01
Less: Bad debt provision	8,349,247.19	8,371,848.98
Total	296,736.06	348,800.03

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(2) Disclosure by nature of payments

Nature of payments	Closing balance	Opening balance
Petty cash	21,646.47	11,706.44
Deposit, guarantee deposit	536,457.81	551,247.60
Others	8,087,878.97	8,157,694.97
Subtotal	8,645,983.25	8,720,649.01
Less: Bad debt provision	8,349,247.19	8,371,848.98
Total	296,736.06	348,800.03

(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 2024	315,654.01		8,056,194.97	8,371,848.98
Balance as at 1 January 2024 after the reassessment for the current period				
- Transfer to Stage 2				
- Transfer to Stage 3				
- Transfer back to Stage 2				
- Transfer back to Stage 1				
Provision for the current period	-22,601.79			-22,601.79
Reversal for the current period				
Cancelled in the current period				
Write-off for the current period				
Other changes				
Balance as at 30 June 2024	293,052.22		8,056,194.97	8,349,247.19

NOTES TO FINANCIAL STATEMENTS

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

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

(VI) Other receivables (Continued)

Other receivables (Continued)

(4) Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period				Closing balance
		Provision made	Collected or reversed	Write-off	Other changes	
Provision for credit impairment	8,371,848.98	-22,601.79				8,349,247.19
Total	8,371,848.98	-22,601.79				8,349,247.19

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

Name of entity	Nature of payments	Closing balance	Ages	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	93.18	8,056,194.97
Beijing Deyuan Jiuhe Group Co., Ltd.* (北京德元九和集團有限公司)	Guarantee deposit	152,505.60	1 to 2 years	1.76	22,875.84
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	1.49	128,828.00
Beijing Oubeisite Science and Technology Co., Ltd.* (北京歐倍思特科技有限公司)	Deposit	115,200.00	Within 1 year	1.33	5,760.00
Suzhou Medical Devices Industrial Development Co., Ltd.* (蘇州醫療器械產業發展有限公司)	Guarantee deposit	100,786.21	Over 3 years	1.17	100,786.21
Total		8,553,514.78		98.93	8,314,445.02

NOTES TO FINANCIAL STATEMENTS

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

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

(VII) Inventories

1. Categories of inventories

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for declines in the value	Carrying amount		Provision for declines in the value	Carrying amount
Raw material	254,119,436.32	2,867,142.67	251,252,293.65	209,252,761.12	3,637,822.44	205,614,938.68
Goods sold	2,736,134.28		2,736,134.28	16,799,474.10		16,799,474.10
Work in progress	81,374,798.61	1,143,579.84	80,231,218.77	64,183,888.94	750,927.16	63,432,961.78
Stock inventory	208,332,423.00	22,154,189.78	186,178,233.22	177,096,468.06	28,458,116.92	148,638,351.14
Total	546,562,792.21	26,164,912.29	520,397,879.92	467,332,592.22	32,846,866.52	434,485,725.70

2. Movement in provision for inventory write-down

Item	Opening balance	Amount increased in the current period		Amount decreased in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw material	3,637,822.44			770,679.77		2,867,142.67
Work in progress	750,927.16	660,405.60		267,752.92		1,143,579.84
Stock inventory	28,458,116.92	4,568,879.57		10,872,806.71		22,154,189.78
Total	32,846,866.52	5,229,285.17		11,911,239.40		26,164,912.29

(VIII) Other current assets

Item	Closing balance	Opening balance
Input tax before deduction	1,579,928.09	1,255,616.67
Cost of return receivable	16,944,115.39	18,260,324.80
Prepaid income tax	3,392,360.14	99,544.40
Total	21,916,403.62	19,615,485.87

(IX) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	311,861,259.48	312,930,579.87
Total	311,861,259.48	312,930,579.87

NOTES TO FINANCIAL STATEMENTS

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

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

(IX) Fixed assets (Continued)

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	223,043,957.58	181,514,224.26	4,057,704.43	14,696,625.38	423,312,511.65
2. Increase in the current period		10,342,948.38	210,000.00	1,208,552.96	11,761,501.34
(1) Acquisition		8,042,063.42	210,000.00	1,208,552.96	9,460,616.38
(2) Transferred from construction in progress		2,300,884.96			2,300,884.96
3. Decrease in the current period			201,600.00		201,600.00
Disposal or retirement			201,600.00		201,600.00
4. Closing balance	223,043,957.58	191,857,172.64	4,066,104.43	15,905,178.34	434,872,412.99
II. Accumulated depreciation					
1. Opening balance	16,876,471.37	84,670,049.43	2,830,613.94	6,004,797.04	110,381,931.78
2. Increase in the current period	3,556,004.86	7,982,484.81	217,721.81	1,064,530.25	12,820,741.73
Provision	3,556,004.86	7,982,484.81	217,721.81	1,064,530.25	12,820,741.73
3. Decrease in the current period			191,520.00		191,520.00
Disposal or retirement			191,520.00		191,520.00
4. Closing balance	20,432,476.23	92,652,534.24	2,856,815.75	7,069,327.29	123,011,153.51
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	202,611,481.35	99,204,638.40	1,209,288.68	8,835,851.05	311,861,259.48
2. Opening carrying amount	206,167,486.21	96,844,174.83	1,227,090.49	8,691,828.34	312,930,579.87

Note: Original value of fixed assets continued to be used upon full provision for impairment at the end of the period totaled RMB28,244,019.23.

NOTES TO FINANCIAL STATEMENTS

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

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

(IX) Fixed assets (Continued)

Fixed assets (Continued)

- (2) Application for property ownership certificate not yet completed

Item	Carrying amount	Reason for application not yet completed
Buildings	180,200,974.99	Application in progress
Total	180,200,974.99	

(X) Construction in progress

Type	Closing balance	Opening balance
Construction in progress	150,868,963.17	150,138,063.04
Total	150,868,963.17	150,138,063.04

Construction in progress

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

Item	Closing balance		Carrying amount	Opening balance	
	Book balance	Provision for impairment		Book balance	Provision for impairment
Daxing Biomedicine Industrial Base of Zhongguancun Science Park – First stage construction work	14,175,640.74		14,175,640.74	12,952,179.15	
Integrated construction project for orthopedic implant and supporting materials	136,693,322.43		136,693,322.43	134,884,998.93	
Equipment installation work				2,300,884.96	
Total	150,868,963.17		150,868,963.17	150,138,063.04	

NOTES TO FINANCIAL STATEMENTS

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

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

(X) Construction in progress (Continued)

Construction in progress (Continued)

(2) Changes in significant projects of construction in progress

Name of project	Budgets (RMB'0,000)	Opening balance	Increase in amount in the current period	Transferred to fixed assets in the current period	Decrease in amount in the current period	Closing balance
Daxing Biomedicine Industrial Base of Zhongguancun Science Park – First stage construction work	18,429.65	12,952,179.15	1,223,461.59			14,175,640.74
Integrated construction project for orthopedic implant and supporting materials	94,470.38	134,884,998.93	1,808,323.50			136,693,322.43
Total		147,837,178.08	3,031,785.09			150,868,963.17

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

NOTES TO FINANCIAL STATEMENTS

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

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

(XI) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	3,575,549.49	3,575,549.49
2. Increase in the current period	410,513.03	410,513.03
Rentals newly added	410,513.03	410,513.03
3. Decrease in the current period	1,979,976.31	1,979,976.31
Surrender in the middle of a lease	1,979,976.31	1,979,976.31
4. Closing balance	2,006,086.21	2,006,086.21
II. Accumulated depreciation		
1. Opening balance	1,509,558.00	1,509,558.00
2. Increase in the current period	465,136.32	465,136.32
Provision	465,136.32	465,136.32
3. Decrease in the current period	1,319,984.20	1,319,984.20
Surrender in the middle of a lease	1,319,984.20	1,319,984.20
4. Closing balance	654,710.12	654,710.12
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	1,351,376.09	1,351,376.09
2. Opening carrying amount	2,065,991.49	2,065,991.49

NOTES TO FINANCIAL STATEMENTS

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

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

(XII) Intangible assets

Item	Land use rights	Software	Patent licenses	Royalty	Total
I. Original carrying amount					
1. Opening balance	132,514,410.33	4,561,264.29	30,500,000.00	480,000.00	168,055,674.62
2. Increased amount in the current period		2,213,592.23			2,213,592.23
Acquisition		2,213,592.23			2,213,592.23
3. Decreased amount in the current period					
4. Closing balance	132,514,410.33	6,774,856.52	30,500,000.00	480,000.00	170,269,266.85
II. Accumulated amortization					
1. Opening balance	16,103,004.98	3,394,691.28	12,237,138.98	50,000.00	31,784,835.24
2. Increased amount in the current period	1,340,295.54	231,628.25	3,762,324.40	30,000.00	5,364,248.19
Provision	1,340,295.54	231,628.25	3,762,324.40	30,000.00	5,364,248.19
3. Decreased amount in the current period					
4. Closing balance	17,443,300.52	3,626,319.53	15,999,463.38	80,000.00	37,149,083.43
III. Provisions for impairment					
1. Opening balance					
2. Increased amount in the current period					
3. Decreased amount in the current period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	115,071,109.81	3,148,536.99	14,500,536.62	400,000.00	133,120,183.42
2. Opening carrying amount	116,411,405.35	1,166,573.01	18,262,861.02	430,000.00	136,270,839.38

NOTES TO FINANCIAL STATEMENTS

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

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

(XIII) Goodwill

1. Original carrying amount of goodwills

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

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

Name	Asset group or the constitution and basis of the portfolio	Operating segment and the basis	Whether it is consistent with the previous years
Surgimaster Surgical Co., Ltd.	Fixed assets, construction in progress and intangible assets not related to business	Surgimaster Surgical Co., Ltd., determined according to the management requirement and the business segment of the Company	Yes

3. Determination method for the recoverable amounts for goodwill

Item	Carrying amount	Recoverable amount	Amount of impairment	Life of estimation period	Critical parameter for the estimation period	Basis of determination for the parameter within the estimation period	Critical parameter for the stabilizing period	Basis of determination for the critical parameter for the stabilizing period
Surgimaster Surgical Co., Ltd.	19,750,073.49	20,406,360.52		2024-2028, 2029 to perpetual period	Revenue is expected to be increased year-on-year, with a discount rate of 12.03%	<p>① Revenue growth rate, profit rate: based on the business operation, growth rate, industry level, and the expectation on the market from the management of the Company for the previous year;</p> <p>② The discount rate reflects the current time value of currency of the market and the interest rate before tax for the specified risks related for relevant assets</p>	Revenue growth rate is 0, the discount rate is 12.03%	The discount rate reflects the current time value of currency of the market and the interest rate before tax for the specified risks related for relevant assets

NOTES TO FINANCIAL STATEMENTS

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

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

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

1. *Deferred 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	12,950,527.05	86,336,846.99	13,412,634.99	89,417,566.60
Expected sales rebate	1,578,494.25	10,523,294.99	1,883,933.78	12,559,558.53
Expected sales return	8,157,980.35	54,386,535.64	9,112,797.95	60,751,986.32
Deferred income	2,038,690.69	13,591,271.28	2,091,074.57	13,940,497.16
Unrealized internal gains and losses	917,920.97	6,119,473.12	1,131,420.04	7,542,800.26
Subtotal	25,643,613.31	170,957,422.02	27,631,861.33	184,212,408.87
Deferred income tax liabilities:				
Cost of return receivable	2,541,617.31	16,944,115.39	2,739,048.72	18,260,324.80
Accelerated depreciation of fixed assets	7,787,288.25	51,915,255.01	6,483,728.26	43,224,855.08
Asset valuation gains from business combinations involving entities not under common control	100,000.00	400,000.00	107,500.00	430,000.00
Subtotal	10,428,905.56	69,259,370.40	9,330,276.98	61,915,179.88

2. *Breakdown of unrecognized deferred tax assets*

Item	Closing balance	Opening balance
Deductible temporary difference	6,786,502.31	4,593,676.32
Deductible loss	20,762,982.78	14,449,103.08
Total	27,549,485.09	19,042,779.40

Note: There is uncertainty on whether our subsidiaries, namely Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司), Beijing Shiyue Changsheng Medical Devices Co., Ltd. (北京實躍長盛醫療器械有限公司), Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司), Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司), and Surgimaster Surgical Co., Ltd., could have sufficient taxable income in the future, thus deferred income tax assets have not been recognized.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Year	Closing balance	Opening balance	Note
2024	367,313.61	367,313.61	
2025			
2026	1,907,073.79	1,907,073.79	
2027	3,361,758.11	3,359,118.85	
2028	7,638,055.24	8,815,596.83	
2029 and beyond	7,488,782.03		
Total	20,762,982.78	14,449,103.08	

(XV) Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayment for the acquisition of long-term assets	3,003,786.50		3,003,786.50	1,804,219.22		1,804,219.22
Total	3,003,786.50		3,003,786.50	1,804,219.22		1,804,219.22

NOTES TO FINANCIAL STATEMENTS

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

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

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

Item	Book balance	Situation at the end of the period			Situation at the beginning of the period			
		Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Monetary funds	355,232.47	355,232.47	Designated for medical consumables	Specific project account for centralized procurement for medical consumables	354,447.00	354,447.00	Designated for medical consumables	Specific project account for centralized procurement for medical consumables
Bills receivables	15,200,000.00	15,200,000.00	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity	11,073,726.15	11,073,726.15	Endorsed or discounted	Bills endorsed or discounted but not yet reached maturity
Total	15,555,232.47	15,555,232.47			11,428,173.15	11,428,173.15		

(XVII) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	170,246,270.13	166,857,084.41
More than 1 year	53,846,978.04	58,643,085.50
Total	224,093,248.17	225,500,169.91

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

(XVIII) Contract liabilities

Item	Closing balance	Opening balance
Advance payment	155,927,955.35	137,003,716.86
Sales rebate	10,523,294.99	12,559,558.53
Total	166,451,250.34	149,563,275.39

NOTES TO FINANCIAL STATEMENTS

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

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

(XIX) Employee remuneration payable

1. *Employee remuneration payable shown by category*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term remuneration	88,673,385.22	85,082,713.61	144,410,700.43	29,345,398.40
Post-employment benefits – defined contribution plan	1,046,000.26	7,127,988.31	7,147,468.85	1,026,519.72
Total	89,719,385.48	92,210,701.92	151,558,169.28	30,371,918.12

2. *Remuneration of short-term employees*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wage, bonus, allowance and subsidy	74,807,841.52	74,065,633.51	133,516,802.62	15,356,672.41
Employee welfare premium		1,610,829.08	1,610,829.08	
Social welfare premium	680,359.73	4,377,301.94	4,389,720.53	667,941.14
Including: Medicare premium	621,104.55	3,994,251.18	4,005,821.48	609,534.25
Occupational injuries premium	59,255.18	383,050.76	383,899.05	58,406.89
Housing provident funds		2,436,417.88	2,436,165.88	252.00
Labor union fund and employee education fund	13,185,183.97	2,592,531.20	2,457,182.32	13,320,532.85
Total	88,673,385.22	85,082,713.61	144,410,700.43	29,345,398.40

3. *Defined contribution plan*

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	1,014,300.21	6,904,373.29	6,923,263.39	995,410.11
Unemployment insurance premium	31,700.05	223,615.02	224,205.46	31,109.61
Total	1,046,000.26	7,127,988.31	7,147,468.85	1,026,519.72

NOTES TO FINANCIAL STATEMENTS

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

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

(XX) Taxes payable

Item	Closing balance	Opening balance
VAT	13,103,452.22	44,219,582.81
Enterprise income tax	844,264.26	12,125,427.92
Individual income tax	864,463.76	413,645.86
Urban maintenance and construction tax	1,076,885.16	1,713,288.73
Education surcharge	641,801.63	1,027,973.22
Local education surcharge	430,257.47	685,315.52
Housing property tax	1,170,612.78	1,170,612.78
Stamp duty and others	191,980.83	163,424.48
Total	18,323,718.11	61,519,271.32

(XXI) Other payables

Item	Closing balance	Opening balance
Dividend payable	138,851,797.00	
Other payables	56,912,490.77	66,314,036.00
Total	195,764,287.77	66,314,036.00

1. Dividend payable

Item	Closing balance	Opening balance
Dividend on ordinary shares	138,851,797.00	
Total	138,851,797.00	

NOTES TO FINANCIAL STATEMENTS

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

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

(XXI) Other payables (Continued)

Other payables categorized by nature

Item	Closing balance	Opening balance
Expenses for sales services	23,134,603.77	30,013,100.12
Guarantee deposits	14,453,938.00	16,200,427.00
Returns payables	9,153,957.16	5,574,457.01
Others	10,169,991.84	14,526,051.87
Total	56,912,490.77	66,314,036.00

(XXII) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	668,355.09	1,221,386.17
Total	668,355.09	1,221,386.17

NOTES TO FINANCIAL STATEMENTS

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

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

(XXIII) Other current liabilities

Item	Closing balance	Opening balance
Expected sales return	54,386,535.64	60,751,986.32
Output VAT to be carried forward	14,952,177.44	11,009,598.77
Bills receivable not derecognized	15,200,000.00	11,073,726.15
Total	84,538,713.08	82,835,311.24

(XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	957,419.90	1,797,085.72
Less: unrecognized financing fee	37,118.38	44,155.93
Less: lease liabilities due within one year	668,355.09	1,221,386.17
Total	251,946.43	531,543.62

(XXV) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	83,790,835.82	946,300.00	2,067,857.23	82,669,278.59	Government grants received
Total	83,790,835.82	946,300.00	2,067,857.23	82,669,278.59	

NOTES TO FINANCIAL STATEMENTS

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

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

(XXVI) Share capital

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

(XXVII) Capital reserve

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

(XXVIII) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve		181,585,925.26		181,585,925.26
Total		181,585,925.26		181,585,925.26

NOTES TO FINANCIAL STATEMENTS

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

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

(XXIX) Undistributed profits

Item	Amount for the current period	Amount for the previous period
Unallocated profits at the end of last period before adjustment	1,267,513,008.25	1,136,732,358.10
Total amount of adjustment for unallocated profits at the beginning of the period (“+” for plus; “-” for less)		
Unallocated profits at the beginning of the period after adjustment	1,267,513,008.25	1,136,732,358.10
Add: Net profit attributable to the owners of the Parent Company for the period	79,026,078.82	277,824,014.12
Less: Withdrawal of statutory surplus reserves		26,986,423.47
Dividend payable on ordinary shares	138,851,797.00	120,056,940.50
Unallocated profits at the end of period	1,207,687,290.07	1,267,513,008.25

(XXX) Revenue and operating cost

1. Revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main operation	379,971,564.51	108,247,815.46	540,241,563.44	149,300,529.61
Other operation	159,006.41		465,325.13	
Total	380,130,570.92	108,247,815.46	540,706,888.57	149,300,529.61

2. Breakdown of revenue and operating cost

Category of revenue	Medical device		Total	
	Revenue	Operating cost	Revenue	Operating cost
By business type	380,130,570.92	108,247,815.46	380,130,570.92	108,247,815.46
Medical device products	379,971,564.51	108,247,815.46	379,971,564.51	108,247,815.46
Other operation	159,006.41		159,006.41	
Total	380,130,570.92	108,247,815.46	380,130,570.92	108,247,815.46

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXI) Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	1,762,250.74	1,584,105.55
Education surcharge	1,055,340.92	948,074.36
Local education surcharge	703,560.58	632,049.56
Stamp duty	200,365.93	235,616.08
Housing property tax	142,190.65	142,190.65
Land use tax	474,284.73	474,284.73
Tax on vehicle and vessel usage	4,830.00	5,230.00
Environmental protection tax	51.20	166.11
Total	4,342,874.75	4,021,717.04

(XXXII) Selling expenses

Item	Amount for the current period	Amount for the previous period
Market development expenses	84,522,791.71	133,317,373.39
Employee remuneration	24,723,917.49	26,649,634.25
Office expenses	1,460,597.64	1,733,403.63
Others	773,861.96	5,189,637.02
Total	111,481,168.80	166,890,048.29

(XXXIII) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	11,705,708.79	8,418,212.87
Agency fees	1,973,512.44	2,579,786.02
Depreciation and amortization expenses	4,118,293.98	4,840,392.78
Office and travelling expenses	154,169.86	260,591.27
Rentals and property expenses	988,806.80	917,126.10
Business entertainment expenses	380,633.71	73,987.49
Others	1,988,936.46	1,867,740.23
Total	21,310,062.04	18,957,836.76

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXIV) Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee remuneration	30,386,326.73	30,300,687.88
Supplies consumed	11,680,150.74	11,640,070.78
Technical services expenses	9,863,960.92	15,192,157.08
Travel and meeting expenses	478,519.94	729,778.85
Depreciation and amortization	6,443,677.49	5,742,300.99
Fuel expenses	1,365,120.59	1,072,811.71
Examination and testing expenses	5,746,958.20	7,455,635.50
Others	1,694,698.45	2,438,941.91
Total	67,659,413.06	74,572,384.70

(XXXV) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expenses	27,050.23	39,312.28
Less: Interest income	8,040,034.97	4,458,526.31
Less: Foreign exchange gains	1,099,671.36	692,194.89
Handling fees	100,166.64	117,471.43
Total	-9,012,489.46	-4,993,937.49

NOTES TO FINANCIAL STATEMENTS

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

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

(XXXVI) Other income

Item	Amount for the current period	Amount for the previous period	Related to assets/ related to income
Transferred from deferred income	2,067,857.23	1,741,431.00	Related to assets
Subsidy for stable development and expansion of enterprises	19,000.00	86,201.84	Related to income
Tax refunds	394,298.88	229,656.04	Related to income
Subsidy for insurance	75,500.00	75,500.00	Related to income
Subsidy for research and development	800,000.00	1,827,345.00	Related to income
Project funding for the establishment of postdoctoral scientific research workstation	166,250.00		Related to income
Key support program for development of high-precision industry	2,370,000.00		Related to income
Additional deductions of VAT for advanced manufacturing industry	489,877.16		Related to income
Other sporadic government grants	30,700.00	55,600.00	Related to income
Total	6,413,483.27	4,015,733.88	

(XXXVII) Returns on investments

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	6,084,909.58	10,067,668.50
Total	6,084,909.58	10,067,668.50

(XXXVIII) Gains on changes of fair value

Sources of gains on changes of fair value	Amount for the current period	Amount for the previous period
Held-for-trading financial assets	4,670,205.47	4,382,142.85
Total	4,670,205.47	4,382,142.85

(XXXIX) Credit impairment loss

Item	Amount for the current period	Amount for the previous period
Credit impairment loss of accounts receivable	-5,816,662.40	-8,787,078.73
Credit impairment loss of other receivables	22,601.79	-1,205.24
Total	-5,794,060.61	-8,788,283.97

NOTES TO FINANCIAL STATEMENTS

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

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

(XL) Asset impairment loss

Item	Amount for the current period	Amount for the previous period
Inventory write-down loss	-5,229,285.17	-3,175,940.28
Total	-5,229,285.17	-3,175,940.28

(XLI) Gain from disposal of assets

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

(XLII) Non-operating income

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
Government grant not related to daily activities	800,000.00	200,000.00	800,000.00
Others	56,684.38	86,636.36	56,684.38
Total	856,684.38	286,636.36	856,684.38

Government grants included in non-operating income

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

NOTES TO FINANCIAL STATEMENTS

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

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

(XLIII) Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount charged to the current non-recurring profit or loss
External donations	22,350.92	200,000.00	22,350.92
Others	50,563.33	9,028.67	50,563.33
Total	72,914.25	209,028.67	72,914.25

(XLIV) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	1,022,191.17	9,992,553.43
Deferred income tax expenses	3,086,876.60	2,559,523.20
Total	4,109,067.77	12,552,076.63

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	83,069,962.55
Income tax expenses based on applicable tax rate	12,460,494.38
Effect of different tax rate applicable to subsidiaries	617,936.12
Effect of prior income tax reconciliation	-188,093.51
Effect of non-deductible costs, expenses and losses	295,904.98
Effect of utilization of deductible temporary differences or deductible losses of unrecognized deferred income tax assets previously	-7,934.62
Effect of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	484,080.40
Additional deduction of research and development costs	-9,523,335.62
Additional deduction of the wages for employment of disabled persons	-29,984.36
Income tax expenses	4,109,067.77

NOTES TO FINANCIAL STATEMENTS

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

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

(XVI) Cash flow statement

1. Cash related to operating activities

(1) Cash receipts related to operating activities

Item	Amount for the current period	Amount for the previous period
Receipts from current accounts	2,135,080.00	2,042,996.44
Amount of government grant received	5,207,750.00	2,718,802.88
Interest receipts from deposit and others	8,490,232.76	4,545,062.43
Total	15,833,062.76	9,306,861.75

(2) Other cash payment related to operating activities

Item	Amount for the current period	Amount for the previous period
Expenses of cash payment	151,855,437.51	225,984,076.19
Current amount paid	8,896,526.30	11,560,538.27
Handling fee and other expenses	173,080.89	326,500.10
Total	160,925,044.70	237,871,114.56

2. Cash related to financing activities

Other cash payment related to financing activities

Item	Amount for the current period	Amount for the previous period
Payments for lease expenses	554,400.00	132,495.00
Total	554,400.00	132,495.00

NOTES TO FINANCIAL STATEMENTS

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

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

(XVII) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	78,960,894.78	125,985,161.70
Add: Provision for assets impairment	5,229,285.17	3,175,940.28
Credit impairment loss	5,794,060.61	8,788,283.97
Depreciation of fixed assets, oil and gas assets, productive biological assets and investment properties	12,820,741.73	10,997,172.92
Depreciation of right-of-use assets	465,136.32	549,531.23
Amortization of intangible assets	5,364,248.19	4,628,912.53
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain will be shown with “-” sign)	-39,213.61	
Fixed assets retirement losses (Gain will be shown with “-” sign)		
Net loss on hedging exposure (Gain will be shown with “-” sign)		
Losses on changes of fair value (Gain will be shown with “-” sign)	-4,670,205.47	-4,382,142.85
Financial expenses (Gain will be shown with “-” sign)	-1,255,762.71	-634,245.40
Investments losses (Gain will be shown with “-” sign)	-6,084,909.58	-10,067,668.50
Decrease of deferred income tax assets (Increase will be shown with “-” sign)	1,988,248.02	119,503.60
Increase of deferred income tax liabilities (Decrease will be shown with “-” sign)	1,098,628.58	2,440,019.60
Decrease in inventories (Increase will be shown with “-” sign)	-91,141,439.39	-128,677,939.93
Decrease in operating receivables (Increase will be shown with “-” sign)	11,799,234.44	24,427,312.04
Increase of operating payables (Decrease will be shown with “-” sign)	-89,386,835.60	-76,321,734.99
Others		
Net cash flow from operating activities	-69,057,888.52	-38,971,893.80
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented		
3. Net changes in cash and cash equivalents		
Closing balance of cash	1,277,318,764.90	854,828,328.74
Less: Opening balance of cash	1,266,013,075.67	957,193,661.02
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	11,305,689.23	-102,365,332.28

NOTES TO FINANCIAL STATEMENTS

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

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

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

2. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,277,318,764.90	1,266,013,075.67
Including: Cash on hand	274,311.24	303,264.27
Bank deposits available for payment at any time	1,277,044,453.66	1,265,709,811.40
II. Cash equivalents		
Including: Bond investments due within 3 months		
III. Closing balance of cash and cash equivalents	1,277,318,764.90	1,266,013,075.67

(XLVII) Monetary items in foreign currencies

Item	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Monetary funds			20,998,530.98
Including: USD	611,009.94	7.13	4,354,545.15
EUR	49,991.55	7.66	383,020.25
HKD	17,816,619.65	0.91	16,260,872.42
INR	1,090.00	0.09	93.16
Accounts receivable			78,618,495.07
Including: USD	10,999,213.63	7.13	78,389,195.71
EUR	29,928.00	7.66	229,299.36
Accounts payable			7,166,804.15
Including: USD	61,152.00	7.13	435,818.08
EUR	874,551.39	7.66	6,700,550.38
HKD	33,347.60	0.91	30,435.69

NOTES TO FINANCIAL STATEMENTS

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

VI. RESEARCH AND DEVELOPMENT EXPENSE

Shown by the expense nature

Item	Amount for the current period	Amount for the previous period
Employee remuneration	30,386,326.73	30,300,687.88
Supplies consumed	11,680,150.74	11,640,070.78
Technical services expenses	9,863,960.92	15,192,157.08
Travel and meeting expenses	478,519.94	729,778.85
Depreciation and amortization	6,443,677.49	5,742,300.99
Fuel expenses	1,365,120.59	1,072,811.71
Examination and testing expenses	5,746,958.20	7,455,635.50
Others	1,694,698.45	2,438,941.91
Total	67,659,413.06	74,572,384.70
Including: Capitalized research and development expense	67,659,413.06	74,572,384.70

VII. CHANGE IN SCOPE OF CONSOLIDATION

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

NOTES TO FINANCIAL STATEMENTS

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

VIII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	Hebei Province	Hebei Province	Manufacture and sales of alloy materials	100.00		Through capital contribution to establish a new company
Pilot Medical Device Co., Limited* (領航醫療器械有限公司)	Hong Kong	Hong Kong	Development and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	Beijing	Beijing	Sales of medical devices	100.00		Through capital contribution to establish a new company
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	Hebei Province	Hebei Province	Production and sales of medical devices	100.00		Through capital contribution to establish a new company
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	Hebei Province	Hebei Province	Production and sales of medical devices	100.00		Through capital contribution to establish a new company
Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司)	Beijing	Beijing	Inspection and testing services	100.00		Through capital contribution to establish a new company
Surgimaster Surgical Co., Ltd.	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 RMB)

IX. GOVERNMENT GRANTS

(I) Items of liabilities related to government grants

Financial statement items	Opening balance	Amounts of grants increased for the period	Amount included in non-operating income for the current period	Amount transferred to other profit for the current period	Other changes for the current period	Closing balance	Related to assets/related to income
Deferred income	12,052,763.91			1,276,525.86		10,776,238.05	Related to assets
Deferred income	71,493,571.91			791,331.37		70,702,240.54	Related to assets/related to income
Deferred income	244,500.00	946,300.00				1,190,800.00	Related to income
Total	83,790,835.82	946,300.00		2,067,857.23		82,669,278.59	

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

Type	Amount for current period	Amount for previous period
Other gains	3,461,450.00	2,274,302.88
Non-operating income	800,000.00	200,000.00
Total	4,261,450.00	2,474,302.88

NOTES TO FINANCIAL STATEMENTS

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

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company aims to seek the balance between the risks and 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 RMB)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of 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 assets and liabilities at the end of the period.

XI. CAPITAL MANAGEMENT

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

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

Item	30 June 2024	31 December 2023
①Total liabilities	813,561,621.26	770,325,491.93
②Total assets	3,632,906,151.99	3,649,560,924.88
③=①/②Gearing ratio	22.39%	21.11%

NOTES TO FINANCIAL STATEMENTS

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

XII. FAIR VALUES

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

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			741,317,808.22	741,317,808.22
Held for-trading financial assets			741,317,808.22	741,317,808.22

(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 recognized the fair value based on annualised return rate of the structured products.

XIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Parent company of the Company

Actual controllers	Position in the Company	Proportion of shareholding over the Company (%)	Proportion of voting rights over the Company (%)
Shi Chunbao	Director	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 "VIII. INTEREST IN OTHER ENTITIES" for details.

(III) Other related party of the Company

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

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

NOTES TO FINANCIAL STATEMENTS

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

XIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(IV) Related party transactions

1. *Related party transactions for sale and purchase of goods and rendering and acceptance of services*

Details of sale of goods/rendering of services

Name of related entity	Content of related party transaction	Amount for the current period	Amount for the previous period
Beijing Meizhuo Medical Instruments Co. Limited* (北京美卓醫療器械有限公司)	Medical devices	3,428,193.91	4,463,146.37

2. *Remuneration of key management*

Item	Amount for the current period	Amount for the previous period
Remuneration of key management	2,283,822.32	2,228,275.17

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

Receivables

Name of item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Beijing Meizhuo Medical Instruments Co. Limited* (北京美卓醫療器械有限公司)	5,203,280.48	260,164.02	5,783,068.38	289,153.42

XIV. COMMITMENTS AND CONTINGENCIES

As of 30 June 2024, the Company has no commitments and contingencies needed to be disclosed.

XV. EVENTS AFTER THE BALANCE SHEET DATE

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

NOTES TO FINANCIAL STATEMENTS

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

XVI. OTHER SIGNIFICANT EVENTS

(I) Segment Report

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

(II) Auditor's remuneration

Auditor's remuneration	Amount for the current period	Amount for the previous period
Annual audit services	1,000,000.00	950,000.00
Total	1,000,000.00	950,000.00

NOTES TO FINANCIAL STATEMENTS

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

XVI. OTHER SIGNIFICANT EVENTS (Continued)

(III) Emoluments of directors, supervisors and employees

1. Emoluments of directors and supervisors

Director/ supervisor	Wage, allowance, subsidy and bonus				Social insurance premium and housing provident fund	Pension	Others	Total
	Fees	Basic salary	Allowance and subsidy	Bonus				
Director								
Shi Chunbao		301,054.00			12,719.40			313,773.40
Yue Shujun		211,054.00			12,719.40			223,773.40
Shi Wenling		132,884.00			12,434.82			145,318.82
Xie Feng Bao		102,452.00		48,342.00	12,719.40			163,513.40
Weng Jie	50,000.00							50,000.00
Wong Tak Shing	87,900.00							87,900.00
Yao Lijie	49,167.00							49,167.00
Xu Hong	833.00							833.00
Wang Xin	50,000.00							50,000.00
Subtotal for directors	237,900.00	747,444.00		48,342.00	50,593.02			1,084,279.02
Supervisor								
Zhang Jie		153,407.00		3,162.00	12,719.40			169,288.40
Zhang Lanlan		46,263.91		24,050.00	12,434.82			82,748.73
Wei Zhangli		117,840.00		1,500.00	12,434.82			131,774.82
Subtotal for supervisors		317,510.91		28,712.00	37,589.04			383,811.95
Total	237,900.00	1,064,954.91		77,054.00	88,182.06			1,468,090.97

2. Five highest paid employees

The five highest paid employees for the year include two directors, their emoluments are 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	714,807.50
Discretionary bonus	505,529.04
Contributions to pension scheme	63,312.42
Incentives to absorb high paid individuals	
Compensation for dismissal	
Total	1,283,648.96

The emoluments paid to the above five employees for the period ranging not more than RMB1,000,000.00.

NOTES TO FINANCIAL STATEMENTS

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

XVII. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Accounts receivable

1. Disclosure by age

Ages	Closing balance	Opening balance
Within 1 year	287,673,941.75	386,545,938.82
1 to 2 years	82,494,718.50	56,424,168.84
2 to 3 years	18,939,120.27	16,120,580.15
Over 3 years	17,588,990.91	13,965,150.82
Subtotal	406,696,771.43	473,055,838.63
Less: Bad debt provision	50,292,252.45	47,338,615.31
Total	356,404,518.98	425,717,223.32

2. Disclosure by ways of bad debt provision

Type	Book balance		Closing balance Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios	406,696,771.43	100.00	50,292,252.45	12.37	356,404,518.98
Including: Portfolio for ages	373,299,568.72	91.79	50,292,252.45	13.47	323,007,316.27
Portfolio of related parties within the scope of consolidation	33,397,202.71	8.21			33,397,202.71
Total	406,696,771.43	100.00	50,292,252.45	12.37	356,404,518.98

Type	Book balance		Opening balance Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision made (%)	
Accounts receivable with provision for bad debts on an individual basis					
Accounts receivable with provision made for bad debts using portfolios	473,055,838.63	100.00	47,338,615.31	10.01	425,717,223.32
Including: Portfolio for ages	423,500,881.52	89.52	47,338,615.31	11.18	376,162,266.21
Portfolio of related parties within the scope of consolidation	49,554,957.11	10.48			49,554,957.11
Total	473,055,838.63	100.00	47,338,615.31	10.01	425,717,223.32

NOTES TO FINANCIAL STATEMENTS

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

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

(I) Accounts receivable (Continued)

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

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

① Portfolio of ages

Ages	Closing balance			Opening balance		
	Book balance	Bad debt provision	Proportion of provision made (%)	Book balance	Bad debt provision	Proportion of provision made (%)
Within one year	272,777,363.74	13,638,868.19	5.00	336,990,981.71	16,849,549.08	5
1 to 2 years	64,006,324.80	9,600,948.72	15.00	56,424,168.84	8,463,625.33	15
2 to 3 years	18,926,889.27	9,463,444.63	50.00	16,120,580.15	8,060,290.08	50
More than 3 years	17,588,990.91	17,588,990.91	100.00	13,965,150.82	13,965,150.82	100
Total	373,299,568.72	50,292,252.45	13.47	423,500,881.52	47,338,615.31	11.18

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

② Portfolios of related parties within the scope of consolidation

Ages	Closing balance			Opening balance		
	Book balance	Bad debt provision	Proportion of provision made (%)	Book balance	Bad debt provision	Proportion of provision made (%)
Amounts from related parties within the scope of consolidation	33,397,202.71			49,554,957.11		
Total	33,397,202.71			49,554,957.11		

NOTES TO FINANCIAL STATEMENTS

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

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

(I) Accounts receivable (Continued)

3. Provision made for bad debt

Type	Opening balance	Changes in amounts for the current period			Closing balance
		Provision made	Collected or reversed	Write-off Other changes	
Portfolios with credit risk	47,338,615.31	2,953,637.14			50,292,252.45
Total	47,338,615.31	2,953,637.14			50,292,252.45

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

Name of entity	Closing balance of receivables	Proportion of closing balance of receivables (%)	Closing balance of bad debt provision
Summary of the top 5	89,954,891.46	22.12	3,315,915.47
Total	89,954,891.46	22.12	3,315,915.47

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables

Item	Closing balance	Opening balance
Other receivables	12,823,685.76	13,681,393.95
Total	12,823,685.76	13,681,393.95

Other receivables

(1) Disclosure by ages

Ages	Closing balance	Opening balance
Within one year	12,453,072.85	9,414,785.64
1 to 2 years	162,347.21	4,186,561.16
2 to 3 years	210,694.00	86,720.15
More than 3 years	8,219,619.87	8,215,022.97
Subtotal	21,045,733.93	21,903,089.92
Less: bad debt provision	8,222,048.17	8,221,695.97
Total	12,823,685.76	13,681,393.95

(2) Other receivables categorised by nature

Nature of payment	Closing balance	Opening balance
Within the scope of combination	12,693,006.96	13,555,806.98
Petty cash	10,000.00	59.97
Deposit, guarantee deposit	279,748.00	274,028.00
Others	8,062,978.97	8,073,194.97
Subtotal	21,045,733.93	21,903,089.92
Less: bad debt provision	8,222,048.17	8,221,695.97
Total	12,823,685.76	13,681,393.95

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables (Continued)

Other receivables (Continued)

(3) Bad debt provision

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 2024	165,501.00		8,056,194.97	8,221,695.97
Balance as at 1 January 2024 for the current period				
– Transfer to Stage 2				
– Transfer to Stage 3				
– Transfer back to Stage 2				
– Transfer back to Stage 1				
Provision for the current period	352.20			352.20
Reversal for the current period				
Cancelled for the current period				
Write-off for the current period				
Other changes				
Balance on 30 June 2024	165,853.20		8,056,194.97	8,222,048.17

(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 or cancelled	Other changes	
Provision for credit impairment	8,221,695.97	352.20				8,222,048.17
Total	8,221,695.97	352.20				8,222,048.17

NOTES TO FINANCIAL STATEMENTS

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

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

(II) Other receivables (Continued)

Other receivables (Continued)

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

Name of entity	Nature of receivables	Closing balance	Ages	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	Current accounts within the scope of combination	10,726,845.06	Within 1 year:	50.97	
Yuanfeng Metal Technology Hebei Co., Ltd.* (元豐金屬科技河北有限公司)	Return receivables	8,056,194.97	Over 3 years	38.28	8,056,194.97
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	Current accounts within the scope of combination	1,431,206.73	Within 1 year	6.80	
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	Current accounts within the scope of combination	511,136.87	Within 1 year: RMB139,495.66, 1 to 2 years: RMB160,947.21, 2 to 3 years: RMB210,694.00	2.43	
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	0.61	128,828.00
Total		20,854,211.63		99.09	8,185,022.97

NOTES TO FINANCIAL STATEMENTS

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

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

(III) Long-term equity investments

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book balance	Provision for impairment		Book balance	Provision for impairment	
Investment in subsidiaries	32,715,263.00		32,715,263.00	31,715,263.00		31,715,263.00
Total	32,715,263.00		32,715,263.00	31,715,263.00		31,715,263.00

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.* (河北春立航諾新材料科技有限公司)	3,000,000.00			3,000,000.00		
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	100,000.00			100,000.00		
Xingtai Langtai Bengyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	5,000,000.00			5,000,000.00		
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	450,000.00			450,000.00		
Beijing Lechi Inspection Technology Co.* (北京樂馳檢測技術有限公司)	5,000,000.00	1,000,000.00		6,000,000.00		
Surgimaster Surgical Co., Ltd.	17,500,000.00			17,500,000.00		
Total	31,715,263.00	1,000,000.00		32,715,263.00		

NOTES TO FINANCIAL STATEMENTS

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

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

(IV) Revenue and operating cost

1. Revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Revenue from main operation	377,887,050.67	119,305,209.81	531,755,246.68	162,904,516.17
Revenue from other operation	6,236,905.48	5,992,984.63	5,414,681.76	5,409,650.01
Total	384,123,956.15	125,298,194.44	537,169,928.44	168,314,166.18

2. Breakdown of revenue and operating cost

Category of revenue	Medical device		Total	
	Revenue	Operating cost	Revenue	Operating cost
By business type	384,123,956.15	125,298,194.44	384,123,956.15	125,298,194.44
Medical device products	377,887,050.67	119,305,209.81	377,887,050.67	119,305,209.81
Other business	6,236,905.48	5,992,984.63	6,236,905.48	5,992,984.63
Total	384,123,956.15	125,298,194.44	384,123,956.15	125,298,194.44

(V) Investment income

Item	Amount for the current period	Amount for the previous period
Investment income from disposal of held-for-trading financial assets	6,084,909.58	10,067,133.70
Total	6,084,909.58	10,067,133.70

NOTES TO FINANCIAL STATEMENTS

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

XVIII. SUPPLEMENTARY INFORMATION

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

Item	Amount for the current period	Note
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	39,213.61	
2. Government grants included in profit or loss for the current period, excluding government grants that are closely related to the normal operation of the Company, compiling the requirements of national policy, entitled as per the standard established, and those that have continuous effect to the profit and loss of the Company	4,261,450.00	
3. Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from change in fair value of financial assets held or financial liabilities arising from non-financial enterprises, and gain or loss arising from disposal of financial assets and financial liabilities	10,755,115.05	
4. Other non-operating income and expenses other than aforesaid items	-16,229.87	
5. Other gains or losses items within the definition of non-recurring profit or loss	394,298.88	
Less: Impact of income tax	2,322,161.50	
Effect of minority interests (after tax)	600.00	
Total	13,111,086.17	

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

Item	Amounts involved	Description
Additional deduction of VAT for advanced manufacturing industry	489,877.16	Having continuous effect on the profit and loss of the Company
Government grants related to assets	2,067,857.23	Having continuous effect on the profit and loss of the Company

NOTES TO FINANCIAL STATEMENTS

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

XVIII. SUPPLEMENTARY INFORMATION (Continued)

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS			
	Current period	Previous period	Basic EPS		Diluted EPS	
	Current period	Previous period	Current period	Previous period	Current period	Previous period
Net profit attributable to shareholders of ordinary share of the Company	2.71	4.53	0.21	0.33	0.21	0.33
Net profit attributable to shareholders of ordinary shares of the Company after deducting non-recurring profit or loss	2.26	3.96	0.17	0.29	0.17	0.29

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

30 August 2024

The Notes to Financial Statements from page 34 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: _____