IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE: (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBS") PURCHASING IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), PROVIDED BY RULE 144A THEREUNDER OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Prospectus following this notice. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT READ, ACCESS OR OTHERWISE USE THE ATTACHED PROSPECTUS.

THE OFFER GDRS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: The attached Prospectus is being sent at your request and by accepting this electronic transmission and accessing this Prospectus, you shall be deemed to have represented to us that: (1) you and any customers you represent are: (a) QIBs; or (b) outside the United States as defined in Regulation S under the Securities Act and that the electronic mail address to which this Prospectus has been delivered is not located in the United States, its territories, possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction, and, to the extent you purchase the securities described in the attached Prospectus, you will be doing so in an offshore transaction in reliance on Regulation S under the Securities Act; and (2) you consent to delivery of the attached Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not nor are you authorized to forward or deliver the attached Prospectus, electronically or otherwise, to any other person. If you receive the attached Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the attached Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any of Lepu Medical Technology (Beijing) Co., Ltd. (the "Company"), and Credit Suisse AG, CLSA Limited and China International Capital Corporation (UK) Limited (together, the "Joint Global Coordinators"), and China Galaxy International Securities (Hong Kong) Co., Limited, Huatai Financial Holdings (Hong Kong) Limited, and Haitong International Securities Company Limited (together with the Joint Global Coordinators, the "Joint Bookrunners") (or, where applicable in any jurisdiction that requires the offering to be made by a licensed broker or dealer, by such affiliates as are licensed in that jurisdiction for such purpose) that would or is intended to, permit a public offering of the securities, or possession or distribution of the attached Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Company in such jurisdiction.

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of Swiss Financial Services Act, as amended ("**FinSA**"). The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

The attached Prospectus is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") ("**Qualified Investors**"). In addition, in the United Kingdom, the attached Prospectus is being distributed only to, and is directed only at, persons who are "qualified investors" within the meaning of Article 2 of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 and who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high-net-worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being

referred to as "**relevant persons**"). The attached Prospectus is directed only at relevant persons in the United Kingdom and Qualified Investors in any member state of the EEA and must not be acted on or relied on: (i) in the United Kingdom, by persons who are not relevant persons; and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which the attached Prospectus relates is available only to: (i) in the United Kingdom, relevant persons; and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

The attached Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Joint Bookrunners, their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Company, the Joint Bookrunners or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

None of the Joint Bookrunners, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the offering.

The Joint Bookrunners and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the attached Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Joint Bookrunners or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached Prospectus.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the offering. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the offering and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offering or any transaction or arrangement referred to herein.

Lepu Medical Technology (Beijing) Co., Ltd.

(a joint stock company established under the laws of the People's Republic of China with limited liability)

Offering of up to 11,910,286 Global Depositary Receipts representing A Shares in a base offering and up to an additional 5,774,110 Global Depositary Receipts representing A Shares pursuant to an Upsize Option at an Offer Price expected to be between US$12.31 and US$12.68 per Global Depositary Receipt

This prospectus (the "**Prospectus**") relates to (i) an offering (the "**Offering**") by Lepu Medical Technology (Beijing) Co., Ltd. (the "**Company**") of up to 11,910,286 global depositary receipts (the "**Firm GDRs**") and up to an additional 5,774,110 GDRs pursuant to an Upsize Option (as defined below) (the "**Upsize GDRs**," together with the Firm GDRs, the "**Offer GDRs**") with one GDR representing an interest in five A shares of the Company with a fully paid nominal value of RMB1.00 each (the "**A Shares**"), and (ii) a listing of all Offer GDRs and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary (as defined below) on SIX Swiss Exchange AG ("**SIX Swiss Exchange**") in accordance with the Standard for Depository Receipts. The GDRs are to be issued pursuant to the Deposit Agreement (as defined below) against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with Deutsche Bank Trust Company Americas, as depositary (the "**Depositary**").

The Offering consists of: (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of Swiss Financial Services Act, as amended ("**FinSA**"); (ii) an offering in the United States of America (the "**United States**") only to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**"), or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act of 1933, as amended (the "**Securities Act**"); and (iii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and/or Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). All offers and sales outside the United States will be made in compliance with Regulation S.

The Offering is expected to take place from September 15, 2022 until 17:00 Central European Summer Time ("**CEST**") on September 15, 2022 (the "**Offer Period**"). It is currently expected that the final offer price (the "**Offer Price**") for the Offer GDRs will be set within the offer price range of US$12.31 to US$12.68 (the "**Offer Price Range**"). The Offer Price Range is indicative only and may change during the course of the Offering. The Offer Price will be determined among the Company and the Joint Global Coordinators following a bookbuilding process. The Company expects to publish the final Offer Price and the final number of Offer GDRs sold in the Offering by a media release and in a pricing supplement to this Prospectus (the "**Supplement**") on or around September 15, 2022 before the start of trading on SIX Swiss Exchange. This Prospectus and the Supplement shall together constitute the final prospectus.

This Prospectus dated September 15, 2022 has been approved by SIX Exchange Regulation AG in its capacity as review body (the "**Review Body**") pursuant to article 52 of FinSA on September 15, 2022. In addition, application has been made and approval has, subject to certain customary conditions, been given for the listing of up to 17,684,396 GDRs to be issued on or around September 21, 2022 (the "**Closing Date**"), and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary, on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the Offer GDRs will be listed, and trading in the Offer GDRs will commence, on SIX Swiss Exchange on or around September 21, 2022 (the "**First Day of Trading**") under the symbol "LEPU." The GDRs will be denominated in USD.

The A Shares are listed and traded on the Shenzhen Stock Exchange under the stock code 300003.SZ. Prices for the A Shares traded on the Shenzhen Stock Exchange may not reflect the value of the GDRs. Approval of the Review Body has not been sought by the Company for this Prospectus in relation to the A Shares and no such A Shares will be offered by the Company in the Offering and/or listed on SIX Swiss Exchange or any other stock exchange in Switzerland.

See "*Risk Factors*" beginning on page 24 to read about factors you should consider before buying the Offer GDRs. Purchasing the Offer GDRs involves risks. The GDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters. Prospective investors should read this entire Prospectus.

This Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Prospective investors are hereby notified that sellers of the Offer GDRs may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Each purchaser of the Offer GDRs hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in "*Important Information about the Offering*" and "*Selling and Transfer Restrictions*." For a discussion of certain restrictions on transfers of the GDRs in other jurisdictions, see "*Notice to Investors*", "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions*."

The Joint Global Coordinators for the Offering are Credit Suisse AG ("**Credit Suisse**"), CLSA Limited ("**CLSA**") and China International Capital Corporation (UK) Limited ("**CICC**") (the "**Joint Global Coordinators**" and "**Joint Bookrunners**"), and China Galaxy International Securities (Hong Kong) Co., Limited ("**China Galaxy International**"), Huatai Financial Holdings (Hong Kong) Limited ("**Huatai International**"), and Haitong International Securities Company Limited ("**Haitong International**") (the "**Joint Bookrunners**," and together with the Joint Global Coordinators, the "**Managers**"). The GDRs will be issued in global form. The GDRs offered and sold in the United States (the "**Rule 144A GDRs**") will be evidenced by a master rule 144A global depository receipt certificate (the "**Master Rule 144A GDR Certificate**") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), and the GDRs offered and sold outside the United States (the "**Regulation S GDRs**") will be evidenced by a master Regulation S global depositary receipt certificate (the "**Master Regulation S GDR Certificate**" and, together with the Master Rule 144A GDR Certificate, the "**Master GDR Certificates**") registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"). Except as described herein, beneficial interests in the Master GDR Certificates will be shown on, and transfers thereof will be effected only through the records of DTC with respect to the Rule 144A GDRs and Euroclear and Clearstream with respect to the Regulation S GDRs. It is expected that delivery of the GDRs will be made against payment therefor in USD in same day funds through the facilities of DTC, in the case of Rule 144A GDRs, and Euroclear and Clearstream, in the case of Regulation S GDRs, on or about the Closing Date. See "*Clearing and Settlement*."

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **CLSA** **CICC**

Joint Bookrunners

China Galaxy International **Huatai International** **Haitong International**

The date of this Prospectus is September 15, 2022.

Lepu Medical Technology (Beijing) Co., Ltd. (the "**Company**"), which is organized as a joint stock company under the laws of the People's Republic of China (the "**PRC**") with limited liability with its registered office at No. 37 Chaoqian Road, Changping District, Beijing, China, assumes responsibility for the completeness and accuracy of the information in this Prospectus and any supplement. The Company confirms that, to the best of its knowledge, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted.

This Prospectus has been prepared in accordance with FinSA and its implementing ordinance for the purposes of offering the GDRs and listing the GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts.

The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by the Joint Global Coordinators and the Joint Bookrunners (collectively, the "**Managers**") or any of their respective representatives, affiliates or advisors as to the accuracy, completeness or verification of this information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Managers or by their respective representatives, affiliates or advisors. The Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Managers nor any of their respective affiliates that any recipient of this Prospectus should subscribe for the Offer GDRs. Each potential subscriber of Offer GDRs should determine for itself the relevance of the information contained in this Prospectus, and its subscription for the Offer GDRs should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such potential subscriber in connection with the subscription for the Offer GDRs.

As the A Shares are listed on the Shenzhen Stock Exchange, the Company has been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time the Group publicly releases information relating to itself on the Shenzhen Stock Exchange or other media outlets designated by the China Securities Regulatory Commission (the "**CSRC**"). However, the information announced by the Company in connection with its A Shares is based on the regulatory requirements of the securities authorities and market practice in the PRC, which are different from those which will be applicable to the GDRs following the listing of the Offer GDRs on SIX Swiss Exchange. Such information does not and will not form a part of this Prospectus. As a result, prospective investors in the Offering are reminded that, in making their investment decision as to whether to purchase the Offer GDRs, they should rely only on the financial, operating and other information included in this Prospectus. By applying to purchase Offer GDRs in the Offering, prospective investors will be deemed to have agreed that they will not rely on any information other than that contained in this Prospectus and any formal announcements made by us in the PRC with respect to the Offering.

This Prospectus does not constitute: (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates; or (ii) an offer to sell, or the solicitation of an offer to buy, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Each prospective investor in the GDRs (each, an "**Offeree**"), by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to and agreed with the Company and the Managers that:

(i) this Prospectus is personal to such Offeree and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire the GDRs. Distribution of this Prospectus or disclosure of any of its contents to any person other than such Offeree and those persons, if any, retained to advise such Offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Managers, is prohibited;

(ii) the Offeree will not make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

(iii) the Offeree will not forward or deliver this Prospectus (in any form) electronically or otherwise, to any other person or reproduce such Prospectus in any manner whatsoever.

The information contained in this Prospectus is accurate only as of its date. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. Any significant new factor or material inaccuracy related to the information included in this Prospectus which is capable of affecting the assessment of the GDRs and which arises or is noted between the date of this Prospectus and the First Day of Trading or, as the case may be, the time when trading in the GDRs on SIX Swiss Exchange begins, will be announced through electronic media or through a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

In connection with the Offering, the Managers are not acting for anyone other than the Company. The Managers will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any transaction or arrangement referred to herein. No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized.

In making an investment decision, investors must rely on their own examination, analysis and investigation of the Company and the terms of the Offering, including the merits and risks involved. Any decision to buy the GDRs should be based solely on this Prospectus, the Supplement and any other supplement hereto, taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice or be otherwise relied on. This Prospectus does not contain all the information that would be included in a prospectus for the offering of the GDRs if such offering were registered under the Securities Act or pursuant to the Prospectus Regulation (as defined herein). None of the Company, the Managers or any of their respective representatives, is making any representation to any Offeree or purchaser of GDRs regarding the legality of an investment in the GDRs by such Offeree or purchaser under the laws applicable to such Offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the GDRs.

Each investor acknowledges that:

(i) it has not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision;

(ii) it has relied only on the information contained in this Prospectus; and

(iii) no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the GDRs (other than as contained in this Prospectus) and, if given or made, any such other information or representation has not been relied upon as having been authorized by the Company or the Managers or any of their respective affiliates.

Subject to the allocation directive for the new issue market issued by the Swiss Bankers Association on March 29, 2004, which entered into legal force on January 1, 2005, as amended in January 2008, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may, in connection with the Offering, take up a portion of the GDRs in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such GDRs and any GDRs or related investments and may offer or sell such GDRs or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to GDRs being offered or placed should be read as including any offering or placement of GDRs to any of the Managers or any of their respective affiliates acting in such capacity. None of the Managers intends to disclose the extent of any such investment or transactions, otherwise than in accordance with any legal or regulatory obligation to do so.

Availability of Information

Copies of this Prospectus, the Supplement and any other supplements to the Prospectus are/will be available free of charge in Switzerland for 12 months following the First Day of Trading on SIX Swiss Exchange at Credit Suisse AG, Zurich, Switzerland (email: equity.prospectus@credit-suisse.com). In addition, copies of this Prospectus and any supplements to the Prospectus are/will be available free of charge from Lepu Medical Technology (Beijing) Co., Ltd., No. 37 Chaoqian Road, Changping District, Beijing, the PRC (email: zqb@lepumedical.com).

Information on the Company's website, any website directly or indirectly linked to the Company's website or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in GDRs.

For so long as any of the GDRs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Company is neither subject to the reporting requirements under Sections 13 or 15(d) of the US Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish to any holder or beneficial owner of the restricted GDRs, or to any prospective purchaser of such restricted GDRs designated by any such holder or beneficial owner, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act upon request of any such person. Alternatively, such information can be accessed electronically on the website of the Company at http://en.lepumedical.com.

The Company may withdraw the Offering at any time prior to the First Day of Trading, and the Company and the Managers reserve the right to reject any offer to subscribe for the Offer GDRs, in whole or in part, and to sell to any prospective investor less than the full amount of the Offer GDRs sought by such investor.

The distribution of the Prospectus and the Offering are restricted by law in certain jurisdictions. Therefore, persons into whose possession the Prospectus comes and persons who would like to purchase the Offer GDRs pursuant to the Offering should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

The offer of the Offer GDRs may be affected by the laws of the jurisdictions in which the offerees reside. No action has been or will be taken in any jurisdiction that would permit a public offering of the Offer GDRs or the possession, circulation or distribution of the Prospectus or any other material relating to the Company or Offer GDRs in any jurisdiction where action for that purpose is required. Accordingly, the Offer GDRs may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer GDRs may be distributed or published, in any form or in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, rules and regulations of any such country or jurisdiction. Prospective investors should consult their professional advisors as to whether they require any governmental or other consents or authorizations, or need to observe any formalities to enable them to purchase Offer GDRs in the Offering. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. None of the Company, the Managers or any of its or their respective representatives, affiliates or advisors accept any legal responsibility for any violation of applicable securities laws.

The Offer GDRs are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. For a description of certain restrictions on transfers of the Offer GDRs, see "*Selling and Transfer Restrictions*."

Notice to Investors in Switzerland

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

Notice to United States Investors

The Offer GDRs have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being sold in the United States only to QIBs in reliance on the exemption from registration provided by Rule 144A, or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and other securities laws of the United States, and are being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer GDRs may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

THE OFFER GDRS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE IN THE UNITED STATES.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer GDRs within the United States by a dealer, whether or not participating in the Global Offering, may violate the registration requirements of the Securities Act if the offer or sale is made other than pursuant to Rule 144A under the Securities Act or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Notice to Certain European Investors

European Economic Area

In relation to each member state of the European Economic Area, no Offer GDRs have been offered or will be offered pursuant to the Offering to the public in that member state prior to the publication of a prospectus in relation to the Offer GDRs that have been approved by the competent authority in that member state or, where appropriate, approved in another member state and notified to the competent authority in that member state, all in accordance with the Prospectus Regulation, except that offers of Offer GDRs may be made to the public in that member state at any time under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer GDRs in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

In the case of any GDRs being offered to a financial intermediary as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the GDRs acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired

with a view to their offer or resale to persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in a member state to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

United Kingdom

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer GDRs has been approved by the Financial Conduct Authority, except that the Offer GDRs may be offered to the public in the United Kingdom at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of the Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who: (i) have professional experience in matters relating to investments (being investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within article 49(2)(a) to (d) (*high net worth companies, unincorporated associations etc.*) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not

relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Offer GDRs are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

In the case of any GDRs being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the GDRs acquired by it in the Offering has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

Notice to Other Investors

DIFC

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The GDRs to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the GDRs offered should conduct their own due diligence on the GDRs. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Japan

The GDRs have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Identification of Target Market

European Economic Area

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the EEA, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**MiFID II Target Market Assessment**").

United Kingdom

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**", and together with the MiFID II Product Governance Requirements, the "**Product Governance Requirements**"), and/or any equivalent requirements elsewhere, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements and/or any equivalent requirements elsewhere) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the UK, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**", and together with the MiFID II Target Market Assessment, the "**Target Market Assessment**").

General

Notwithstanding the Target Market Assessment, distributors should note that the price of the Offer GDRs may decline and investors could lose all or part of their investment; the Offer GDRs offer no guaranteed income and no capital protection; and an investment in the Offer GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering.

Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) in the case of the MiFID II Target Market Assessment, an assessment of suitability or appropriateness for the purposes of MiFID II and in the case of the UK Target Market Assessment, an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer GDRs. Each distributor is responsible for undertaking its own relevant target market assessment in respect of the Offer GDRs and determining appropriate distribution channels.

Notice to All Investors

Investors should be aware that foreign investors are not generally able to hold A shares in Chinese companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for Qualified Foreign Institutional Investors ("**QFIIs**") and RMB Qualified Foreign Institutional Investors ("**RQFIIs**," together with QFIIs, "**QFIs**").

However, one of the features of the Stock Connect Scheme is that investors will be able to (i) buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares and (ii) subject to certain lock-up restrictions for redemption of the GDRs as described below, sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Pursuant to the Regulatory Provisions on Deposit Receipts under Stock Connect Regimes between Domestic and Overseas Stock Exchanges (境内外证券交易所互联互通存托凭证业务监管规定) published by the CSRC on February 11, 2022 (the "**DR Provisions**"), the creation and redemption of GDRs in connection with the purchase and sale of underlying A Shares may only be facilitated by the Designated Brokers who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to certain quotas imposed by relevant regulators) and providing relevant instructions to the Depositary. For further details, see "*Offering and Sale–Listing and Trading GDRs*."

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price for the security from either market.

It should be noted that, pursuant to the Stock Connect Scheme, GDR holders will not be permitted to redeem their GDRs and hold the underlying A Shares in their on-shore accounts (such as QFII or RQFII accounts, where they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to redeem some or all of their GDRs to hold A Shares would need to sell such GDRs (either on SIX Swiss Exchange or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange, as described above) and separately buy A Shares outside of the Stock Connect Scheme to be held in a separate (existing or newly established) QFII or RQFII or other account.

In addition, pursuant to the DR provisions GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. Therefore, for such period, GDR holders will not be able to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares.

The number of underlying shares of outstanding depositary receipts offered and listed outside China by a domestic listed company shall not exceed the upper limit approved by the CSRC. The upper limit shall be adjusted accordingly if the number of depositary receipts increases or decreases as a result of bonus issue, stock split or reverse split, the adjustment of conversion ratio, or any other reason of the domestic listed company.

Investors should also be aware that pursuant to the DR Provisions the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs whether held directly or indirectly) shall not exceed 10% of the total outstanding shares of the Company. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A Shares of all overseas investors in the Company shall not exceed 30% of the total outstanding shares of the Company. In the event the 30% limit is exceeded, the CSRC may require overseas investors to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors' strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

Pursuant to the Measures for the Administration of Acquisition of Listed Companies (上市公司收购管理办法) promulgated by the CSRC and last amended in March 2020, any person who holds 5% or more of the outstanding shares in a listed company (including the Company) shall, within three days upon its shareholding in the listed company reaching such percentage, (i) prepare a report on its change of shareholding, (ii) notify the CSRC, the relevant stock exchange and the listed company, and (iii) make an announcement on such event. In addition, a person holding 5% or more of a listed company's outstanding shares shall be subject to the same reporting and announcement obligations as set out above each time its shareholding in the listed company increases or decreases by 5%. Such persons will be subject to trading restrictions before and/or within a period of time after the reporting, filing and disclosure obligations are fulfilled. A person holding 5% or more of the outstanding shares in a listed company may file a short-form report if it holds less than 20% of the outstanding shares in the listed company and it is not the largest shareholder or de facto controlling person of the listed company; otherwise it will be required to file a long-form report disclosing its shareholding. Pursuant to the DR Provisions, an investor's holding of GDRs will be aggregated with its holding of the Company's outstanding Shares through other channels, including but not limited to, any direct holding of the Company's A Shares, as well as the holding of GDRs and Shares by persons acting-in-concert with such investor. The Company is also required to disclose in its annual reports, among other things, information on persons holding 5% of its Shares, together with any changes to their shareholding and any pledge or encumbrance over the Shares held by such persons.

General Sales Restrictions

No action has been or will be taken by the Company or the Managers in any jurisdiction that would, or is intended to, permit a public offering of the Offer GDRs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where further action for that purpose is required.

Each purchaser will be deemed to have acknowledged, represented and warranted that it understands and agrees to the foregoing restrictions set out in this section.

This Prospectus contains various forward-looking statements that reflect the views of our management with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including the words "aims," "believes," "estimates," "forecasts," "anticipates," "projects," "expects," "intends," "may," "will," "plans," "continue" or "should" or, in each case, their negative or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places throughout this Prospectus, including, without limitation, in "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*," and "*Our Business*," and include, among other things, statements relating to:

- our ability to develop and manage our operations and business;
- our strategies for growth and sources of new revenue;
- economic outlook, industry trends and challenges, and impact of regulatory initiatives;
- the competitive environment in which we operate;
- our ability to attract and retain quality employees;
- the impact of catastrophic or unforeseen events;
- the expectations and assumptions regarding the impact of the COVID-19 pandemic on us and our customers; and
- our success at managing the risks associated with the aforementioned factors.

Although our management believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that they will materialize or prove to be correct. Since these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among other things:

- capital market volatility, inflation, interest rate and exchange rate fluctuations;
- changes in the industry and regulatory environment in which we operate;
- the failure of third parties to provide their services or meet their obligations;
- the severity and duration of the COVID-19 pandemic and its resulting global economic uncertainty as well as the measures taken by governments and businesses in response thereto;

- the macroeconomic and political environment of the PRC and other jurisdictions in which we operate; and

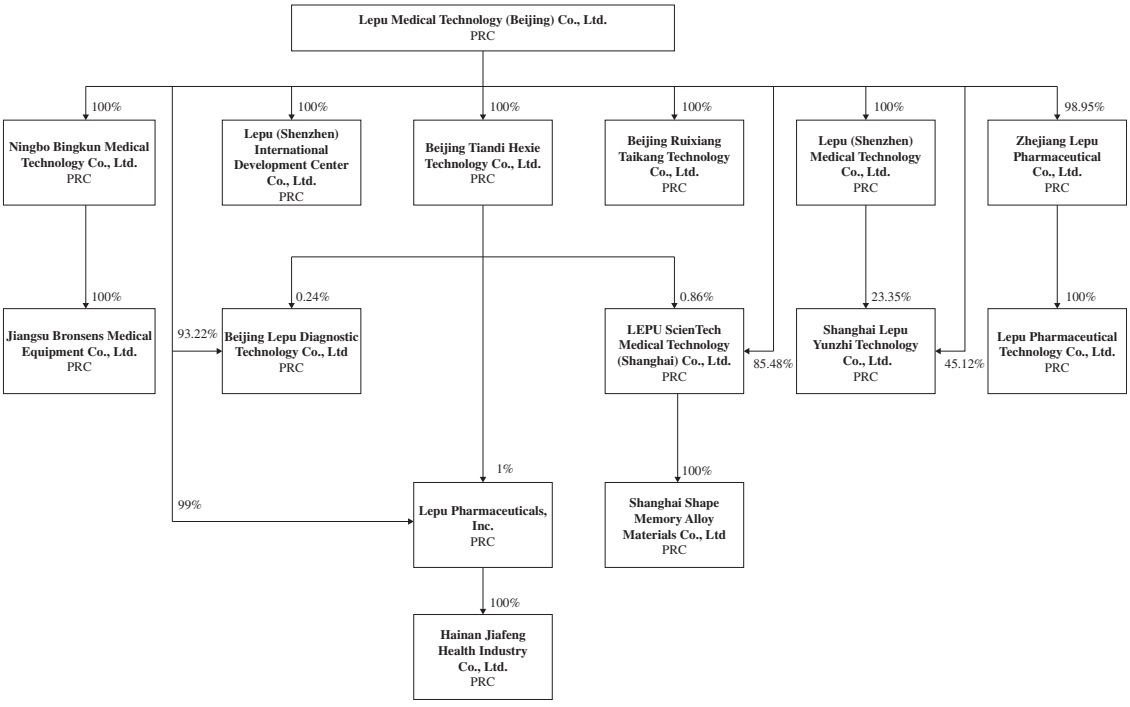
- technological changes impacting the sectors in which we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*."

The forward-looking statements contained herein speak only as of the date of this Prospectus. We expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

The Company was established on June 11, 1999 as a limited liability company in the PRC, and was converted into Lepu Medical Technology (Beijing) Co., Ltd., a joint stock company with limited liabilities, on January 14, 2008. The Company was listed on the Shenzhen Stock Exchange with the stock code 300003.SZ since October 2009.

The following diagram shows a simplified overview of our Group's corporate structure as of the date of this Prospectus:



This Prospectus contains:

- consolidated historical financial information of the Group as of and for the three years ended December 31, 2019, 2020 and 2021 (the "**Annual Historical Financial Information**") prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"), together with the audit report thereon by BDO China SHU LUN PAN Certified Public Accountants LLP; and

- unaudited consolidated condensed interim financial information of the Group as of and for the six months ended June 30, 2022 (together with comparative financial information as of and for the six months ended June 30, 2021) (the "**Six Month Historical Financial Information**") prepared in accordance with PRC GAAP, together with the review report thereon by BDO China SHU LUN PAN Certified Public Accountants LLP. For the avoidance of doubt, the financial information for the six months ended June 30, 2021 is neither audited nor reviewed by BDO China SHU LUN PAN Certified Public Accountants LLP.

EBITDA and EBITDA Margin

EBITDA is a non-PRC GAAP measure that represents net profit before income taxes, depreciation, amortization and total expense paid for interests. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting financial expenses), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense). EBITDA margin is defined as EBITDA divided by operating revenue, expressed as a percentage.

Accordingly, EBITDA and EBITDA margin should not be considered as an alternative to net profit, net margin or any other performance measures derived in accordance with PRC GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity. We believe that inclusion of EBITDA and EBITDA margin is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. EBITDA and EBITDA margin have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our operating results as reported under PRC GAAP.

Financial Year

The financial year of our Group ends on December 31 of each calendar year.

Other Data

Certain numerical figures set out in this Prospectus, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and industry data have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the annual consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and do not use the numerical data in the narrative description thereof.

This Prospectus contains and refers to numerical data, market data, and information or estimates on the market and competitive environment in which we operate that is taken from an industry report prepared for us by Frost & Sullivan, an industry consultant firm located at Room 2504, Wheelock Square, 1717 West Nanjing Road, Shanghai, PRC, as of June 2022 (the "**Frost & Sullivan Report**"). The report's objective was to determine the relevant markets for us, their size and growth prospects and to determine our competitive position in these markets. In preparing the Frost & Sullivan Report, Frost & Sullivan referred to both primary and secondary research obtained from various sources in respect of the designated market. Primary research consists of in-depth interviews with leading industry participants and industry experts. Secondary research consists of reviewing reports of market participants, independent research reports and data of the Frost & Sullivan's own research database. Projected data were obtained from extrapolation of historical and macroeconomic data with reference to specific industry related factors, in which the data referenced has been cross-validated through multiple channels.

Neither we nor the Managers have independently verified the industry data and other information on which third parties have based their studies or the external sources on which our own estimates are based, except to the extent set forth in the paragraph directly above. Therefore, neither we nor the Managers assume responsibility for the accuracy of the information, other than the correct reproduction of such information, on the industry environment, developments, growth rates, trends and competitive situation presented in the Prospectus from third-party studies or the accuracy of the information on which our own estimates are based. Prospective investors in the GDRs should also be aware that market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual or future market conditions.

While we are not aware of any misstatements regarding the industry or similar data presented in this Prospectus, the use of such data involves risks and uncertainties and is subject to change based on various factors, including those discussed in "*Forward-Looking Statements*" and "*Risk Factors*."

We present our consolidated financial statements in RMB. The rates in each of the following tables may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Prospectus. We have provided these exchange rates solely for the convenience of potential investors. The rates should not be construed as a representation that RMB amounts could have been, or could be, converted into CHF, EUR or USD at the rates set forth herein or at any other rate.

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Generic Price (BGN) expressed as Swiss francs (expressed as CHF) per RMB1.00, USD per RMB1.00 and EUR per RMB1.00. The Bloomberg Generic Price is Bloomberg's preferred default source for generic exchange rate data, designed to show market-consensus bid/ask rates based on input rates from a select subset of Bloomberg's exchange rate price contributors. The average rate for a month or year means the average of the daily Bloomberg Generic Price during that month or year, or shorter period, as the case may be.

	CHF per RMB1.00			
Year	**High**	**Low**	**Average[1]**	**Year end**
2019	0.1518	0.1369	0.1439	0.1390
2020	0.1411	0.1297	0.1360	0.1356
2021	0.1465	0.1357	0.1417	0.1435

Month	**High**	**Low**	**Average[1]**	**Period end**
January 2022	0.1464	0.1433	0.1446	0.1457
February 2022	0.1466	0.1445	0.1454	0.1454
March 2022	0.1481	0.1454	0.1468	0.1456
April 2022	0.1490	0.1454	0.1470	0.1472
May 2022	0.1483	0.1423	0.1462	0.1438
June 2022	0.1486	0.1425	0.1449	0.1425
July 2022	0.1464	0.1411	0.1439	0.1411
August 2022	0.1423	0.1396	0.1408	0.1419
September 2022[2]	0.1422	0.1377	0.1402	0.1387

(1) The average of the exchange rates for each business day during the relevant period.

(2) From September 1 to September 13, 2022

	USD per RMB1.00			
Year	**High**	**Low**	**Average[1]**	**Year end**
2019	0.1495	0.1393	0.1448	0.1436
2020	0.1533	0.1395	0.1450	0.1532
2021	0.1576	0.1522	0.1550	0.1573

Month	**High**	**Low**	**Average[1]**	**Period end**
January 2022	0.1582	0.1567	0.1573	0.1572
February 2022	0.1585	0.1571	0.1577	0.1585
March 2022	0.1584	0.1569	0.1576	0.1577
April 2022	0.1572	0.1509	0.1553	0.1513
May 2022	0.1504	0.1473	0.1490	0.1499
June 2022	0.1503	0.1480	0.1493	0.1493
July 2022	0.1494	0.1478	0.1485	0.1483
August 2022	0.1487	0.1447	0.1470	0.1451
September 2022[2]	0.1449	0.1436	0.1442	0.1442

(1) The average of the exchange rates for each business day during the relevant period.

(2) From September 1 to September 13, 2022

	EUR per RMB1.00			
Year	**High**	**Low**	**Average[1]**	**Year end**
2019	0.1331	0.1258	0.1293	0.1280
2020	0.1325	0.1211	0.1271	0.1250
2021	0.1398	0.1257	0.1312	0.1385

Month	**High**	**Low**	**Average[1]**	**Period end**
January 2022	0.1411	0.1372	0.1390	0.1403
February 2022	0.1419	0.1374	0.1390	0.1413
March 2022	0.1456	0.1411	0.1430	0.1421
April 2022	0.1456	0.1424	0.1439	0.1436
May 2022	0.1440	0.1383	0.1411	0.1398
June 2022	0.1431	0.1393	0.1414	0.1427
July 2022	0.1479	0.1431	0.1459	0.1453
August 2022	0.1469	0.1436	0.1452	0.1442
September 2022[2]	0.1457	0.1425	0.1444	0.1441

(1) The average of the exchange rates for each business day during the relevant period.

(2) From September 1 to September 13, 2022

In this Prospectus:

- References to "A share(s)" are to shares of any company that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi.
- References to "A Share(s)" are to domestic shares of our Company, with a par value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shenzhen Stock Exchange.
- References to the "Articles of Association" are to the articles of association of our Company.
- References to the "Board" or "Board of Directors" are to the board of directors of our Company.
- References to "CICC" are to China International Capital Corporation (UK) Limited.
- References to "Clearstream" are to Clearstream Banking, *société anonyme*.
- References to "CLSA" are to CLSA Limited.
- References to "Credit Suisse" are to Credit Suisse AG.
- References to "CSDC" are to China Securities Depository and Clearing Corporation Limited.
- References to "CSRC" are to China Securities Regulatory Commission.
- References to "Custodian" are to Industrial and Commercial Bank of China Limited of No. 55 Fuxingmennei Street, Xicheng District, Beijing, 100140, PRC.
- References to the "Deposit Agreement" are to the deposit agreement entered into by our Company and the Depositary on September 15, 2022 in connection with the issuance of the GDRs.
- References to the "Depositary" are to Deutsche Bank Trust Company Americas.
- References to the "Designated Broker" are to a SIX member that has been "designated" by the Shenzhen Stock Exchange as a "designated broker."
- References to "Director(s)" are to director(s) of our Company.
- References to "DR Provisions" are to "Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges" published by the CSRC on February 11, 2022.
- References to "DTC" are to The Depository Trust Company.
- References to the "EEA" are to the European Economic Area.
- References to "EIT" are to China enterprise income tax.
- References to the "EMA" are to the European Medicines Agency.

- References to "Euroclear" are to Euroclear Bank S.A./N.V., as operator of the Euroclear System.
- References to the "EUWA" are to the European Union (Withdrawal) Act 2018.
- References to the "Exchange Act" are to the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.
- References to the "FDA" are to the US Food and Drug Administration.
- References to "FinSA" are to Swiss Financial Services Act of June 15, 2018; references to "FMIO" are to the Financial Market Infrastructure Ordinance (*Finanzmarktinfrastrukturverordnung*) of November 25, 2015; references to "FMIO-FINMA" are to the Financial Market Infrastructure Ordinance-FINMA (*Finanzmarktinfrastrukturverordnung-FINMA*) of December 3, 2015.
- References to "Firm GDRs" are to up to 11,910,286 GDRs.
- References to "Frost & Sullivan" are to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company.
- References to the "Frost & Sullivan Report" are to a report prepared by Frost & Sullivan at our request for the purposes of this Prospectus, dated June 2022, on us and the markets in which we operate.
- References to "GDR" are to a global depositary receipt which represent A Shares.
- References to "Holders" are to holders of the GDRs.
- References to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC.
- References to "Joint Bookrunners" are to Credit Suisse, CLSA, CICC, China Galaxy International, Huatai International and Haitong International.
- References to "Joint Global Coordinators" are to Credit Suisse, CLSA and CICC.
- References to the "Latest Practicable Date" are to September 9, 2022.
- References to the "Listing Rules" are to the listing rules of SIX Exchange Regulation.
- References to "Managers" are to the Joint Global Coordinators and the Joint Bookrunners.
- References to "Master GDR Certificates" are to the Master Regulation S GDR Certificate and the Master Rule 144A GDR Certificate.
- References to "Master Regulation S GDR Certificate" are to Master Regulation S Global Depositary Receipt Certificate.

- References to "Master Rule 144A GDR Certificate" are to Master Rule 144A Global Depository Receipt Certificate.
- References to "MOF" are to Ministry of Finance of the PRC.
- References to the "MOFCOM" are to the Ministry of Commerce of the PRC.
- References to the "NDRC" are to the National Development and Reform Commission of the PRC.
- References to the "NHC" are to the National Health Commission of the PRC.
- References to the "NHSA" are to the National Healthcare Security Administration of the PRC.
- References to the "NMPA" are to the National Medical Product Administration of the PRC.
- References to "Offer GDRs" are to the 17,684,396 GDRs offered by the Company in the Offering (comprising the Firm GDRs and the Upsize GDRs).
- References to "Offer Price" are to the price at which Offer GDRs will be sold in the Offering.
- References to "Offer Price Range" are to US$12.31 to US$12.68.
- References to the "Offering" are to the offering of: (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; (ii) an offering in the United States only to QIBs as defined in, and in reliance upon, Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (iii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S.
- References to "our Company" or the "Company" are to Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司) having its registered office at No. 37 Chaoqian Road, Changping Tech. Zone, Beijing, 102200 the PRC.
- References to "PBOC" are to People's Bank of China.
- References to the "PRC" or "China" are to the People's Republic of China, and solely for the purpose of this Prospectus and by reference to region, excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong Special Administrative Region of the PRC.
- References to "PRC GAAP" are to Accounting Standard for Business Enterprises–Basic Standard, and the specific accounting standards and other relevant regulations issued by the MOF on February 15, 2006 and in subsequent periods.

- References to "Prospectus Regulation" are to Regulation (EU) 2017/1129 as amended from time to time.
- References to "QFI" are to qualified foreign investors, comprising QFII and RQFII.
- References to "QFII" are to qualified foreign institutional investors.
- References to "QIB(s)" are to "qualified institutional buyer(s)" as defined in Rule 144A.
- References to "Qualified Investors" are to qualified investors within the meaning of the Prospectus Regulation.
- References to "Regulation S" are to Regulation S under the Securities Act.
- References to "Regulation S GDRs" are to GDRs offered and sold outside the United States.
- References to "Renminbi" or "RMB" are to the lawful currency of the PRC; references to "CHF" are to Swiss francs, the lawful currency of Switzerland; references to "EUR" are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and references to "USD" and "US$" are to the United States dollars, lawful currency of the United States.
- References to "RQFII" are to RMB qualified foreign institutional investors.
- References to "Rule 144A" are to Rule 144A under the Securities Act.
- References to "Rule 144A GDRs" are to GDRs offered and sold in the United States pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements under the Securities Act.
- References to "SAFE" are to State Administration of Foreign Exchange of the PRC.
- References to the "SEC" are to the US Securities and Exchange Commission.
- References to the "Securities Act" are to the US Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.
- References to the "Share(s)" are to the A Share(s).
- References to "SIS" are to SIX SIS AG.
- References to "SIX Exchange Regulation" are to SIX Exchange Regulation AG.
- References to "SIX Swiss Exchange" are to SIX Swiss Exchange AG.
- References to "State Council" are to State Council of the PRC.

- References to "Supervisor(s)" are to member(s) of the Supervisory Committee.
- References to the "Supervisory Committee" are to the supervisory committee of our Company.
- References to "UK Prospectus Regulation" are to Regulation (EU) 2017/1129 and the delegated acts, implementing acts and technical standards thereunder as such legislation forms part of retained EU law as defined in the EUWA.
- References to "UK" or "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland.
- References to the "Upsize GDRs" are to up to 5,774,110 GDRs that may be issued pursuant to the Upsize Option.
- References to the "Upsize Option" are to the option that may be jointly exercised by the Company and the Joint Global Coordinators (on behalf of the Managers) on the date of pricing of the Offering based on demand to offer up to an additional 5,774,110 GDRs.
- References to the "Underwriting Agreement" are to the underwriting agreement between our Company and the Managers, dated on or around the date of this Prospectus, in connection with the Offering.
- References to the "US" or the "United States" are to the United States of America.
- References to "VAT" are to value-added tax.
- References to "we," "us," "our," "our Group" or the "Group" are to the Company and its consolidated subsidiaries, unless the context requires otherwise.

In addition to the terms above, this Prospectus contains a glossary of certain technical terms relating to our industry and business. See "*Glossary of Technical Terms*."

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SUMMARY

This summary should be read as an introduction to this Prospectus and, for purposes of FinSA, constitutes a summary within the meaning of articles 40(3) and 43 thereof and article 54 of the Financial Services Ordinance (FinSO). This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus, including the discussion under "Risk Factors," "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our consolidated financial statements. Investors should base their investment decision on a review of the entire Prospectus, and not only this "Summary" section, because of the significantly more detailed information in other parts of this Prospectus.

Any potential investors in the GDRs should be aware that liability under article 69 of FinSA for the summary is limited to cases where the information contained herein is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Capitalized terms used in this summary but not defined herein have the meanings assigned to them elsewhere in this Prospectus.

Overview

We were the only total-solution provider in the PRC across the full life cycle of cardiovascular disease management, with products and services encompassing medical devices, pharmaceuticals, and medical care solutions, as of the date of Prospectus, according to Frost & Sullivan. We are one of the earliest companies in the PRC to offer coronary interventional products and have consolidated our first-mover advantage through relentless innovation since our inception in 1999. Our key products, namely, coronary drug-eluting stent, coronary bioresorbable scaffold, coronary drug-coated balloon, congenital heart disease occluder and coronary cutting balloon, all ranked top three in the PRC, according to the same source, in terms of operating revenue in 2021. We have grown steadily for the past 15 consecutive years at a CAGR of 31.5% in operating revenue and a CAGR of 24.9% in net profit. We have been listed on the Shenzhen Stock Exchange (SZSE: 300003.SZ) since October 2009.

We organize our business into three operating segments which are also our reporting segments: medical devices, pharmaceuticals and medical care solutions, which contributed to 57.9%, 30.6% and 11.6% of our operating revenue, respectively, in 2021.

- **Medical Devices**. We primarily offer cardiovascular medical devices such as coronary interventional products, structural heart disease products, cardiac rhythm management products, digital subtraction angiography (DSA) equipment, and peripheral interventional products. In particular, we are a pioneer in the innovative coronary medical device market in the PRC. Leveraging our technical capabilities and industry expertise, as well as sales and supply chain networks from the cardiovascular market, we have further expanded into in vitro diagnostics (IVD) equipment and test kits, and surgical & anesthetic devices and consumables. We had obtained 541 NMPA type II and type III licenses, 234 CE certificates and 34 FDA approvals in medical devices as of June 30, 2022.

- **Pharmaceuticals**. We offer both active pharmaceutical ingredient (API) and finished dosage forms (FDF) pharmaceuticals. According to Frost & Sullivan, we provide one of the most comprehensive cardiovascular FDF offerings in the PRC. We had 87 pharmaceuticals included in the NRDL as of June 30, 2022, primarily antihyperlipidemic, antihypertensive, antihyperglycemic, anti-thrombotic and anti-heart failure pharmaceuticals.

- **Medical Care Solutions**. We offer cardiovascular-related medical care solutions through our cardiovascular hospital, Internet hospitals, check-up center, independent clinical laboratories, and online pharmacies. We also provide solutions for cardiovascular patients to facilitate their health management at home. Empowered by our AI-ECG platform, our vital sign monitoring products and services, such as medical equipment and consumables, software systems and data analysis services, provide continuous remote monitoring to support consumers' health management.

Our leading R&D expertise and capabilities have enabled us to develop and successfully commercialize a comprehensive portfolio of products. Our National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center was the only nationally certified research center for implantation and intervention devices for cardiovascular diseases in the PRC as of June 30, 2022. We focus our R&D efforts on unmet clinical needs. We have developed and commercialized the first fully biodegradable occluder in the world and many first Chinese brand products, such as coronary stent, cardiac pacemaker, bioresorbable scaffold and coronary cutting balloon. In addition, we are the first PRC company to apply AI technology to ECG devices. We had a total of 1,541 registered patents in the PRC as of June 30, 2022. Furthermore, benefiting from our diverse technology platforms, we have developed over 80 product candidates for cardiovascular devices and peripheral artery devices across coronary artery diseases, structural heart diseases, cardiac rhythm management, electrophysiology and other segments, of which our peripheral cutting balloon, coronary Fractional Flow Reserve (FFR) measurement catheter and measurement system, among other products, have entered registration stage. In addition, our pulsed sonic balloon dilatation catheter, drug-coated balloon (coronary branches), PTCA drug-coated balloon catheter, drug-coated balloon catheter for acute coronary syndrome, above-the-knee PTA drug-coated balloon, below-the-knee PTA drug-coated balloon, transcatheter aortic valve replacement (TAVR) system, ScienCrown^{TM}, transapical mitral valve repair system (chordal), transapical mitral valve clip repair system, interatrial shunt device and Qinming8632 smart pacemaker, among other products, have commenced clinical trials and are expected to drive our future growth further.

The following table sets forth the information on our key product candidates by stage:

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
Coronary	• Pressure-controlled intermittent coronary sinus occlusion	• Percutaneous transluminal coronary angioplasty (PTCA) balloon dilatation (GRIP)	• Pulsed sonic balloon dilatation catheter (coronary artery)	• FFR measurement catheter
	• Exchange device	• Coronary scoring balloon	• Drug-coated balloon catheter (coronary branches)	• FFR measurement system
	• Drug-coated coronary scoring balloon	• Coronary rapamycin infusion system	• PTCA drug-coated balloon catheter	• Disposable radial artery compression hemostat apparatus
	• Drug-coated cutting balloon	• Rapamycin-coated balloon catheter (coronary branches)	• Drug-coated balloon catheter for acute coronary syndrome (ACS)	• Disposable micro-guidewire
	• Intravenous Ultrasound (IVUS)	• Coronary rapamycin coated balloon catheter		
	• Pressure sensor system for single use			
Peripheral artery	• Below-the-knee (BTK) DCB (small artery)	• Peripheral vascular dissection stent	• Above-the-knee PTA DCB	• Peripheral cutting balloon (PCB)
	• Bioresorbable biliary stent/bioabsorbable peripheral DES	• Rapid thrombus aspiration device	• Below-the-knee PTA DCB	• Small peripheral cutting balloon (SPCB)
	• Thrombectomy device	• Peripheral artery rapamycin infusion system	• Pulsed sonic balloon dilatation catheter (peripheral artery)	
	• Water-powered thrombectomy device			
	• Peripheral plaque rotational atherectomy system			
Structural heart diseases	• Artificial heart valve with polymer leaflets for transcatheter implantation	• Left atrial appendage occluder (biodegradable)	• Atrial septal defect occluder (biodegradable)	
	• Transcatheter aortic valve stenosis therapy system	• Transcatheter aortic valve system (balloon dilatation)	• Patent foramen ovale occluder (biodegradable)	
	• Aortic valve perfusion system	• Transfemoral mitral valve clip repair system (TMVr-F)	• Transcatheter aortic valve replacement (TAVR) system ScienCrown™	
	• Aortic regurgitation prevention device (annulus)		• Transapical mitral valve repair system (chordal) (TMVCRS)	
	• Non-slip element balloon dilation catheter for valve		• Transapical mitral valve clip repair system (TMVr-A)	

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
	• Dilation occluding device for paravalvular leak (annulus) • Transcatheter aortic valve stenosis therapy system • Bioprosthetic surgical valve • Partially biodegradable valve • Transcatheter valve in valve replacement system • Transcatheter mitral valve replacement system (TMVR) • Transcatheter annulus repair system • Transcatheter tricuspid valve repair system • Transcatheter papillary muscle repair system • Transcatheter tricuspid valve replacement system • Transcatheter annulus repair system • Transcatheter pulmonary valve replacement system		• Aortic balloon dilatation system	
Electrophysiology	• Ultrasonic ablation catheter for pulmonary artery denervation • Radiofrequency ablation catheter and device for renal denervation • Catheter for targeted pulmonary denervation • Spray cryocatheter for chronic obstructive pulmonary disease (COPD)	• Cryoballoon ablation catheter and device • Radiofrequency ablation catheter device	• Ultrasonic ablation catheter and device for renal denervation	
Cardiac rhythm management, & neuro-modulation	• Cardioverter defibrillator (ICD) • Cardiac Resynchronization Therapy pacemaker (CRT) • Vagus nerve stimulator (VNS) • Spinal cord stimulator	• MRI compatible smart pacemaker • Deep Brain Stimulation (DBS) • Cardiac Contractility Modulator (CCM)	• Qinming8632 smart pacemaker	
Heart failure	• Left ventricular assist device (LVAD) • Transcatheter cardio clip • Hydrogel implant system • Implantable cardiac resynchronization pacemaker • Implantable cardiac resynchronization defibrillator	• Interatrial radiofrequency ablation shunt device • Cardiac Contractility Modulator (CCM)	• Interatrial shunt device	

Our extensive sales, marketing and distribution network integrates online and offline channels to reach medical institutions, pharmacies and online pharmacies, across 31 provinces, municipalities and autonomous regions in the PRC and over 120 overseas countries and regions as of June 30, 2022. Our sales and marketing strategies are customized to fit our diverse products and services.

Our Company is led by a management team with international vision and an average of over 20 years' experience in the healthcare industry and over seven years' experience in our Company. Despite the changing market conditions and various challenges faced by the healthcare industry in the PRC and globally, such as those relating to value-based procurement (VBP) and COVID-19, we continue to maintain solid growth. From 2019 to 2021, our operating revenue increased from RMB7.8 billion to RMB10.7 billion at a CAGR of 16.9%; our net profit attributable to shareholders of the Company after deducting non-recurring profit and loss increased from RMB1.2 billion to RMB1.9 billion at a CAGR of 22.3%; and our net cash inflow from operating activities increased from RMB2.0 billion to RMB3.1 billion at a CAGR of 24.0%. With the development and successful commercialization of innovative products in 2020, our operating revenue, net profit attributable to shareholders of the Company after deducting non-recurring profit and loss and net cash inflows from operating activities increased by 32.6%, 31.3% and 46.5%, respectively, from 2020 to 2021. We have also had long-standing commercial success historically. From 2014 to 2018, our operating revenue, net profit attributable to shareholders of the Company after deducting non-recurring profit and loss and net cash inflows from operating activities grew at a CAGR of 39.7%, 26.7% and 44.1%, respectively.

Our Key Competitive Strengths

Domestic leader in the PRC cardiovascular market

We were the only total-solution provider in the PRC across the full life cycle of cardiovascular disease management with products and services encompassing medical devices, pharmaceuticals and medical care solutions, as of the date of Prospectus, according to Frost & Sullivan. Through relentless innovation since our establishment in 1999, we have become a pioneer and a leader in the cardiovascular market in the PRC.

The successful development and commercialization of our bioresorbable scaffold, cutting balloon and drug-coated balloon have helped accelerate the advancement of the domestic coronary intervention industry through the application of precision percutaneous coronary intervention (PCI) in treatments with proven commercial success. Our key products, such as coronary drug-eluting stent, coronary bioresorbable scaffold, coronary drug-coated balloon, congenital heart disease occluder and coronary cutting balloon, all ranked top three in the PRC in terms of operating revenue in 2021, according to Frost & Sullivan. We have developed and commercialized the first fully biodegradable occluder worldwide and many first Chinese-branded products such as coronary stent, cardiac pacemaker, bioresorbable scaffold and coronary cutting balloon. In addition, we are the first PRC company to apply AI technology to ECG devices, offering AI-empowered digitalized services across prevention, diagnosis, treatment and rehabilitation to patients to build a one-stop cardiovascular medical care solutions platform. We had over 100 NMPA medical device registrations and more than 80 product candidates for the treatment of cardiovascular diseases as of June 30, 2022. We believe that our accumulated expertise in product commercialization and our robust product pipeline will enable us to consolidate our leading position and market penetration.

Robust product pipeline derived from highly effective development platforms

Our multidisciplinary biomedical technology platforms are crucial for us to address the needs of cardiovascular devices. Our R&D teams, led by Dr. PU Zhongjie, Chairman and technology head of our Company, are responsible for the design of, clinical trials and registration for, products in each targeted area. Leveraging our versatile technology platforms, we are dedicated to improving existing products and developing innovative products. We had more than 80 product candidates for the treatment of cardiovascular diseases as of June 30, 2022. For example, enabled by our biodegradable biomaterial technology, our biodegradable occluder can fully biodegrade within 12 months after implantation in the human body. Our biodegradable occluder can reduce compression and abrasion to normal tissue caused by conventional metal occluders and hence avoid the risks of long-term complications. Furthermore, leveraging our deep industry expertise, we have been able to coordinate our R&D efforts to provide innovative solutions to address unmet needs. For example, we developed pulsed sonic balloon dilatation catheters and a coronary rapamycin infusion system to address pain points in the treatment of coronary artery calcification, in particular, in severe cases. We have also developed FFR and quantitative coronary analysis (QCA) systems targeting the underdeveloped market of precision diagnosis in PCI procedures.

Product Candidate	Stage	Functionality	Value Proposition
FFR	Registration	Measurement of coronary artery pressure during coronary angiography and/or interventional procedures	Provide valuable information for pre-interventional, intra-interventional and post-interventional evaluation of myocardial ischemia in PCI procedure
AI-QCA	Clinical trial	Identify and locate lesions for angiography analysis and 3D vessel reconstruction	Enable AI-empowered identification of shape of vascular tree and 3D reconstruction of coronary artery, locate stenosis segments and calculate the vessel diameter and stenosis rate, and provide reference data for stent implantation
Pulsed sonic balloon dilatation catheter	Clinical trial	Break up calcified lesions in arteries with sonic pressure waves	Potentially reduces risks of vascular injury associated with rotational atherectomy
Coronary rapamycin infusion system	Pre-clinical	Treatment for vascular stenosis or in-stent restenosis	Easier to pass through the vessel, lower drug loss and better positioned compared to drug-coated balloon

Holistic solutions empowered by AI technologies

We are a pioneer in the application of AI technologies to medical care solutions. Our AI-empowered solutions, featuring AI-ECG solutions and other vital sign monitoring products, can be used by both medical institutions and individual consumers. We are the first domestic company to offer commercialized AI-ECG algorithm-integrated vital sign monitoring products in the PRC. Our AI-ECG solutions, with a diagnostic accuracy of over 95% (on the same level as cardiologists), provide real-time diagnostic assistance, short-term static or long-term dynamic monitoring and analysis and diagnosis services

such as remote health management services. With our FDA, CE and NMPA registrations and approvals, we have commercialized our AI-ECG solutions globally. We have offered our AI-ECG products to more than 9,100 medical institutions in the PRC, performing short-term static ECG monitoring and long-term dynamic ECG monitoring over 180 million times and 2.7 million times, respectively, as of June 30, 2022. In addition to AI-ECG products, we have also developed AI-empowered product candidates for blood pressure monitoring, blood glucose monitoring, echocardiography and QCA. We are able to offer one-stop services with advanced AI technologies and deep industry insights. Our services cover the full life cycle of disease management, ranging from prevention, diagnosis and treatment, to rehabilitation, supported by our online and offline medical capabilities. Specifically, through our Internet hospital, patients can receive online services such as personalized consultations and online prescriptions, regardless of geographic boundaries. Meanwhile, doctors and patients can access real-time data for assisted diagnosis, early warning and disease management services. We believe that such comprehensive solutions will continue to strengthen our cardiovascular market leadership.

Diversified products and service solutions

In the cardiovascular market, we have developed a full-spectrum portfolio across medical devices, pharmaceuticals and medical care solutions. In addition to our over 100 NMPA-approved medical devices for cardiovascular diseases, we had 87 NMPA-approved pharmaceuticals included in the NRDL, primarily anti-thrombotic, antihyperlipidemic, antihypertensive, antihyperglycemic and anti-heart failure drugs, as of June 30, 2022. In the medical care solutions sector, we own a total of nearly 20 healthcare facilities and online platforms encompassing a Class III specialized cardiovascular hospital, Internet hospitals, a check-up center, independent clinical laboratories, and online pharmacies. We also offer AI-empowered vital sign monitoring products, which can be used in both hospitals and households. Benefiting from our strengths in technology, R&D expertise, sales and marketing resources and brand awareness, we are able to continuously offer comprehensive products and services in the cardiovascular market and expand into other markets to diversify against risks with further customer and supplier development, enlarged sales and distribution network, and strengthened synergies throughout R&D, production and sales and marketing to maintain steady growth. As of the date of Prospectus, we have expanded into the following markets:

- **IVD equipment and test kits:** Our comprehensive IVD solutions, including equipment and test kits, are underpinned by technologies in hematology, immunoassay, molecular and biochemical tests. We also offer an array of products based on point-of-care testing (POCT) techniques. Specifically, to address the needs of consumers during the COVID-19 pandemic, we have developed and globally commercialized COVID-19 antigen rapid test kits. In addition, in response to the Monkeypox outbreak in 2022, we have developed the Monkeypox Virus Nucleic Acid Test kit (PCR-fluorescent probe method), for which we have obtained CE approval since May 2022.

- **Surgical & anesthetic devices and consumables:** We also produce various types of staplers, ultrasonic scalpels and stents for gastrointestinal and respiratory intervention, as well as a comprehensive portfolio of minimally invasive surgical & anesthetic consumables.

- **Consumer products and services:** We are exploring consumer healthcare markets with products such as clear aligners and product candidates such as orthokeratology lenses.

Global sales and distribution network with industry specialists

Our sales team is led by industry veterans with an average of over 20 years' experience in the healthcare industry. Our expansive sales, marketing, and distribution network reached over 9,000 medical institutions, including over 2,700 hospitals with PCI procedure capabilities, and nearly 200,000 pharmacies across all provinces, municipalities and autonomous regions in the PRC and more than 120 overseas countries and regions, as of June 30, 2022. In 2021, we generated RMB3,760 million from overseas sales, representing 35.3% of our operating revenue, which had grown at a CAGR of 161% from 2019. Our commercial success is bolstered by our targeted marketing strategy. We organize our sales and marketing teams by categories of products, especially for innovative products, to conduct product education and training services for hospitals and doctors via programs including product introduction, technical training, and live case observation. In 2021, operating revenue attributable to our innovative coronary products increased by more than eight times compared to 2020. In addition, we have dedicated online and offline teams to cover our over-the-counter (OTC) products. We believe that such targeted marketing strategy will enable us to increase customer stickiness and improve cost-effectiveness in our business. Our selling expenses as a percentage of operating revenue have decreased from 27.9% in 2019 to 19.8% in 2021. We are committed to leveraging our global sales distribution network and targeted marketing strategy to meet the needs of healthcare consumers, especially through providing innovative products.

Visionary leadership with industry expertise

Our visionary management is key to our steady and sustainable growth. Our management team has an average of over 20 years' experiences in the healthcare industry and over seven years' experience with our Company. Dr. PU Zhongjie, the chairman of the Board and technology head of our Company, holds a doctorate degree in metallic materials science. Dr. Pu founded the National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center, the only nationally certified research center for implantation and intervention devices for cardiovascular diseases in the PRC. He also serves as vice chairman of the Beijing Pharmaceutical Industry Association, executive director of the China Society for Drug Regulation, and director of the Chinese Society of Biotechnology.

Our Strategy

Further expand internationally

We aim to enhance our global presence. To implement our global R&D initiatives, we plan to establish overseas R&D centers for clinical trial management to facilitate the development of innovative products. Meanwhile, we also plan to establish overseas manufacturing facilities to increase our production capacity and to support our product supply globally. We will also establish BD centers overseas to license in or co-develop innovative products. We intend to further expand our sales and distribution network globally with customer service capabilities to increase our penetration of medical institutions and retail channels and thus enhance our brand awareness globally.

Continue to innovate and commercialize cardiovascular products

We aim to consolidate our market-leading position via continuous innovation and commercialization of cardiovascular medical devices and pharmaceuticals, such as our FFR, rapamycin drug-coated balloon, rapamycin infusion system, pulsed sonic balloon dilatation catheter and TAVR system (ScienCrown^{TM}). We will further strengthen our competitive advantage in R&D through continuous strategic investment, further collaboration with doctors, hospitals and research institutions, and potential acquisition of emerging technologies.

Expand medical care solutions business featuring AI technology

We aim to further expand our cardiovascular medical care solutions business featuring AI technologies by increasing the coverage of our AI-ECG products. We intend to accelerate the R&D processes for our AI-empowered blood pressure and blood glucose monitoring products. Leveraging our online and offline medical resources, such as the specialized cardiovascular hospital, we will explore diversified markets, directly facing medical institutions, pharmacies and consumers, with the assistance of AI-empowered solution.

Strengthen synergies and increase cost-efficiencies to drive sustained growth

We aim to strengthen synergies and maximize cost-efficiencies from our comprehensive offerings. We intend to integrate resources for products which are complementary to each other, such as our PCI medical devices and surgical consumables, our API and FDF, and our medical care solutions. We believe that such strategy will help increase efficiency of our R&D, manufacturing, and sales and marketing activities. In addition, we will take initiatives to strengthen our internal controls and supplier management to increase our operating efficiencies.

Expected Timetable of Principal Events

Start of offer period	September 15, 2022
End of offer period[(1)]	September 15, 2022 at 17:00 (CEST)
Determination of final number of Offer GDRs and final Offer Price	September 15, 2022
Publication of final Offer Price and final number of Offer GDRs sold in the Offering by electronic media and in the Supplement	September 15, 2022
First Day of Trading	September 21, 2022
Payment and settlement	September 21, 2022

(1) The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the offer period or terminate the Offering, without any prior notice, at any time and for any reason.

Summary of the Terms of the Offering

Company	Lepu Medical Technology (Beijing) Co., Ltd. is a joint stock company established under the laws of the PRC with its registered office at No. 37 Chaoqian Road, Changping District, Beijing, China.
Legal Entity Identifier Code	3003007FXUYE3WNDDO39
Offering	The offering consists of an offering of up to 11,910,286 Firm GDRs, and up to an additional 5,774,110 Upsize GDRs pursuant to an Upsize Option, each representing five A Shares. The Offering consists of (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; (ii) an offering in the United States only to QIBs as defined in, and in reliance upon, Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (iii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S. See "*Selling and Transfer Restrictions.*"
GDRs	Up to 11,910,286 Firm GDRs and up to an additional 5,774,110 Upsize GDRs pursuant to an Upsize. Please see "*Offering and Sale*". One GDR will represent five A Shares held in a securities account opened with the CSDC (the "**CSDC account**") in the name of the Depositary. The GDRs will be issued by the Depositary pursuant to the Deposit Agreement. The Rule 144A GDRs will be evidenced initially by the Master Rule 144A GDR Certificate and the Regulation S GDRs will be evidenced initially by the Master Regulation S GDR Certificate, which will be issued pursuant to the Deposit Agreement. See "*Clearing and Settlement*." Based on the Company's issued share capital as of the Latest Practicable Date and assuming the issuance and sale of all Offer GDRs (representing 88,421,980 underlying A Shares, assuming the exercise of the Upsize Option in full), the 88,421,980 New A Shares (corresponding to the underlying interests of 17,684,396 GDRs) will represent approximately 4.67% of the share capital of the Company upon completion of the Offering. Based on the Company's issued share capital as of the Latest Practicable Date and assuming the issuance and sale of the Firm GDRs only (representing 59,551,430 underlying A Shares), the 59,551,430 New A Shares will represent approximately 3.19% of the share capital of the Company upon completion of the Offering. Following the Offering, pursuant to the Deposit Agreement, the A Shares represented by the GDRs will be held in a CSDC account in the name of the Depositary for the benefit of the Holders and beneficial owners of the GDRs.

The Depositary may deduct per-GDR fees and other fees, charges and expenses as well as taxes and governmental charges from dividend distributions and may otherwise assess other per-GDR fees and other fees, charges and expenses to the GDR holders. See "*Terms and Conditions of the Global Depositary Receipts—Depositary's Fees, Costs and Expenses*."

The GDRs will be freely transferable, subject to certain selling restrictions under the relevant laws in certain jurisdictions applicable to the relevant transferor or transferee.

Investors should be aware that pursuant to the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. Therefore, for such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to, subject to the cap of the total amount of the GDRs approved by the CSRC, acquire GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares.

Investors should also be aware that pursuant to the DR Provisions, the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs, whether held directly or indirectly) shall not exceed 10% of the Company's outstanding shares. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A Shares by all overseas investors in the Company shall not exceed 30% of the total outstanding shares of the Company. In event the 30% limit is exceeded, overseas investors may be required to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas' investors strategic investments in the Company as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法).

Offer Price Range and Offer Price	The Offer Price Range is between US$12.31 and US$12.68 per GDR. The Company expects to determine the final Offer Price together with the Joint Global Coordinators (acting on behalf of the Managers) on the basis of a bookbuilding process on or around September 15, 2022. The final Offer Price and the final number of GDRs sold in the Offering are expected to be published by a media release and in the Supplement on or around September 15, 2022 (prior to the commencement of trading).
Offer Period	The offer period is expected to be from September 15, 2022 to 17:00 (CEST) on September 15, 2022. The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the Offer Period or terminate the Offering, without any prior notice, at any time and for any reason.
Upsize Option	The Company may offer up to 5,774,110 additional GDRs to raise additional gross proceeds based on an upsize option, which may be jointly exercised by the Company and the Joint Global Coordinators (acting on behalf of the Managers) on the date of pricing of the Offering based on demand.
Listing and Trading	Prior to the Offering, the A Shares are listed on the Shenzhen Stock Exchange, but there has been no public market for the GDRs. Application has been made and approval has, subject to certain customary conditions, been given by SIX Exchange Regulation for the listing of GDRs and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws and regulations) representing A Shares on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the GDRs will be listed and that trading will commence on or around September 21, 2022 (the "**First Day of Trading**") on SIX Swiss Exchange under the symbol "LEPU."
Dilution	Based on the Company's issued share capital as of the Latest Practicable Date, existing shareholders will experience dilution of their holdings of A Shares and voting rights with respect to such A Shares of between 3.19% (assuming no exercise of the Upsize Option) and 4.67% (assuming the Upsize Option is exercised in full).
Lock-up	The Company has agreed with the Managers on a lock-up for the period ending 180 calendar days after the First Day of Trading. Such lock-up undertaking is subject to certain exceptions and may be waived by the Joint Global Coordinators, see "*Offering and Sale—Lock-up Arrangements.*"

Dividends and Dividend Policy . . .	GDR holders will be entitled to dividends declared, if any, in respect of any record date which falls after the First Day of Trading. For more information, see "*Dividends and Dividend Policy*."
Voting Rights	The Deposit Agreement contains arrangements allowing holders of GDRs to exercise voting rights with respect to the underlying A Shares represented by the GDRs in accordance with the terms and conditions of the GDRs and PRC law. Each A Share is entitled to one vote at a shareholders' meeting. See "*Terms and Conditions of the Global Depositary Receipts*."
Clearing and Settlement	Payment for the Offer GDRs is expected to be made in US dollars in same-day funds through the facilities of Euroclear, Clearstream and DTC. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR Certificate registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depository for Euroclear and Clearstream. Book-entry interests in the Offer GDRs held through DTC will be represented by the Master Rule 144A GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary, as custodian for DTC. Except in limited circumstances described herein, investors may hold beneficial interests in the Offer GDRs evidenced by the corresponding Master GDR Certificate only through Euroclear, Clearstream or DTC, as applicable. Transfers within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant system. Custodial and depositary links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the Offer GDRs and cross-market transfers of the Offer GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise. Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date. See "*Clearing and Settlement.*"
Taxation	For a discussion of certain Switzerland, US and PRC tax consequences of purchasing and holding the GDRs, see "*Tax Considerations.*"
Purpose of the Offering and Use of Proceeds	For a discussion of the use of proceeds, see "*Purpose of the Offering and Use of Proceeds."*

Swiss Review Body	This Prospectus dated September 15, 2022 has been approved by SIX Exchange Regulation in its capacity as the Swiss Review Body pursuant to article 52 of FinSA on September 15, 2022.
Offering Restrictions	The GDRs are subject to certain offering restrictions as described in "*Notice to Investors*" and "*Selling and Transfer Restrictions*."
Joint Global Coordinators and Joint Bookrunners	Credit Suisse AG, CLSA Limited and China International Capital Corporation (UK) Limited
Joint Bookrunners	China Galaxy International Securities (Hong Kong) Co., Limited, Huatai Financial Holdings (Hong Kong) Limited, and Haitong International Securities Company Limited
Managers	The Joint Global Coordinators and the Joint Bookrunners
Depositary	Deutsche Bank Trust Company Americas
Custodian	Industrial and Commercial Bank of China Limited
Law/Jurisdiction	The Offer GDRs will be governed by English law and will be subject to the jurisdiction of the courts of England and Wales, sitting in London. The A Shares will be governed by PRC law and will be subject to the jurisdiction of PRC courts.
SIX Swiss Exchange Ticker Symbol	LEPU
Swiss Security Number (*Valorennummer*)	Regulation S GDRs: 121526183 Rule 144A GDRs: 121526184
International Security Identification Number (ISIN)	Regulation S GDRs: US52678P2056 Rule 144A GDRs: US52678P1066
Committee on Uniform Security Identification Procedures (CUSIP)	Regulation S GDRs: 52678P205 Rule 144A GDRs: 52678P106
Common Code	Regulation S GDRs: 253303107 Rule 144A GDRs: 253299525
Shenzhen Stock Exchange Code (A-Shares)	300003.SZ

Notification/Amendments or Changes	Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through the electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l). The results of the Offering are expected to be published by media release and in the Supplement on or around September 15, 2022.

Summary of the Risk Factors

The following is a summary of the risk factors. This list is not exhaustive, and potential investors should read "Risk Factors" included elsewhere in this Prospectus for a more detailed description of the risks associated with an investment in the GDRs.

Risks Relating to Our Business and Industry

- We face intense competition in the businesses of medical devices, pharmaceutical products and medical care solutions, where others may discover, develop or commercialize competing products or services before, or more successfully than, we do.
- Our business is subject to complex and evolving laws and regulations. Any failure to comply with laws or regulations or obtain, maintain or renew applicable licenses, permits, approvals, regulatory filings and registration certificates for our products, services and operations may significantly disrupt our business and materially and adversely affect our business, financial condition and results of operations.
- We may not develop and successfully market new and advanced commercially viable products and technology, or improve our existing products and technologies in a timely manner or at all, and we may not price our new products and services at a favorable level, which would materially and adversely affect our business, financial condition and results of operations.
- Some of our medical device and pharmaceutical products are sold through volume-based procurement, and the pricing of our medical device and pharmaceutical products involved in the volume-based procurement may be adversely affected by government policies and market competition.
- Our growth relies in part on the continued expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be achieved on a timely basis or at all.
- Our products might not be eligible for coverage under insurance reimbursement schemes or other national or regional pricing guidelines and may be subject to price controls.
- Failure to achieve broad market acceptance of our products could have a material adverse impact on our business and results of operations.
- Our business and operations have been and may continue to be adversely affected by the COVID-19 pandemic.
- We are subject to risks associated with the overseas expansion of our business.
- We may fail to manage our distributors effectively and our distributors may violate our distribution agreements, which could adversely affect our business, financial condition and results of operations.
- There can be no assurance that we will succeed in expanding our sales networks to cover new physicians, patients and hospitals.

- We are subject to credit risk from our distributors and customers, and our inability to collect on our accounts receivable from our distributors and customers may materially adversely affect our cash flows and operations.
- If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to liability, loss of reputation, reduced operating revenue or liquidity challenges.
- Lack of sufficient sophisticated physicians who can perform interventional procedures involving our medical devices may adversely affect our business.
- We rely on suppliers with respect to multiple principal raw materials and may not be able to secure a stable supply of quality principal raw materials at all times or at all.
- An increase in the market price of our raw materials may adversely affect our profitability.
- The manufacturing of our products is highly complex and subject to strict quality controls. Our business could be materially and adversely affected if our existing and pipeline products are not produced in compliance with all applicable quality standards.
- Any disruption to the operation of our production facilities could materially and adversely affect our business, financial condition and results of operations.
- We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.
- Our business generates and processes a considerable amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.
- Security and privacy breaches may hurt our business.
- The discontinuation of any preferential tax treatment, government grants and other incentives currently available to us could reduce our profitability.
- We may not be successful in implementing our business strategies.
- Changes in international trade or investment policies and barriers to trade or investment may adversely affect our business and expansion plans.
- We rely on third party logistics providers to deliver our products from production facilities to our distributors and customers.
- If parties on whom we rely fail to maintain or renew the necessary permits, licenses and certificates required for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.
- We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, financial condition and results of operations.
- If our medical device or pharmaceutical products cause, or are perceived to cause, severe side effects, our business, financial condition, results of operations and reputation could be materially and adversely affected.
- We may be subject to claims in relation to our medical care solutions business.
- We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us.
- We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury.

- We or our employees, distributors and other business partners may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, non-compliance of which could adversely affect our business, financial condition and results of operations.

- We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

- If we are unable to protect our intellectual property rights, or if the scope of our intellectual property rights fails to sufficiently protect our proprietary know-how, our competitive strengths may be eroded.

- We may be exposed to infringement or misappropriation claims by or disputes with third parties, which could cause us to lose significant rights and pay substantial damages.

- Failure to manage our inventory effectively would materially and adversely affect our results of operations, financial condition and cash flows.

- We depend substantially on the continued efforts of our senior executives, key R&D personnel and key sales and marketing personnel, and our business and prospects may be severely affected if we lose their services.

- If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business, our business, financial condition and results of operations could be materially and adversely affected.

- Future acquisitions of or investment in businesses, products, technologies or know-how could subject us to risks and uncertainties.

- Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with us, our employees, our shareholders and business partners as well as the industries in which we operate.

- Our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

- If we determine our goodwill to be impaired, our financial condition and results of operations may be adversely affected.

- We are exposed to fair value change for financial instruments measured at fair value through profit or loss.

- The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may adversely affect our business, financial condition and results of operations.

- The assumptions made in preparing the financial targets included in this Prospectus may prove incorrect, incomplete or inaccurate and our results may differ materially from the financial targets.

Risks Relating to the PRC

- Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.
- The PRC legal system is evolving and may have uncertainties that could limit the legal protection available to us and investors.
- Investors may have limited recourse against us or our Directors, Supervisors and senior management members who reside in the PRC.
- Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to the GDRs and the Offering

- There has been no prior public trading market for the GDRs and very few companies with global depositary receipts listed in general and an active trading market may not develop or be sustained in the future.
- The market price of the GDRs can be highly volatile.
- Future sales of GDRs or A Shares could depress the market price of the GDRs.
- Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of shareholders of the Company and/or GDR holders.
- The Company's ability to pay dividends in the future depends, amongst other things, on the Group's financial performance and is therefore not guaranteed.
- Following the Offering, holders of A Shares may not be able to deposit the A Shares in the Company's GDR facility in order to receive or sell GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.
- Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.
- GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their onshore accounts or have the underlying A Shares held on their behalf by a Designated Broker.
- The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.
- GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.
- Holders of the GDRs may be subject to exchange rate risk.
- Certain facts, statistics and information relating to the Group are derived from publications not independently verified by the Group, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers.
- The regulatory regime of Swiss-listed global depositary receipts is new and might change.
- The Offering may not be completed for various reasons and may be terminated.
- You may not be able to recover in civil proceedings for United States securities law violations.
- If the EU Commission does not grant SIX Swiss Exchange equivalence under MiFID II/MiFIR, trading of the GDRs outside of Switzerland could be impacted.

Summary of Financial Information and Other Data

Unless otherwise stated, the summary historical financial information presented below has been extracted or derived from our consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 included elsewhere in this Prospectus. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following summary financial data should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			(RMB in millions)		
		(audited)		*(unaudited)*	*(reviewed)*
Total operating revenue	**7,796**	**8,039**	**10,660**	**6,521**	**5,334**
Operating revenue	7,796	8,039	10,660	6,521	5,334
Total operating cost	**5,843**	**6,193**	**8,208**	**4,290**	**3,770**
Operating cost	2,165	2,654	4,157	2,428	2,021
Taxes and surcharges	96	90	114	77	55
Selling expenses	2,172	1,839	2,109	958	823
Administrative expenses	586	607	748	353	365
Research and development expenses	544	736	908	373	439
Financial expenses	280	267	172	101	66
Add: Other income	28	61	80	23	21
Investment income (loss expressed in parentheses)	195	(154)	(397)	(71)	(40)
Gains from change in fair value (loss expressed in parentheses)	162	452	29	2	0
Loss on impairment of credit (loss expressed in parentheses)	(174)	(38)	(30)	(19)	(10)
Loss on impairment of assets (loss expressed in parentheses)	(206)	(21)	(9)	0	(2)
Gains from disposal of asset (loss expressed in parentheses)	4	2	20	0	0
Operating profit	**1,961**	**2,149**	**2,145**	**2,166**	**1,531**
Add: Non-operating income	107	73	64	16	6
Less: Non-operating expenses	5	19	62	10	10
Total profit before tax	**2,063**	**2,203**	**2,146**	**2,172**	**1,527**
Income tax expense	339	326	366	356	230
Net profit	**1,724**	**1,877**	**1,780**	**1,816**	**1,297**

Selected Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
ASSETS				
Current assets				
Cash at bank and on hand	1,954	2,434	3,798	3,492
Financial assets held-for-trading	10	21	—	31
Notes receivable	34	14	54	72
Accounts receivable	2,167	2,100	1,661	1,761
Receivable financing	85	95	81	81
Prepayments	89	170	283	413
Other receivables	129	146	178	249
Inventories	1,005	1,424	1,939	2,332
Non-current assets due within one year	92	56	32	6
Other current assets	71	117	122	123
Total current assets	**5,634**	**6,577**	**8,147**	**8,561**
Non-current assets				
Long-term receivables	42	23	11	10
Long-term equity investments	516	839	1,072	1,222
Investments in other equity instruments	1,575	1,652	1,510	1,216
Other non-current financial assets	350	807	94	144
Investment properties	138	293	318	303
Fixed assets	1,479	2,079	2,182	2,372
Construction in progress	658	627	1,158	1,358
Right-of-use assets	—	—	189	239
Intangible assets	1,483	1,386	1,399	1,379
Development expenses	525	514	711	817
Goodwill	2,719	2,772	3,273	3,327
Long-term deferred expenses	173	168	198	211
Deferred income tax assets	144	180	138	142
Other non-current assets	489	241	298	414
Total non-current assets	**10,292**	**11,580**	**12,551**	**13,157**
Total assets	**15,926**	**18,157**	**20,699**	**21,717**

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
EQUITY AND LIABILITIES				
Current liabilities				
Short-term borrowings	1,464	1,902	584	617
Financial liabilities held-for-trading	—	0	—	—
Notes payable	85	66	229	129
Accounts payable	738	755	1,135	1,492
Advances from customers	164	—	—	—
Contract liabilities	—	269	354	361
Employee benefits payable	103	160	200	73
Taxes payable	128	121	211	270
Other payable	267	284	327	438
Non-current liabilities due within one year	1,359	1,102	250	229
Other current liabilities	803	152	44	49
Total current liabilities	**5,111**	**4,812**	**3,332**	**3,659**
Non-current liabilities				
Long-term borrowings	2,458	1,115	1,210	1,263
Bonds payable	—	1,219	2,673	2,702
Lease liabilities	—	—	125	179
Long-term payable	10	4	—	—
Deferred income	135	146	140	149
Deferred income tax liabilities	207	324	265	227
Other non-current liabilities	—	—	680	721
Total non-current liabilities	**2,811**	**2,808**	**5,093**	**5,240**
Total liabilities	**7,921**	**7,619**	**8,425**	**8,899**
Equity				
Share capital	1,782	1,805	1,805	1,805
Other equity instruments	—	—	215	215
Capital reserve	2	959	984	1,105
Less: Treasury shares	254	254	364	600
Other comprehensive income	113	37	129	(110)
Surplus reserve	423	403	585	585
Retained earnings	5,417	6,923	8,121	8,907
Total equity attributable to shareholders of the Company	**7,483**	**9,873**	**11,474**	**11,907**
Non-controlling interests	522	665	800	912
Total equity	**8,005**	**10,537**	**12,274**	**12,818**
Total liabilities and equity	**15,926**	**18,157**	**20,699**	**21,717**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
			(RMB in millions)		
		(audited)		*(unaudited)*	*(reviewed)*
Net cash flows from operating activities	1,990	2,090	3,062	2,134	1,178
Net cash flows from investing activities	(651)	(695)	(860)	(503)	(747)
Net cash flows from financing activities	(1,549)	(763)	(897)	269	(838)
Effect of change in foreign exchange rate on cash and cash equivalents	4	(31)	(11)	(6)	20
Net (decrease)/increase in cash and cash equivalents	**(205)**	**600**	**1,293**	**1,894**	**(386)**
Add: Beginning balance of cash and cash equivalents	1,997	1,792	2,391	2,391	3,684
Ending balance of cash and cash equivalents	**1,792**	**2,391**	**3,684**	**4,285**	**3,298**

Selected Other Financial Metrics

	As of and year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
		(RMB in millions, except percentages)		
EBITDA[(1)]	2,666	2,872	2,839	1,833
EBITDA Margin[(2)]	34.2%	35.7%	26.6%	34.4%
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss[(3)]	1,241	1,413	1,855	1,264

(1) EBITDA is calculated as net profit before income taxes, depreciation, amortization and total expense paid for interests. The following table sets forth a reconciliation of net profit to EBITDA for the periods indicated:

	As of and year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
		(RMB in millions)		
		(audited)		*(reviewed)*
Total profit before tax	**2,063**	**2,203**	**2,146**	**1,527**
Plus:				
Depreciation	181	211	309	149
Amortization	144	232	213	98
Total expense paid for interests	277	226	171	59
EBITDA	**2,666**	**2,872**	**2,839**	**1,833**

(2) EBITDA margin is calculated as EBITDA as a percentage of our total operating revenue for the year/period.

(3) Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss represents our net profit attributable to shareholders of the Company less the effects of non-recurring gains or losses. The following table sets forth a reconciliation of our net profit attributable to shareholders of the Company to that after deducting non-recurring profit and loss:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
Net profit attributable to shareholders of the Company	**1,725**	**1,802**	**1,719**	**1,268**
Less:				
Gain or loss on disposal of non-current assets	4	3	20	0
Government grants included in current profit or loss (other than ongoing government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	127	121	128	22
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held-for-trading, financial liabilities held-for-trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	246	452	(259)	3
Other non-operating income and expenses apart from the aforesaid items	194	(23)	(56)	(6)
Other gain or loss items meeting the definition of non-recurring gains or losses	–	(76)	36	(8)
Effect of income tax	(84)	(83)	1	(6)
Effect of non-controlling interests (after tax)	(2)	(5)	(6)	(1)
Subtotal	**485**	**389**	**(136)**	**5**
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	**1,241**	**1,413**	**1,855**	**1,264**

For details, see note XVI to the audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and note X to the unaudited consolidated financial statements as of and for the six months ended June 30, 2022 in F-pages to this Prospectus.

Prospective investors should carefully consider, among other things, the risks described below, which address the existing and future material risks to our businesses and industry and to the GDRs, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below represent the risks inherent in investing in the GDRs but are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, could also impair our business operations. If any of the following risks actually materialize, our business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the GDRs could decline and investors may lose all or part of their investment. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial condition and results of operation.

Risks Relating to Our Business and Industry

We face intense competition in the businesses of medical devices, pharmaceutical products and medical care solutions, where others may discover, develop or commercialize competing products or services before, or more successfully than, we do.

The medical device, pharmaceutical and medical care solutions industries are intensely competitive and rapidly changing. We face competition from major international and domestic interventional medical device manufacturers, pharmaceutical companies and medical care solutions providers. In particular, there are several multi-national and domestic companies which have medical devices or pharmaceutical products targeting cardiovascular diseases at or near the commercialization stage, or which are pursuing the development of and undergoing clinical trials for medical device and pharmaceutical products targeting cardiovascular diseases. Potential competitors also include government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization of medical devices and pharmaceutical products.

Relevant regulatory authorities, such as NMPA of China, FDA of the US and EMA of the European Union have different requirements for approval of medical devices and pharmaceutical products. Our competitors may be applying for marketing approvals in these jurisdictions for medical device and pharmaceutical products with the same intended use as our existing and pipeline products. The ability of these relevant authorities to concurrently review multiple marketing applications for the same type of innovative medical device and pharmaceutical products may be limited. For example, when our product and its competing products are subject to the NMPA's concurrent review, the NMPA's schedule may be affected and the registration process of our product may be prolonged. Moreover, our competitors may obtain approval from comparable regulatory authorities for their products more quickly than we obtain approval for ours, which could result in our competitors establishing a strong market position or gaining acceptance in the same markets that we are targeting before we are able to enter the markets. As a result, we may be unable to maintain or enhance our market share or achieve our targeted market share in the relevant industry. Even if successfully developed and subsequently approved by regulatory authorities, our pipeline products may face competition in aspects such as their safety and effectiveness, the timing and scope of the regulatory approvals, the availability and cost of supply, marketing and sales capabilities, reimbursement coverage, price, patent position and other factors. Our commercial opportunities could be reduced or

eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer adverse effects or are less expensive than any product that we may commercialize or develop. As a result, we may become obsolete overtime or lose our market share.

Moreover, some of our competitors, including certain first-movers and multi-national companies, may have greater commercial infrastructure and better financial, technical and human resources than we do. Mergers and acquisitions in the relevant industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient enrollment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, the development of our pipeline products. Our business and results of operations will suffer if we fail to compete effectively.

Disruptive technologies and medical breakthroughs may also render our pipeline products obsolete or less competitive. If we fail to keep up with rapid changes in new technologies, our future success may be adversely affected. Without the timely introduction of new and improved products, our products could become technologically obsolete or more susceptible to competition and our operating revenue and operating results would suffer. We may have to make significant investments in new products and advanced technologies to mitigate such competition risk. However, technical innovations often require substantial time and investment before we can determine their commercial viability, and this could have a material adverse impact on our financial condition.

Our business is subject to complex and evolving laws and regulations. Any failure to comply with laws or regulations or obtain, maintain or renew applicable licenses, permits, approvals, regulatory filings and registration certificates for our products, services and operations may significantly disrupt our business and materially and adversely affect our business, financial condition and results of operations.

Our operations are governed by numerous local, provincial and national regulations in the PRC and overseas. Compliance with these laws and regulations can be difficult and costly. New laws and regulations or changes to laws and regulations can impose additional compliance costs, reduce our operating revenue, require us to change our operations to ensure compliance or otherwise harm our business.

We may not have always been in full compliance with all applicable laws and regulations due to the complexity and uncertainties in the interpretation and implementation of laws and regulations. Violation of applicable laws or regulations could result in fines, temporary or permanent prohibitions against engaging in certain activities, reputational harm, suspensions in production or sales or other relevant activities, sanctions or other disciplinary actions, which could materially and adversely affect our business, financial condition and results of operations. Many aspects of our business depend on obtaining and maintaining licenses, approvals, permits or qualifications from NMPA, FDA, EMA and other relevant regulators. Obtaining such approvals, licenses, permits or qualifications depends on our compliance with regulatory requirements. PRC and overseas regulatory authorities also have discretion to grant, renew and revoke licenses and approvals and to implement relevant laws and regulations.

As we expand our business scope, we may need to obtain additional licenses, approvals, permits or qualifications, and such process may require considerable time and financial resources. In particular, we generate an increasing portion of our operating revenue from overseas sales as we export our products to distributors. For risks relating to our overseas expansion, see "*—We are subject to risks associated with the overseas expansion of our business*." Failure to obtain or maintain required approvals, licenses, permits or qualifications could limit the scope of businesses in which we may engage in and adversely affect our financial condition and results of operations.

In particular, for the manufacturing and sales of our medical device and pharmaceutical products, we must complete regulatory filings and obtain or renew registrations with the competent regulatory authorities in the jurisdictions where we sell our products. The processes for obtaining initial regulatory registrations can be lengthy, expensive and difficult to predict.

For example, in China, medical devices are classified according to a catalog issued by the NMPA into three different categories, Class I, Class II and Class III, depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The Administrative Measures on the Registration and Record-filing of Medical Devices provided that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration.

To obtain product registrations for medical devices of Class II and Class III in China, we may need to conduct, at our own expenses, adequate and well-controlled clinical trials to demonstrate the safety and efficacy of our products. Clinical trials shall be conducted in accordance with the Norms on the Quality Management for the Clinical Trials of Medical Devices, which stipulates that prior to the commencement of a clinical trial, the applicant must complete the pre-clinical research of the medical device, including product design and quality test, animal testing and risk analysis, the results of which should support the clinical trial. The clinical trial must be conducted in two or more clinical trial organizations that are qualified to do such trials. See "*Regulatory Environment—Principal Laws and Regulations Related to our Businesses in the PRC—Regulations Relating to Medical Devices.*"

Clinical trials are expensive and can take years with uncertain outcomes. Failure of clinical trials can occur at any stage of the process. We may fail to begin or complete clinical trials due to disagreements with regulators. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or non-clinical trials. Changes in approval policies or regulations could also render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols. Any failure to adequately demonstrate the safety and efficacy of any of our products would prevent receipt of regulatory approvals and, ultimately, the commercialization of those products. As a result, we may be unable to manufacture, market and sell new products in a timely manner, or at all, due to our failure to obtain regulatory licenses or registrations.

Meanwhile, the pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of

new drugs, quality control, pricing of pharmaceutical products and environmental protection. For example, consistency evaluation should be completed for generic drugs to be approved for marketing before the implementation of the new classification of registration of chemical drugs. See "*Regulatory Environment—Principal Laws and Regulations Related to our Businesses in the PRC—Regulations Relating to Drugs*." Any violation of the relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of our products, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals, other medical institutions and retail pharmacies, government funding for private medical care solutions and the inclusion of products in the NRDL.

Moreover, the NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market, including marketing of our OTC pharmaceutical products sold to customers and academic customer education activities. If we are found to have violated the relevant regulations, we may be subject to liabilities.

In addition, the pharmaceutical, medical device and medical care solutions industries in China are each subject to extensive and changing government regulations and supervision, such as the rules and regulations promulgated to standardize Internet diagnosis and treatment. See "*Regulatory Environment*." Any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects.

We may not develop and successfully market new and advanced commercially viable products and technology, or improve our existing products and technologies in a timely manner or at all, and we may not price our new products and services at a favorable level, which would materially and adversely affect our business, financial condition and results of operations.

The markets for medical device and pharmaceutical products as well as medical care solutions are highly competitive and rapidly evolving. As market conditions and technology evolve, our existing products may lose market share, experience slower growth or deliver lower profit margins. Our success depends on our ability to anticipate industry trends and identify, develop and market new and advanced products that could meet customer demands in a timely manner. We expect the markets for medical device and pharmaceutical products as well as medical care solutions to evolve toward newer and more advanced products, some of which we do not currently produce. Developing new products and obtaining the necessary registration certificates, licenses, permits or approvals in a timely manner can be difficult, particularly because product designs can change with market conditions and hospitals' and doctors' preferences.

Our R&D efforts may not lead to new products that will be commercially successful. We may also experience delays or be unsuccessful in any stage of the product development or marketing, such as during manufacturing, clinical trials, product registration, marketing or pricing. For example, a clinical trial is expensive and can take a lengthy period of time to complete, and its outcome is inherently uncertain. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material

adverse effect on our prospects. We may not be able to successfully enroll a sufficient number of patients for clinical trials, or the third parties that we may retain may fail to comply with our protocols and applicable laws and regulations, which could harm the integrity of the resulting data. Clinical trials or procedures may also experience significant setbacks even after earlier trials have shown promising results.

In addition, our new products may not yield anticipated returns to cover our investment. Even when we launch a new product, it takes time for a new product to gain market acceptance. We may not successfully market our new products, and medical institutions and other participants in the healthcare system may not be receptive to our new products. We cannot always anticipate industry trends and market demand for new products. Our competitors' product development capabilities may be more effective than ours, and their new products may reach the market before ours. Furthermore, our competitors' new products may be more effective or competitive than our existing products, thereby making our products obsolete or non-competitive, which could result in us having to reduce the prices of such products or cause us to lose market share.

Meanwhile, our new products may impact our profitability depending on the level of market acceptance and pricing environment for each product. The success of any of our new product offerings depends on several factors, including our ability to:

- properly identify and anticipate industry trends and market demand;
- develop products successfully in a timely manner;
- complete clinical trials on a timely manner, including to timely procure requisite test samples in our planned and potential future clinical trials;
- minimize the time and costs required to obtain regulatory approvals;
- optimize our manufacturing and procurement processes;
- launch new products in a timely manner;
- anticipate and compete effectively with other medical device and pharmaceutical companies;
- price our products competitively and at commercially justifiable levels; and
- increase end-customer awareness and acceptance of our new products.

If we do not successfully launch and sell new products, our business, financial condition and results of operations could be materially and adversely affected.

Some of our medical device and pharmaceutical products are sold through volume-based procurement, and the pricing of our medical device and pharmaceutical products involved in the volume-based procurement may be adversely affected by government policies and market competition.

In 2019, 2020 and 2021, we derived operating revenue in our medical device and pharmaceutical businesses from sales to hospitals and other medical institutions owned or controlled by government authorities in China, which make their purchases of medical device and pharmaceutical products largely through volume-based procurement. For more details, see "*Regulatory Environment—Principal Laws and Regulations Related to our Businesses in the PRC—Other Related Regulations on Medical Devices and Drugs—Volume-based Procurement*." As of June 30, 2022, we had 87 pharmaceutical products included in the NRDL, primarily antihyperlipidemic, antihypertensive, antihyperglycemic, anti-thrombotic and anti-heart failure pharmaceuticals, and some of them are in-scope under volume-based procurement policies or programs. Certain of our coronary stent devices have also been included in such volume-based procurement programs.

We may fail to win any tender, or fail to obtain the renewal for participation in volume-based procurement for our medical device and pharmaceutical products due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet the tender requirements or any damage to our reputation or other aspects of our operations caused by unforeseen events, which may adversely affect the market share, operating revenue and profitability of our medical device and pharmaceutical businesses.

Meanwhile, even if we win any tender or manage to obtain the renewal for participation in such volume-based procurement, we may lose control over pricing of the relevant medical device and pharmaceutical products as compared to before the implementation of the volume-based procurement regime. Accordingly, if more of our products become subject to the volume-based procurement regime, or more of the geographic areas in which we sell our products become subject to the volume-based procurement regime, our pricing abilities over the relevant products may be undermined, thereby adversely affecting our results of operations, financial condition and prospects.

Our growth relies in part on the continued expansion and reforms of the PRC healthcare industry, the anticipated growth of which may not be achieved on a timely basis or at all.

The PRC healthcare industry has undergone various reforms in recent years. The PRC government has promulgated rules and regulations and announced plans aimed at promoting the reforms of the PRC healthcare industry. These reforms were generally referred to as the "healthcare reform plans" in China. Initiatives or policies implemented, or to be implemented, by the PRC government under the ongoing healthcare reform plans, are expected to encourage the growth of the PRC healthcare industry. As part of the healthcare reform plans, the PRC government also targets to control the public sector expenditure on healthcare within sustainable levels, which may in turn negatively impact our operating revenue and/or profitability. There can be no assurance that the healthcare reform plans would benefit our business or that the relevant PRC government authorities would continue to introduce policies in line with the reform plans that are favorable to our business.

The continued expansion and reform of the PRC healthcare industry are subject to factors beyond our control. The reform process may turn out to be significantly more time-consuming or costly than expected due to implementation difficulties or changing circumstances. As it is not clear whether the anticipated results or targets of the PRC reform plans could be achieved on a timely basis or at all, our business decisions which are premised on expectations of results of these reform plans may prove to be inappropriate in hindsight. As such, this may have an adverse effect on our business, financial condition, results of operations and prospects.

Our products might not be eligible for coverage under insurance reimbursement schemes or other national or regional pricing guidelines and may be subject to price controls.

The demand for, prices of and our ability to sell our products depend in part on the availability of governmental and private health insurance in the PRC and overseas covering treatments using our products, as well as national or regional pricing guidelines which control the prices charged by medical institutions for medical devices and pharmaceutical products. The PRC has a complex medical insurance system that is undergoing reform.

Governmental insurance coverage or the reimbursement rates in the PRC for diagnosis and treatment using our medical device and pharmaceutical products are subject to uncertainty and may change. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage available for treatments using our products. Existing governmental and private health insurance in the PRC and overseas covering treatments using our products may not continue in the future. To the extent that such insurance schemes are changed or canceled, our sales may be adversely impacted, which may materially and adversely affect our business, financial condition and results of operations.

Failure to achieve broad market acceptance of our products could have a material adverse impact on our business and results of operations.

The commercial success of our existing and pipeline products depends upon the degree of market acceptance they achieve, particularly among physicians, patients and hospitals. Physicians and patients may prefer other treatments or products over our products and procedures. For example, physicians may have to undergo a learning process to become proficient in the use of our products and this process may take longer than expected and therefore affect their demand for or acceptance of our products. If our existing or pipeline products (upon commercialization) fail to gain sufficient market acceptance by physicians, patients and hospitals, among others, in the industry, the sales of our products and accordingly our profits will be adversely affected. The degree of market acceptance of our existing or pipeline products, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our existing or pipeline products are approved;
- physicians, patients and hospitals, among others, considering our existing or pipeline products (upon commercialization) as a safe and effective treatment;

- the potential and perceived advantages and disadvantages of our products, pipeline products (upon commercialization) and relevant treatments compared to alternative products and treatments;
- the prevalence and severity of any side effects, adverse effects or complications;
- product labeling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our existing or pipeline products (upon commercialization) as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any product that we commercialize fails to achieve market acceptance among physicians, patients, hospitals or others in the medical community or if we fail to maintain good relationships with them, we will not be able to generate significant operating revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than ours, are more cost-effective or render our products obsolete.

Our business and operations have been and may continue to be adversely affected by the COVID-19 pandemic.

Outbreaks of respiratory illness caused by a new strain of coronavirus ("**COVID-19**") has and is continuing to spread throughout the world. Government measures in different jurisdictions in response to the pandemic have to various extents contained the spread of COVID-19. Nevertheless, the COVID-19 pandemic has inevitably impacted the global economy and normal business operations across sectors and countries. To date, the spread of COVID-19 continues to affect China, where we conduct most of our business and engage in pre-clinical studies and clinical trials, as well as certain other countries and regions where we sell our products and where our business partners reside.

Accordingly, our business has been and could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways, including but not limited to: (i) requirements for us to take security precautions for our operations, which may result in higher costs; (ii) delay in patient enrollment for our clinical trials; (iii) diversion of medical resources required for our clinical trials for the treatment of patients with COVID-19; (iv) lowered demand by hospitals for our products, as many patients reschedule their visits to hospitals to avoid cross-infections and many hospitals devote their resources to dealing with COVID-19, thereby reducing the scale of unrelated operations; (v) delay in logistics for suppliers of raw materials or for us to deliver products

to distributors or customers, resulting from temporary restrictions or bans on traveling to contain the spread of the outbreaks; and (vi) temporary closure or flexible working hours of competent regulatory authorities, such as administration and registration authorities, which may delay regulatory submissions and required approvals of our product candidates, and could affect our ability to execute our operations as planned. In addition, there have been resultant changes in our inventories of work-in-progress, semi-finished and finished goods, raw materials and consumables used and personnel costs. We have also experienced extended payment cycles and delayed collection of accounts receivables during the COVID-19 outbreaks from time to time. In addition, our business and results of operations could also be adversely affected to the extent the COVID-19 outbreaks harm the business of our customers, suppliers, distributors and other business partners.

Meanwhile, we sold COVID-19 antigen rapid test kits amid the pandemic, which contributed to increases in our operating revenue from overseas since 2020. We have also started our COVID-19 antigen rapid test kit business in the PRC in the first half of 2022. However, the demand for our COVID-19 antigen rapid test kits can be affected by a number of factors such as the duration of the current pandemic, competition and government policies. Failure to manage the foregoing factors may adversely affect our results of operations. Therefore, the effects of the future COVID-19 outbreaks on our business and results of operations are uncertain. There can be no assurance that we will be able to maintain our operating revenue from sales of COVID-19 antigen rapid test kits or maintain the growth rate that we have experienced.

The effects of the current COVID-19 pandemic or future outbreaks on our business or our industries will depend on a number of factors beyond our control, including the duration of the current pandemic, particularly in China and other countries or regions where we sell our products and where our business partners reside, and such effects could be material. Moreover, if the outbreak persists or escalates, we may be subject to further negative impact on our business, financial condition and results of operations.

We are subject to risks associated with the overseas expansion of our business.

We generate an increasing portion of our operating revenue from overseas sales as we export our products to overseas customers or distributors. Our operating revenue from overseas business accounted for 7.1%, 19.2% and 35.3% of our total operating revenue in 2019, 2020 and 2021, respectively. One of the main drivers of such operating revenue growth is our overseas sales of COVID-19 antigen rapid test kits, which is subject to uncertainty and factors beyond our control. For details, see "*—Our business and operations have been and may continue to be adversely affected by the COVID-19 pandemic.*"

We aim to continually expand our overseas markets. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including:

- compliance with foreign laws, regulations and local industry standards, in particular, those related to medical devices, pharmaceutical and other products;

- export control and economic sanctions laws and regulations;

- exposure to increased overseas litigation risks;

- political and economic instability as well as geopolitical tensions, including the threat of war or terrorist attacks (notably in Eastern Europe, and in particular, the Russia-Ukraine conflicts and the reaction of the international community, for which the consequences on the financial markets and the general business climate are significantly unfavorable in the short term and remain uncertain in the long term);

- foreign currency exchange rate fluctuations, currency controls and cash repatriation restrictions;

- restrictions on imports from the PRC or other trade barriers, such as export requirements, sanctions, tariffs, licensing and other restrictions and expenses;

- unfamiliarity with local operating and market conditions;

- uncertainty on the degree of market acceptance;

- competition from local companies;

- failure to attract and retain locally qualified management and employees;

- foreign taxes;

- environmental, safety and labor regulatory compliance; and

- potential disputes and difficulty in managing relationships with overseas customers and distributors.

Any of the foregoing and other risks and uncertainties could adversely affect our overseas business and its expansion, and result in reduced turnover from our overseas operations, which in turn could materially and adversely affect our business, financial condition and results of operations.

We may fail to manage our distributors effectively and our distributors may violate our distribution agreements, which could adversely affect our business, financial condition and results of operations.

We have limited control over the activities of our distributors, who are independent from us. For contracted distributors, we rely on our distribution agreements and our policies and procedures to manage them, including their compliance with relevant laws, rules, regulations and our policies. Our distributors may breach our agreements and policies, including failing to meet minimum purchase volume, comply with PRC and overseas regulatory requirements when selling our products or adequately promote our products, and violate applicable laws, rules, regulations. Any of the foregoing could harm our corporate reputation, cause us to be subject to litigations, liabilities, regulatory measures or punishments, disrupt our sales and adversely affect our business, financial condition and results of operations.

There can be no assurance that we will succeed in expanding our sales networks to cover new physicians, patients and hospitals.

Apart from cooperation with distributors, we rely on our in-house sales and marketing personnel to promote our products. The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional sales and marketing personnel. In addition, we plan to expand our sales networks to cover more physicians, patients and hospitals to increase our market share and penetration in the PRC medical device, pharmaceutical and medical care solutions markets to drive future growth. Whether our sales and marketing efforts will succeed depends on a number of factors including, but not limited to, market acceptance of our products and services and effectiveness of our products and treatment, and we may not be able to achieve so. If we are unable to expand our sales networks effectively, our sales volumes and business prospects could be materially and adversely affected.

We are subject to credit risk from our distributors and customers, and our inability to collect on our accounts receivable from our distributors and customers may materially adversely affect our cash flows and operations.

We sell our products to third-party distributors across China and overseas. We also directly sell to customers. As of December 31, 2019, 2020 and 2021, we had accounts receivable of RMB2,166.5 million, RMB2,100.4 million and RMB1,661.1 million, respectively. In 2019, 2020 and 2021, our accounts receivable turnover days were 102 days, 103 days and 69 days, respectively.

Our distributors and customers may fail to settle accounts receivable in a timely manner, or at all, and we may not properly assess and respond in a timely manner to changes in their credit profiles and financial condition. As of December 31, 2019, 2020 and 2021, we made provision for bad debts of accounts receivable of RMB153.2 million, RMB169.4 million and RMB161.4 million, respectively.

Adverse changes in the financial condition of our distributors and customers may negatively affect the time to collect associated accounts receivable or reduce the likelihood of ultimate collection, which would in turn materially adversely affect our business, financial condition and results of operations. In addition, although we may set out payment methods under the relevant sales contracts with our customers, there can be no assurance that the customers will follow the same or make direct payment to us. Accordingly, we are subject to various risks relating to third-party payments, including compliance risks involving foreign currency transfer, possible claims from third-party payors for return of funds as they are not contractually indebted to us and possible claims from liquidators of third-party payors. As we grow our business, the amount of accounts receivable we record may increase, which may negatively impact our cash flows.

If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to liability, loss of reputation, reduced operating revenue or liquidity challenges.

Contract liabilities arise when we receive deposits or advances from a customer before transferring a good or service to the customer. As of December 31, 2019, 2020 and 2021, we had contract liabilities of nil, RMB269.2 million and RMB354.0 million, respectively.

If we fail to honor our obligations in respect of our contract liabilities, customers may exercise their rights to terminate a contract, exposing us to liability, damage to our reputation, reduced operating revenue or liquidity challenges.

Lack of sufficient sophisticated physicians who can perform interventional procedures involving our medical devices may adversely affect our business.

Sophisticated physicians who can perform interventional therapies involving our cardiovascular and other products play a significant role in our business. We involve physicians in our product development and clinical trial stage and solicit their feedback, proposals and suggestions based on their clinical experience. We also rely on influential physicians to endorse the quality of our products and promote use among hospitals. Additionally, sales volume of our products is to a certain extent determined by the physicians' level of experience in utilizing our cardiovascular and other products to perform interventional therapies, and physicians' skills and prudent performance of relevant therapies or utilization of our products is key to ensuring the proper implantation of our products. If the market acceptance of related procedures and the number of qualified physicians fail to grow as anticipated, our sales of products as well as our results of operations and financial condition could be adversely affected.

We rely on suppliers with respect to multiple principal raw materials and may not be able to secure a stable supply of quality principal raw materials at all times or at all.

Principal purchases for our production are raw materials, machinery and equipment, and testing or clinical trial related services. We procure principal raw materials from multiple suppliers that can satisfy our technical specifications and regulatory compliance requirements to ensure the consistently high quality and performance of our products. As of June 30, 2022, we had engaged nearly 1,000 suppliers. However, there can be no assurance that we will be able to continue to do so despite existing relationships, or that our relationships with such suppliers may deteriorate due to factors beyond our control. Furthermore, the custom clearance procedures for importing certain principal raw materials could be lengthy and thus could adversely affect the timely supply of such raw materials. If any of these suppliers loses its qualification or eligibility for a variety of reasons including its failure to comply with regulatory requirements, we may experience delays in the supply of our raw materials and interruption in our manufacturing process.

General economic conditions could also adversely affect the financial viability of our suppliers, resulting in their inability to provide raw materials used in our manufacturing process. In addition, even though we may concurrently procure suppliers providing similar products in China, some of our suppliers are located outside China, and therefore trade or regulatory embargoes imposed by foreign countries or China, especially in light of some recent international trade disputes, could result in delays or shortages of our raw materials sourced overseas. If we are unable to identify alternative suppliers for providing us with principal raw materials in a timely manner, our business could be materially and adversely affected.

An increase in the market price of our raw materials may adversely affect our profitability.

Our production process requires substantial amounts of raw materials. As a result, we are exposed to risks associated with fluctuations in prices and availability of raw materials. Significant fluctuations in raw material prices and availability could disrupt our operations and have a negative impact on our gross margins. The supply of principal raw materials used in our product activities may not continue to be generally available and sufficient for our demand, or their prices may be subject to significant fluctuations in the future. In particular, the prices of raw materials may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, duties and tariffs, exchange rate fluctuation, natural disasters, disease outbreaks and general economic conditions. A significant increase in the costs of raw materials may increase our operating cost and negatively affect our profit margins and, more generally, our business, results of operation, financial condition and prospects.

The manufacturing of our products is highly complex and subject to strict quality controls. Our business could be materially and adversely affected if our existing and pipeline products are not produced in compliance with all applicable quality standards.

The manufacturing of our products is highly complex and subject to strict quality controls. Quality is extremely important in our operations, as we continuously strive to offer excellent user experience for our products. We have established a comprehensive set of quality controls and assurance procedures in order to prevent quality issues with respect to our products and operational processes. See "*Our Business—Manufacturing and Quality Control*." Despite our quality control procedures, we cannot eliminate the risk of product defects or failures. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, defects or other issues in raw materials, or human errors. If problems arise during the production of a batch of products, that batch of products may have to be discarded and we may experience product shortages or incur added expenses as a result. This could, among other things, lead to increased costs, damages to customer relationship, time and expenses spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred, which may adversely affect our business, results of operations, financial condition and prospects.

If any of the foregoing arises or if we otherwise fail to meet our internal quality standards or those of applicable regulators, we could become subject to product recalls, license revocation, regulatory fines, suspension of operations, product liability claims or other negative events, which could materially and adversely affect our reputation, business and results of operations.

Any disruption to the operation of our production facilities could materially and adversely affect our business, financial condition and results of operations.

We manufacture our products primarily at our production facilities located in Beijing, Henan province, Zhejiang province, Shanghai, Guangdong province and Shaanxi province in the PRC. Our production facilities may be harmed or rendered inoperable by physical damage from fires, floods, earthquakes, typhoons, power outages, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in

governmental planning for the land underlying the facility and other regulatory changes, many of which are beyond our control. We may also need to suspend the operations of our production facilities due to pandemic measures. See "*—Our business and operations have been and may continue to be adversely affected by the COVID-19 pandemic*." Any substantial interruption in manufacturing operations at our production facilities could result in our inability to satisfy the demand of sales and distribution as to our products and of our clinical trials as to our pipeline products, or even lead to our failure to fulfill contractual obligations, which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition, advances in manufacturing techniques may render our production facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale-up is not economically feasible for us, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth, thereby materially and adversely affecting our business, financial condition and results of operations.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the operating activities from time to time to carry out R&D activities for developing and enhancing our products and technology, grow our business and better serve our customers, among other things. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity security we issue could have rights, preferences and privileges superior to those of holders of our A shares and GDRs. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Our ability to obtain additional capital in a timely manner or on commercially acceptable terms is subject to various factors, including general market conditions for capital raising activities by our peers, and economic, political and other conditions in China and globally. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our R&D and business growth could be significantly impaired, and our business and prospects may be adversely affected.

Our business generates and processes a considerable amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

Our medical care solutions business involves generating and processing a considerable amount of data. Data information generated and processed in our business operations is stored in the data center established and owned by us in the PRC. In the PRC, the PRC Data Security Law provides for a security review procedure for data activities that affect or may affect national security. The PRC Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal

information and related requirements. See "*Regulatory Environment—Principal Laws and Regulations Related to our Businesses in the PRC—Regulations Relating to Medical Care Solutions—Management of Health Data*."

We face risks inherent in handling a considerable amount of data and in securing and protecting such data. In particular, we face a number of data-related challenges from activities of participants in our medical care solutions business, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or improper behavior by our employees;

- addressing concerns related to privacy and sharing, safety, security and other factors; and

- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any system failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

Security and privacy breaches may hurt our business.

We could experience cyber-attacks of varying degrees, including attempts to hack into our cloud system. There may also be various requirements imposed by the PRC government to safeguard cyber-security and privacy. Even though we have implemented strict authority control and tracking mechanisms over account management, cyber-attacks may nevertheless lead to data leaks. Our security measures may be breached or circumvented by errors or malfeasance by our employees or other parties involved in our business activities. We may be unable to prevent all breaches because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target. Unauthorized access to user data generated and processed in our medical care solutions business (though encrypted) could result in significant legal and financial exposure, damage our reputation and reduce customers' and business partners' confidence in the security of our products, which could materially and adversely affect our business, financial condition and results of operations.

The discontinuation of any preferential tax treatment, government grants and other incentives currently available to us could reduce our profitability.

In 2019, 2020 and 2021, our Company and some subsidiaries were recognized as High and New Technology Enterprises, eligible for a preferential income tax rate of 15% instead of 25% when certain additional requirements are met, in the PRC. We need to renew such qualification every three years. In addition, we receive government grants to support our operations and R&D projects. In 2019, 2020 and 2021, we recognized government grants in our consolidated statements of profit or loss of RMB127.2 million, RMB121.0 million and RMB127.7 million, respectively.

Going forward, our government grants and other incentives may vary from period to period and our entitlement to the preferential tax treatment may expire or be terminated. As a result, our results of operations may be affected. Our eligibility for government grants and other incentives as well as the preferential income tax treatment depends on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the R&D progress made by other peer companies. The government grants and other incentives as well as preferential income tax treatment are subject to the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate, suspend or reduce these financial incentives or our eligibility for the preferential tax treatment, generally with prospective effect. In addition, some government incentives are granted to us on a project basis and are subject to the satisfaction of certain conditions, including compliance with applicable incentive agreements and completion of specific projects. We may not satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may fail to obtain the relevant incentives.

Since our receipt of government grants and other incentives, and eligibility for the preferential tax treatment are subject to periodic time lags and inconsistent government practices, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these government grants or other incentives or preferential tax policies in addition to any business or operational factors that we may otherwise experience. There can be no assurance that we will continue to receive such government grants and other incentives, receive similar level of government grants and other incentives, or at all, or be eligible to enjoy the preferential tax treatment in the future. The discontinuation of government grants, subsidies and our eligibility for the preferential tax treatment currently available to us could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful in implementing our business strategies.

Executing our business strategies and managing our growth could strain our managerial, operational and financial resources. In particular, the management of our growth may require:

- strengthening of financial and management controls in an efficient and effective manner;
- increased sales and marketing activities;
- identification of potential business partners;
- enhancement of our production capacity;
- smooth integration with acquired companies, technologies, personnel or products into our business;
- capital to fund our R&D, operations, investments and acquisitions; and
- hiring and training of additional qualified personnel.

If we are unable to effectively manage our growth and implement our business strategies, our business, financial condition and results of operations would be materially and adversely affected.

Changes in international trade or investment policies and barriers to trade or investment may adversely affect our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical friction. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion plans, financial condition and results of operations.

As tensions between the US and China over trade increased, China implemented measures in response to new trade policies, treaties and tariffs initiated by the US government. Such measures may escalate the tensions between the countries or lead to a trade war. Any escalation in trade tensions between China and the US or a trade war, or the perception that such escalation or trade war could occur, may negatively affect the economies of China and the US and the broader global economy. As a result, our business, financial condition, results of operations and prospects would be adversely affected.

We have made sales into and purchases from the US. While our operations in the US have not been adversely affected, any escalation of tensions between the US and China or any restrictions on imports or exports of Chinese companies by the US government could adversely affect our business. We cannot predict how geopolitical events will develop in the future and how they may affect our business, operations, reputation and financial condition.

We rely on third party logistics providers to deliver our products from production facilities to our distributors and customers.

As we provide medical device and pharmaceutical products to customers around the world, logistics play an important role in our sales and distribution. We rely on third party logistics providers for the transportation of our products from production facilities to our distributors and end-markets. The logistics providers are responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. Interruptions to or failures in these third parties' logistics and delivery services could prevent the timely or proper delivery of products to our distributors and customers, which could result in customer dissatisfaction and harm our reputation and relationship with distributors.

Interruptions to logistics and delivery may result from events beyond our control or the control of our logistics providers, such as inclement weather, public health events (including the COVID-19 pandemic), natural disasters, accidents, transportation disruptions or labor unrest. We may not find alternative logistics providers to provide logistics and delivery services in a timely and reliable manner, or at all. If we do not deliver our products in a proper condition or on a timely basis, our reputation, business, financial condition and results of operations could be materially affected.

If parties on whom we rely fail to maintain or renew the necessary permits, licenses and certificates required for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.

We are required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products, including but not limited to the Registration Certificate for Medical Device and the Medical Device Production License and the Certificate for Exportation of Medical Products. See "*—Our business is subject to complex and evolving laws and regulations. Any failure to comply with laws or regulations or obtain, maintain or renew applicable licenses, permits, approvals, regulatory filings and registration certificates for our products, services and operations may significantly disrupt our business and materially and adversely affect our business, financial condition and results of operations*." Third parties, such as research institutions, distributors and suppliers on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. Such third parties may be also subject to regular inspections, examinations, inquiries or audits by regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of certain relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that the third parties on whom we rely will be able to meet updated criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of their business, and if the third parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring third parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate their business, there can be no assurance that such third parties will successfully obtain such permits, licenses or certificates in a timely manner, or at all.

We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, financial condition and results of operations.

We are exposed to risks inherent in developing, manufacturing, packaging, marketing, distributing and selling medical device and pharmaceutical products in China and other jurisdictions in which such products are marketed and sold. Claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as improper filling of prescriptions, insufficient or improper labeling of products, unintentional distribution and retail of inferior quality products, counterfeit medicines or providing inadequate warnings or insufficient or misleading disclosure of side effects.

In the event that any use or misuse of the products we manufacture or distribute results in personal injury or death, product liability claims may be brought against us for damages. Any product liability claims against us or product recalls, regardless of whether the claims are with merit, could strain our financial resources and consume the time and attention of our management, which might incur substantial costs and lead to diversion of resources. If we are unable to defend ourselves against such claims, among other things, we may be subject to civil liabilities for physical injury, death or other losses caused by our products

and to criminal liabilities and the revocation of our business licenses. In addition, we may be required to recall the relevant products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in more developed markets including the United States, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims.

Even if we are not at fault or ultimately responsible for the quality of the products we produce and distribute, we may still be penalized by the relevant authorities. In addition, claims or product recalls may not be fully covered by insurance, since our insurance coverage is limited. See "*Our Business—Insurance*." As a result, the consumer demand for products manufactured or distributed by us may decline, and our reputation and sales may be materially and adversely affected.

If our medical device or pharmaceutical products cause, or are perceived to cause, severe side effects, our business, financial condition, results of operations and reputation could be materially and adversely affected.

Our medical device and pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are beyond our control. These factors include potential side effects not revealed in clinical trials, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our devices and products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of severe side effects is not obtained or is unobtainable.

In particular, our products may be perceived to cause severe side effects if other companies' products containing the same or similar active pharmaceutical ingredients, raw materials, structural design, mechanism of action or delivery technologies as our products cause, or are perceived to have caused, severe side effects, or if one or more regulators, such as the NMPA, the FDA or the EMA, or an international institution, such as the WHO, determine that products containing the same or similar pharmaceutical ingredients as our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including, but not limited to:

- a severe decrease in the demand for, and sales of, the relevant products;
- recalls or withdrawals of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- stricter and more frequent regulatory inspections of our production facilities and products;
- damages to the brand name of our products and our reputation;
- removals of relevant products from the Medical Insurance Drugs Catalogs; and

- risk of lawsuits and regulatory investigations with respect to the relevant products, which could result in liabilities, fines or penalties.

The occurrence of any of the foregoing may cause our operating revenue and profitability to decline, and our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected as a result.

We may be subject to claims in relation to our medical care solutions business.

We face risks of claims against the doctors and nurses involved in our medical care solutions business and us. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful claims against us could result in substantial damage awards that may exceed the limits of our insurance coverage. See "*Our Business—Insurance*." The relevant insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate insurance may not be available to us in the future on commercially acceptable terms, or at all.

Any claims made against us that are not covered by insurance fully or at all could be costly to defend against and divert the attention of our management and the doctors and nurses from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In particular, we have received certain medical claims in relation to our medical care solutions in 2019, 2020 and 2021. Though such claims did not have a material and adverse impact on our business and financial condition, there can be no assurance that we will not experience similar claims in the future and we may not have sufficient or any insurance coverage for such claims.

Meanwhile, the PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection and medical disputes, which has posed increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party business partners, and exposes us to substantial and increasing liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health or safety or accidents involving medical device and pharmaceutical products or services offered through our medical care solutions business or provided by us. If we do not take appropriate remedial action against the business partners for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside business relevant business partner, which may adversely affect our business, financial condition and results of operations.

We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us.

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings from time to time. Any ongoing litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings may distract our senior management's attention and consume our time and other resources. In addition, even if we ultimately succeed in such litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and

brand names. In the case of an adverse verdict, we may be required to pay monetary damages, assume liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury.

Our business operations are subject to national and local laws and regulations of the PRC pertaining to protection of the environment and health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of highly toxic and hazardous chemicals in our development and manufacturing process. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities. Since the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply in a timely manner, or to accurately predict the potentially substantial cost of complying, with these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, and suspension of our production or business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our facilities during the development and manufacturing process. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily or permanently. As a result, any accidental contamination, biological hazards or personal injury could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

We or our employees, distributors and other business partners may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, non-compliance of which could adversely affect our business, financial condition and results of operations.

We are subject to the anti-bribery laws in various jurisdictions, particularly China. Our procedures and controls to monitor compliance with anti-bribery laws may fail to protect us from reckless or criminal acts committed by our employees, distributors or business partners. We could be liable for actions of such employees or parties that violate anti-bribery, anti-corruption or related laws in the PRC or other jurisdictions.

In particular, the PRC government or other government authorities in countries where we sell our products could adopt new or different regulations affecting the way in which medical devices and pharmaceuticals are sold to address bribery, corruption or other concerns. Any such new or different regulations could increase the costs incurred by us and our distributors in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our costs. As we depend on distributors for the sales of our products, any misconduct by them or changes in the regulatory environment regarding the sales of medical devices and pharmaceuticals could materially and adversely affect our business, financial condition and results of operations.

Our employees, distributors and other business partners may also engage in fraud or other illegal activities. Misconduct by these parties could include intentional, reckless or negligent conduct or unauthorized activity that violates the regulations of the NMPA and other regulatory authorities, including laws requiring the reporting of true, complete and accurate information and data to such regulatory authorities, or data privacy, security, fraud and abuse and other healthcare laws and regulations in the PRC and other relevant jurisdictions. Any actual or alleged violation of these laws and regulations of such employees or parties could subject us to financial losses, sanctions and negative publicity, which may adversely affect our reputation and prospects.

In addition, the United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose financial and economic sanctions against certain countries or regions or against targeted industry sectors, groups of companies or persons, and/or organizations. Such sanctions laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by sanctions authorities in the future, may adversely affect our ability to work with certain existing and future distributors, sub-distributors and other business partners, which in turn could harm our business. Furthermore, our association with distributors, sub-distributors or other relevant parties that are or become subject to such restrictions could subject us to actual or perceived reputational harm, which could materially and adversely affect our business relationships business, financial condition, results of operations or prospects.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries ("**International Sanctions**"). We had minimal sales of our medical devices to sanctioned countries in the past.

We have not been notified that any International Sanctions penalties would be imposed on us. We have no present intention to undertake any future business with persons or entities that may expose us to risk of International Sanctions. However, we are unable to predict the interpretation or implementation of the International Sanctions with respect to any of

our past activities. If any authorities or organizations were to determine that we were deemed to be engaged in prohibited or sanctionable activities targeted by the International Sanctions, we could be subject to certain sanctions or penalties and our reputation and future business prospects could be adversely affected. In addition, because economic sanctions programs are constantly evolving, new requirements or restrictions could come into effect, or relevant authorities may interpret current sanctions in such a manner that might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions or being sanctionable. There can be no assurance that our activities in any particular country or region will be in compliance with evolving applicable rules and regulations or that they will not result in any negative media attention or reputational damage to us.

If we are unable to protect our intellectual property rights, or if the scope of our intellectual property rights fails to sufficiently protect our proprietary know-how, our competitive strengths may be eroded.

Our success depends in part on our ability to protect our intellectual property rights, including proprietary technologies, manufacturing know-how and patents. We seek to protect the proprietary technologies and manufacturing know-how that we consider important to our business under a combination of patent and trade secret protection laws in China and other jurisdictions, as well as employee and third-party confidentiality agreements. If we fail to adequately protect our intellectual property rights, competitors may be able to copy our products, use our technologies and erode or even wipe away any competitive advantage we may have had, which could harm our business and ability to achieve profitability.

In particular, the process of seeking patent protection can be lengthy and expensive, and there can be no assurance that our pending patent applications, or any patent applications we may make in the future, will be granted, or that any patents issued in the future will be able to provide us with meaningful protection, competitive advantages or commercial benefits. The scope of protection for issued patents may also vary across different jurisdictions. The PRC adopts a first-to-file system for patent application, under which whoever files the same application first will be first considered for the award of the patent. As a result, a third party may be granted a patent relating to a technology that we believe we had invented first.

Moreover, patent applications and issued patents may be challenged, invalidated or circumvented in the future, due to factors such as known or unknown prior acts, deficiencies in patent applications and lack of originality in the underlying technologies. Certain of our patented technologies are utilized in a number of our existing and pipeline products, and if the patents relevant to these technologies were to be declared invalid or unenforceable, it may have an adverse impact on the sales volumes and pricing levels of such existing products and our ability to successfully commercialize such pipeline products.

We may not be able to identify the infringement of our intellectual property rights at an early stage, which may result in our inadvertent infringement of such intellectual property rights which may have an adverse effect on our business and prospects. In addition, the patents that we hold, including the patents for our major products, are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce direct substitute products to our major products, which may

be identical in formulation. In the event that our competitors introduce direct substitutes for these products, the sales volumes and pricing levels for such products may be materially and adversely affected.

In addition to patents and pending patent applications, we seek to protect trade secrets, proprietary know-how and other non-patentable technology through confidentiality and non-competition agreements with our senior management and key members of our R&D team, as well as confidentiality clauses in employment contracts with employees and in agreements with our business partners in joint R&D activities and other third parties who may have access to our proprietary information.

Nevertheless, these agreements and clauses may not provide meaningful protection or adequate remedies in the event of unauthorized use or disclosure of proprietary information. An employee or a third party could make an unauthorized disclosure of our proprietary confidential information, whether intentionally or inadvertently, and a competitor could make use of such information and our competitive position could be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. We may not have adequate remedies for any breach, and our trade secrets, proprietary know-how and other non-patentable technology could otherwise become known to, or be independently developed by, our competitors.

We may be exposed to infringement or misappropriation claims by or disputes with third parties, which could cause us to lose significant rights and pay substantial damages.

The medical device and pharmaceutical industries are litigious with respect to intellectual property rights, in particular patents. Companies operating in our industries routinely seek patent protection for their product designs, and many of our principal competitors have large patent portfolios. Companies in the medical device and pharmaceutical industries have used intellectual property litigation to gain competitive advantage. Whether a product infringes a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain.

Although we search third parties' intellectual property rights prior to beginning any development projection, our products and technologies and any uses of our products and technologies could infringe third-parties' intellectual property rights. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from our business operations.

In addition, our employees could have used third parties' proprietary know-how or trade secrets during their employment with us, which could result in litigation against us. Prior to our development of major new products, our competitors may make filings for patent protection that not publicly available and which our new products may infringe.

If third parties successfully assert their intellectual property rights against us, we might be barred from using certain aspects of our technology or barred from developing and commercializing certain products, or we may be required to pay burdensome royalties to license their products. If we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated intellectual property rights of others, we

may be forced to pay substantial damage awards to the plaintiff. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not be successful, the failure of which may have a material adverse effect on our business, financial condition and results of operations.

Failure to manage our inventory effectively would materially and adversely affect our results of operations, financial condition and cash flows.

Our inventory consists of raw materials, and work-in-progress and finished goods. To operate our business successfully and meet our customers' demands and expectations, we must manage our inventory effectively to ensure immediate delivery when required. We regularly monitor our inventory to ensure timely supply and reduce the risk of overstocking. We maintain our inventory levels based on our internal forecasts which are inherently uncertain. In 2019, 2020 and 2021, our inventory turnover days were 149 days, 165 days and 146 days, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows—Net Cash Flows from Operating Activities*." We may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials, some of which are subject to expiration. Excess inventory levels may increase our inventory holding costs, obsolescence risks or potential impairment loss. On the other hand, if our forecasted demand is lower than actual level, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner and may lose sales and market share to our competitors.

Furthermore, as we will not be able to recoup our cash paid for raw materials during the production process until the finished products are sold to customers and the purchase price is settled, our business is subject to considerable working capital requirements. If our inventory level increases substantially in the future, our financial condition and cash flows could be adversely affected.

We depend substantially on the continued efforts of our senior executives, key R&D personnel and key sales and marketing personnel, and our business and prospects may be severely affected if we lose their services.

Our future success depends heavily upon the continued services of our senior executives, key R&D personnel and key sales and marketing personnel. We rely on the expertise and experience of our senior management team, particularly the expertise and experience relating to the healthcare industry. If we lose the services of any senior executive, we may not be able to identify suitable or qualified replacements in time and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects and delay our expansion strategies and plans. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing customers and potentially lose our R&D achievements, or lose any lead, competitive position, proprietary know-how or achievements that we have managed to attain in our R&D capabilities, which could have a material adverse effect on our business and results of operations.

Meanwhile, our R&D team is critical to the development and commercialization of medical device and pharmaceutical products, the provision of our medical care solutions especially our AI-empowered ECG services, and realization of the potential benefits of our intellectual property. In addition, success in the sale and distribution of our medical device

and pharmaceutical products depend on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business, our business, financial condition and results of operations could be materially and adversely affected.

As a public company, we have established a risk management and internal control system and implemented relevant policies and procedures that are designed to monitor and control potential risk exposures relevant to our business operations. Nevertheless, due to the inherent limitations in the design and implementation of such system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change or extraordinary events take place. Furthermore, integration of various business operations from our completed and potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

Future acquisitions of or investment in businesses, products, technologies or know-how could subject us to risks and uncertainties.

We plan to actively seek strategic opportunities for the acquisitions of businesses, products, technologies or know-how that we believe would benefit our product development, R&D capabilities, technologies or distribution networks. Our ability to grow through acquisitions depends upon our ability to identify and integrate suitable targets and to obtain necessary financing at commercially reasonable terms. Such acquisitions may involve significant risks and uncertainties. In particular, we may experience:

- difficulties in integrating acquired companies, technologies, personnel or products into our business, particularly different quality controls, customer services and other business functions;

- delays or failure in realizing the benefits of the acquisitions because of, for example, delays in receiving governmental approvals for products developed by the acquired businesses;

- diversion of our management's time and attention from other business concerns;
- higher costs of integration than we anticipated;
- difficulties in retaining key employees of the acquired business; or
- goodwill write-offs.

An acquisition could also materially impair our results of operations by causing us to incur debts, amortization costs, or impairment losses. We may also discover deficiencies in internal controls, data adequacy and integrity, product quality, regulatory compliance and liabilities in the businesses we acquire which we did not uncover prior to such acquisition.

Consequently, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses, products or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses, products or technologies could materially and adversely affect our business, financial condition and results of operations.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with us, our employees, our shareholders and business partners as well as the industries in which we operate.

Incidents that reflect doubt as to the quality or safety of medical device and pharmaceutical products manufactured, distributed or sold by participants of the PRC medical device and pharmaceutical industries, and the quality or safety of the services provided by participants of the PRC healthcare service industry, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the whole industry in general, even if such parties or incidents have no relation to us, our directors, supervisors, executive officers, other employees or shareholders. Such negative publicity may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity, regulatory actions, administrative penalties or scandals implicating us, our employees, shareholders or business partners, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

Our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

We operate in the medical device, pharmaceutical and medical care solutions industries, which involve numerous operating risks. We maintain property all risks insurance to protect the loss of fixed assets such as machinery, equipment and inventory due to events such as theft and natural disasters. We believe these insurance policies are consistent with industry standards.

Meanwhile, we do not maintain business interruption insurance. There can be no assurance that our insurance coverage is sufficient to compensate us for our actual losses. To the extent that such losses or payments are not insured or the insured amount is not adequate, the loss may materially and adversely affect our business, financial condition and results of operations.

If we determine our goodwill to be impaired, our financial condition and results of operations may be adversely affected.

We recorded goodwill derived from acquisitions. As of December 31, 2019, 2020 and 2021, we had goodwill of RMB2,718.8 million, RMB2,771.6 million and RMB3,273.5 million, respectively, representing 17.1%, 15.3% and 15.8% of our consolidated total assets, respectively. In 2019, we recognized impairment losses on goodwill of RMB108.0 million. Goodwill is not amortized but it is tested for impairment at each balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The value of goodwill is determined based on a number of assumptions made by the management. If any of these assumptions do not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Furthermore, our determination on whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated, which depends on the expected future cash flows from the cash generating units. If we determine the expected future cash flow to decrease, our goodwill may be impaired. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to fair value change for financial instruments measured at fair value through profit or loss.

We carried certain financial instruments measured at fair value as of December 31, 2019, 2020 and 2021, due to our investments. Fair value of such financial instruments was determined by various applicable valuation techniques, including market approach, income approach and cost approach. Major assumptions used in the valuation include historical financial performance, market trading condition, expected growth rates and estimates of weighted average cost of capital and other assumptions. Such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates; our determinations of fair value may differ materially from the values that would have been used if a ready market for these financial instruments existed. Any adverse fair value changes may directly impact our income statements, and our financial position and results of operations could be adversely affected if our determinations turn out to be inaccurate.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may adversely affect our business, financial condition and results of operations.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, remuneration, overtime limitations, term of probation and unilateral termination. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, according to the Social Insurance Law of the PRC, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are still evolving, there can be no assurance that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be adversely affected.

The assumptions made in preparing the financial targets included in this Prospectus may prove incorrect, incomplete or inaccurate and our results may differ materially from the financial targets.

Our financial targets for the year ending December 31, 2022 included in this Prospectus with respect to revenue and revenue growth reflect numerous assumptions made by our management. These assumptions relate to commercial expectations and a number of external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, all of which are difficult to predict and are beyond our control. Accordingly, the assumptions made in preparing the financial targets and outlook could prove incorrect, incomplete or inaccurate and there may be differences between our actual and projected results, which could be material and impact the price of our A Shares and GDRs. The inclusion of the financial targets and outlook in this Prospectus should not be regarded as an indication that we consider such financial targets to be achievable or any outlook to be reliable predictions of future events. Accordingly, investors should not place undue reliance on any of the statements set forth under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook for the Year Ending December 31, 2022*."

Risks Relating to the PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.

A substantial majority of our assets are located in China and a majority of our operating revenue is derived from our business in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. In particular, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation could affect the business and economic environment, the growth of the PRC's healthcare industry and ultimately, the profitability of our business. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently, from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

The PRC legal system is evolving and may have uncertainties that could limit the legal protection available to us and investors.

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation and inconsistently enforced. In addition, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to investors and us.

Investors may have limited recourse against us or our Directors, Supervisors and senior management members who reside in the PRC.

Our Company's main presence outside Switzerland may limit the legal recourse of investors against us or our Directors, Supervisors or senior management members. Our Company is incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, almost all of our Company's Directors, Supervisors and senior management members reside within the PRC and the assets of these Directors, Supervisors and senior management members are likely to be located within the PRC. As a result, it may not be possible to effect service of process within Switzerland or elsewhere outside the PRC upon our Company's Directors, Supervisors and senior management members. Moreover, the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of Switzerland or most other western countries. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. These limitations may deprive investors of effective legal recourse for claims related to their investments in the GDRs.

Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations and prospects.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. There can be no assurance that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend

payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Risks Relating to the GDRs and the Offering

There has been no prior public trading market for the GDRs and very few companies with global depositary receipts listed in general and an active trading market may not develop or be sustained in the future.

Prior to the Offering, there has been no public market for the GDRs and very few companies with global depositary receipts have been listed and publicly traded on a Swiss stock exchange. There can be no assurance that an active trading market for the GDRs and global depositary receipts in general will develop or be sustained after the Offering. Further, there can be no assurance that the price at which the GDRs will trade in public markets subsequent to the Offering will not be lower than the final Offer Price. In the past, the prices of global depositary receipts offered publicly for the first time have been subject to considerable fluctuations that may not have reflected the business, results of operations, financial condition and prospects of the issuing company, and there has been often a discount of the price of global depositary receipts (taking into account of the conversion ratio) compared to the price of the underlying A shares traded on PRC stock exchanges. If an active trading market is not developed or maintained, the liquidity and trading price of the GDRs could be adversely affected. The market price of the GDRs could be affected by adverse developments affecting the general economic or investment climate. Geopolitical factors such as war or acts of terrorism or a pandemic or political tension may indirectly affect the market price of the GDRs. If an active market of the GDRs fails to develop and continue after the Offering, investors may not be able to resell their GDRs at or above the Offer Price. In addition, there can be no certainty as to the basis on which market makers will provide liquidity in the secondary market, which could negatively affect the terms on which investors are able to transact in the GDRs.

The market price of the GDRs can be highly volatile.

Investors may not be able to resell their GDRs at or above the Offer Price, or at all, as the market price of the GDRs after the Offering may be adversely affected by factors within or outside our control, including variations in our results of operations, market conditions, or changes in government relations or relevant regulations in relevant jurisdictions. Market fluctuations, as well as economic conditions and geopolitical factors, may adversely affect the market price of the GDRs. In addition, noting that the settlement of redemptions of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two-trading day rolling basis or a three-trading day rolling basis (which may therefore be a slightly longer settlement cycle than the usual two-trading day rolling basis and at times such period may be further prolonged by public holidays in relevant jurisdictions), price volatility may increase the risk of failed trades occurring. This one trading day difference is due to the requirement in China for A Shares to be pre-delivered for selling purpose and the time it takes to effect a non-trade transfer of A Shares from the Depositary to the Designated Broker before the Designated Broker can sell A Shares on the Shenzhen Stock Exchange. Therefore, investors redeeming GDRs may be subject to one day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

Certain of the regular and *ad hoc* announcements will be made public by the Company after close of trading of the underlying A Shares on the Shenzhen Stock Exchange, but prior to commencement of trading of GDRs on SIX Swiss Exchange, and overseas investors will react first on such announcements ahead of the PRC investors and they may react in a different way than the PRC investors and accordingly the market for GDRs may become more volatile than expected.

The capital markets have experienced extreme volatility and disruption over the past few years and in particular in the past few months. In some cases, the markets have produced downward pressure on stock prices for certain issuers seemingly without regard to those issuers' underlying financial performance or strength. Several factors could cause the market price for the GDRs to fluctuate substantially in the future, including, without limitation:

- the liquidity of the market for the GDRs;
- the trading hours for the GDRs at SIX Swiss Exchange;
- the availability of the Designated Brokers and their capacity to create and redeem the GDRs;
- end of the 120 days lock-up restriction for redemption of the GDRs;
- actual or anticipated sales of substantial amounts of GDRs or A Shares by the Group or other shareholders into the marketplace;
- announcements of developments related to our business;
- actual or anticipated fluctuations in our financial results and results of operations;
- negative developments affecting our reputation or business relationships;
- changes of general or perceived conditions in our targeted markets;
- a shortfall in our operating profit or earnings compared to securities analysts' expectations;
- changes in securities analysts' recommendations or projections;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- adverse perception of our announcement of new acquisitions or other projects;
- speculation in the press or investment community;
- changes in accounting principles;
- general adverse market sentiment;
- extraneous geopolitical factors, including increased regulations; and
- implementation of new laws or regulations or changes in interpretations of existing laws and regulations, including listing rules.

Future sales of GDRs or A Shares could depress the market price of the GDRs.

Sales of substantial amounts of GDRs or A Shares (which are listed on the Shenzhen Stock Exchange) following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the GDRs.

Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of shareholders of the Company and/or GDR holders.

In order to raise funding in the future, the Company may issue additional new Shares, including in the form of A Shares and GDRs or debt securities that are convertible into equity and the terms may include liquidation or other preferences that adversely affect the rights of GDR holders. There can be no assurance that any additional new Shares of the Company will be issued by way of rights issue. Holders of the GDRs may not have any pre-emptive rights with respect to any new equity issuances by the Company. Accordingly, if and when the Company issues A Shares or debt securities that are convertible into equity in the future, the percentage holding of a shareholder and, indirectly, a GDR holder in the Company (and, therefore, the economic investment made by the shareholder and, indirectly, a GDR holder) will be diluted if such shareholder or, indirectly, GDR holder, does not acquire its proportional entitlement of additional new A Shares or GDRs (as the case may be), and the terms may include liquidation or other preferences that adversely affect the rights of a GDR holder.

The Company's ability to pay dividends in the future depends, amongst other things, on the Group's financial performance and is therefore not guaranteed.

To the extent that the Company pays dividends, the distribution of dividends will be dependent upon a number of factors, including the future profit, financial position, statutory reserve requirements, the amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Subject to the PRC Company Law and other relevant laws and regulations and the Articles of Association, the Company may distribute dividends based on a portion of its profits attributable to its shareholders of the relevant year, and any dividends distributed in cash shall not be less than 25% of the profits attributable to its shareholders of the relevant year if it is profitable for the relevant year and the accumulated undistributed profit is positive. For further details, see "*Dividends and Dividend Policy*." However, the Company is allowed to amend its Articles of Association with the approval of more than two thirds of its shareholders. Further, the Company's ability to declare and pay cash dividends may be restricted by, amongst other things, covenants in any credit facilities that the Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of PRC law. Therefore, there can be no assurance that any dividend will be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year, and GDR holders may not receive any return on their investment in the GDRs unless they sell their GDRs or redeem the GDRs through a Designated Broker at a price greater than that which they paid for them.

Further, as a portion of the Company's business is undertaken through its subsidiaries, distributions from these companies contribute to the Company's cash flows. A material decline in operating revenue generated by the Company's subsidiaries or the occurrence of a material investment by the Company in relation to any subsidiary could impact the Company's ability to make distributions to its shareholders and GDR holders. In addition,

in the event of the insolvency, bankruptcy, liquidation, dissolution or winding-up of a subsidiary, secured and unsecured creditors of the subsidiary will have the right to be paid before any distributions are made to the Company. These factors could have a material adverse effect on the Company's ability to pay dividends to its shareholders and GDR holders.

Following the Offering, holders of A Shares may not be able to deposit the A Shares in the Company's GDR facility in order to receive or sell GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

Whenever the A Shares deposited with the Depositary against issuance of GDRs represent (or, upon accepting any additional A Shares for deposit, would represent) a percentage exceeding any limit communicated to the Depositary by the Company and established by any applicable law, directive, regulation or permit, or trigger any condition for the making of any filing, application, notification or registration or for obtaining any approval, license or permit under any applicable law, directive or regulation, or for taking any other action, the Company may instruct the Depositary to close its books to deposits of additional A Shares to prevent such thresholds or limits being exceeded or conditions being satisfied and the Depositary may take such steps as it deems necessary or desirable to comply with any such law, directive or regulation or permit, including but not limited to the cancelation of GDRs and withdrawal of A Shares or the sale or other disposal of A Shares underlying the GDRs.

In its approval dated September 1, 2022, the CSRC stated that the total number of A Shares represented by the GDRs to be offered may not exceed 180,458,875, and the total number of GDRs to be offered by our Company in the Offering may not exceed 36,091,775, subject to adjustment in the event of certain corporate actions.

The liquidity of, and market for, the GDRs could be adversely affected in the event that the Depositary closes its books to deposits of additional A Shares.

Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

The holders of the GDRs (in their capacity as GDR holders) will have no direct voting rights with respect to the A Shares represented by the GDRs. They will be able to exercise voting rights with respect to the A Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs and the relevant requirements of the laws of the PRC generally applicable to all shareholders of the Company. Please see "*Terms and Conditions of the Global Depositary Receipts*." There are, therefore, practical limitations upon the ability of the holders of the GDRs to exercise their voting rights due to the additional procedural steps involved in communicating with them.

To exercise their voting rights, the holders of the GDRs must instruct the Depositary on how to vote the A Shares represented by the GDRs they hold. Because of these additional procedural steps involving the Depositary, the process for exercising voting rights may take longer for holders of the GDRs than for holders of the A Shares, and the Company cannot assure the holders of the GDRs that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. The GDRs for which the Depositary does not receive timely, legible and clear voting instructions will

not be voted and the Depositary will not exercise any discretion as to voting and will not vote or attempt to exercise the right to vote the A Shares, except pursuant to the voting instructions received from holders.

The Depositary is only required to execute the voting instructions of the holders of GDRs insofar as practicable and as permitted under applicable law. Holders of GDRs (in their capacity as GDR holders) will not be able to instruct the Depositary to: (i) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called; or (ii) nominate candidates for the Board of Directors or certain other of the Company's governance bodies, unless the Company first provides written consent for the Depositary to do so. However, if holders of GDRs also hold A Shares, they may be able to introduce proposals, request that a shareholder meeting be called or nominate candidates in their capacity as shareholders if their shareholding reaches the required threshold.

GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their onshore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

Foreign investors are generally not able to hold A shares in Chinese companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for Qualified Foreign Investors ("**QFIs**"). GDR holders will not be permitted to redeem their GDRs and directly hold the underlying A Shares. If GDR holders that are QFIs (or are otherwise able to hold A Shares through another exemption) wish to hold A Shares instead of GDRs (for example, in order to exercise any of the rights that holders of A Shares have but which GDR holders do not), they would need to sell some or all of their GDRs (either on SIX Swiss Exchange or another legitimate trading venue) or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange) and separately buy A Shares on the Shenzhen Stock Exchange (or another legitimate trading venue) to be held in a separate (existing or newly established) account.

The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.

One of the features of the GDRs listed on SIX Swiss Exchange is that GDR holders will be able to redeem their GDRs by selling the underlying A Shares through a Designated Broker (although, as noted above, investors will not be able to directly hold the underlying A Shares or have the underlying A Shares held on their behalf by a Designated Broker). Pursuant to the DR Provisions, the redemption of GDRs and subsequent sale of underlying A Shares may only be facilitated by certain Designated Brokers. Designated Brokers will be members of SIX Swiss Exchange (or otherwise designated by SIX Swiss Exchange) and designated by the Shenzhen Stock Exchange who hold accounts with members of the Shenzhen Stock Exchange enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below). However, there can be no assurance that any Designated Broker will have sufficient capacity on any given trading day to facilitate the redemption of GDRs.

This mechanism is intended to provide cash fungibility between the GDRs and the A Shares by enabling investors or their brokers to place sell or redemption orders with Designated Brokers who are able to seek the best price for the securities from either market.

The Shenzhen Stock Exchange has approved four brokers to act as Designated Brokers under the Stock Connect Scheme, but as of the date of the Prospectus, not all of them have been designated by SIX Swiss Exchange. The PBOC and the SAFE have published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC) as well as inventory-related quotas on the maximum number and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker (which are not expected to give rise to any material risk to GDR holders). Prior to the expansion of the Stock Connect Scheme to SIX Swiss Exchange, the cross-border currency flow under the Stock Connect Scheme is managed under a general quota, where the currency flow under west-bound GDR listings shall not exceed RMB300 billion, and the daily inventory-related quota for each Designated Broker is RMB500 million. It is expected that rules relating to the quotas will be maintained and may be further amended following the expansion of the Stock Connect Scheme so that the quota will be set at a sufficiently high level (both individually and in aggregate) to facilitate GDR holders to create or redeem GDRs through the Designated Brokers in the manner described above.

However, there can be no guarantee that the Designated Brokers will have enough capacity to facilitate the creation or redemption of GDRs between SIX Swiss Exchange and Shenzhen Stock Exchange or that the number of Designated Brokers will increase over time and any failure to do so may restrict the ability of GDR holders to redeem their GDRs by selling the underlying A Shares through a Designated Broker to investors in the PRC, thus limiting the available capital pool and, as a result, may mean GDR holders cannot obtain the highest possible cash value for their GDRs. In addition, Designated Brokers will be able to set their own pricing terms and if the number of Designated Brokers fails to increase, or decreases, over time, this may result in the fees payable to Designated Brokers becoming more expensive, potentially increasing costs for GDR holders when either buying GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares or selling GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.

The GDRs and A Shares are separate securities and there may be a price difference between the trading price of the GDRs (taking into account of the conversion ratio) on SIX Swiss Exchange and the trading price of the A Shares on the Shenzhen Stock Exchange. Whilst GDR holders will not be able to redeem their GDRs and directly hold the underlying A Shares or have the underlying A Shares held on their behalf by a Designated Broker, pursuant to the DR Provisions, investors will (subject to the below) be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs through selling the

underlying A Shares on the Shenzhen Stock Exchange. However, in accordance with the DR Provisions, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. For this purpose, the redemption means that the GDR holders will deliver GDRs through a Designated Broker to the Depository which will cancel the GDRs and effect a non-trade transfer of the underlying A Shares of the GDRs to the Designated Broker which will then sell the underlying A Shares on the Shenzhen Stock Exchange and repatriate the cash, less costs and applicable taxes to the GDR holders.

Trading in the A Shares on the Shenzhen Stock Exchange may also be suspended from time to time. The Company may apply to the Shenzhen Stock Exchange for a suspension of trading in its A Shares for a number of reasons (such as where the Company forecasts that it would be difficult to maintain the confidentiality of any material and disclosable information, the disclosure of which would have, or already has had, a significant impact on the price of the A Shares). The suspension of trading in A Shares does not necessarily lead to the suspension on trading in GDRs and vice versa. During the period of any such trading suspension, it is expected that trading in the GDRs on SIX Swiss Exchange will continue. However, during any such period, the redemption or creation of GDRs by the Depositary may be delayed or restricted. In addition, the trading price of A Shares on a trading day will be subject to a limit of 20% increase or decrease based on the closing price of the previous trading day.

This may give rise to price risk to GDR holders. To the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account of the conversion ratio), GDR holders may not be able to take advantage of such higher price for the 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended. For such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and GDR holders will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. The DR Provisions also restrict transfers of GDRs by the Company's controlling shareholder, actual controller or entities under their control for a period of 36 months from the First Day of Trading. As at June 30, 2022, Mr. PU Zhongjie is the actual controlling person of the Company. On the other hand, to the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account the conversion rate) upon expiry of the 120 days following the First Day of Trading, a significant number of GDR holders may wish to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange, in which case, the liquidity of the trading of GDRs on SIX Swiss Exchange may be materially and adversely affected. Where the trading price of A Shares on a trading day reaches the 20% limit as described above, the Designated Broker may not be able to successfully buy or sell the underlying A Shares for the purpose of creation or redemption of the GDRs.

Holders of the GDRs may be subject to exchange rate risk.

The GDRs are, and any dividends to be paid in respect of them will be, denominated in USD. An investment in GDRs by an investor whose principal currency is not USD exposes the investor to foreign currency exchange rate risk. Any depreciation of the USD in relation to such foreign currency will reduce the value of the investment in the GDRs or any dividends in foreign currency terms.

Certain facts, statistics and information relating to the Group are derived from publications not independently verified by the Group, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers.

Facts and statistics in this Prospectus relating to the PRC's economy and the industries in which the Group operate and information relating to the Group are derived from publicly available sources and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the Offering. While the Company has taken reasonable care to ensure that the facts and statistics or information relating to the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Company, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

The regulatory regime of Swiss-listed global depositary receipts is new and might change.

The regulatory regime of Swiss-listed global depositary receipts, including the rules defining the Standard for Depository Receipts that form part of the Listing Rules, have been overhauled and recently entered into force in July 2022, and the arrangement relating to the clearing and settlement of the GDRs through Euroclear and Clearstream has not been widely adopted by SIX Swiss Exchange for other listed equity securities. Given that we are expected to be one of the first few companies to issue global depositary receipts listed and traded on SIX Swiss Exchange, SIX Exchange Regulation does not have prior experience with its regime on global depositary receipts. As a result, SIX Exchange Regulation may continue to amend the current regime or certain rules if it deems it necessary or appropriate. Changes in the regulatory regime for global depositary receipts may adversely affect the rights of the GDR holders or the price of the GDRs.

Furthermore, the PRC law and the rules of the Shenzhen Stock Exchange are, in many aspects, different from Swiss law and the rules of SIX Exchange Regulation. We may not be able to predict every potential impact of Swiss law or the rules of SIX Exchange Regulation applicable to us. GDR holders may have certain obligations under the Swiss law which are otherwise not assumed by or applicable to holders of the underlying A Shares. If we fail to obtain a waiver to release us from conflicting obligations either from the competent authority in Switzerland or in the PRC, the rights of the GDR holders or the price of the GDRs may be materially and adversely affected, and we may face fines or other charges, which could adversely impact our business, financial condition and results of operations.

The Offering may not be completed for various reasons and may be terminated.

The Offering may not be completed if certain conditions as set out in the Underwriting Agreement are not fulfilled or certain representations and undertakings as set out in the Underwriting Agreement are breached, please see "*Offering and Sale—Underwriting*." In such event, the Joint Global Coordinators, acting on behalf of the Managers, may terminate the Offering at any time prior to the closing date whereupon the Offering becomes void and transactions before the closing date will not be fulfilled. In the event of such termination, investors suffering a loss have no right of compensation against the Managers or the Company.

You may not be able to recover in civil proceedings for United States securities law violations.

The majority of the directors and executive officers of the Company are non-residents of the US, and a significant portion of the assets of the Company and its subsidiaries and those of their directors and executive officers are located outside the US. As a result, it may not be possible for investors to effect service of process within the US upon the Company or such persons to enforce judgments obtained in US courts against them. Moreover, in light of recent decisions of the US Supreme Court, actions of the Company may not be subject to the civil liability provisions of the federal securities laws of the US. There is doubt as to the enforceability in Switzerland of original actions, or in actions for enforcement of judgments of US courts, of civil liabilities to the extent predicated upon the federal and state securities laws of the United States. Original actions against persons in Switzerland based solely upon the US federal or state securities laws are governed, among other things, by the principles set forth in the Swiss Federal Act on International Private Law of December 18, 1987, as amended ("**PILA**"). In addition, mandatory provisions of Swiss law may be applicable regardless of any other law that would otherwise apply.

The US and Switzerland do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. There is, therefore, doubt as to the enforceability in Switzerland of civil liabilities based upon US securities laws in an action to enforce a US judgment in Switzerland. In addition, the enforcement in Switzerland of any judgment obtained in a US court based on civil liabilities, whether or not predicated solely upon US securities laws, will be subject to certain conditions. The recognition and enforcement of a judgment of the courts of the United States in Switzerland is governed by the principles set forth in the PILA. The PILA provides in principle that a judgment rendered by a non-Swiss court may be enforced in Switzerland only if (i) the non-Swiss court had jurisdiction pursuant to the PILA; (ii) the judgment of such non-Swiss court has become final and non-appealable; (iii) the judgment does not contravene Swiss public policy; (iv) the court procedures and the service of documents leading to the judgment were in accordance with due process principles; and (v) no proceeding involving the same position and the same subject matter was first brought in Switzerland, or adjudicated in Switzerland, or was earlier adjudicated in a third state and this decision is recognizable in Switzerland. There is also doubt that a Swiss court would have the requisite power or authority to grant remedies sought in an original action brought in Switzerland on the basis of US securities laws. Awards of punitive damages in actions brought in the US or elsewhere may be unenforceable in Switzerland.

If the EU Commission does not grant SIX Swiss Exchange equivalence under MiFID II/MiFIR, trading of the GDRs outside of Switzerland could be impacted.

On January 3, 2018, EU Directive 2014/65/EU ("**MiFID II**") and EU Regulation No 600/2014 ("**MiFIR**") were implemented in the EU with the aim to increase market transparency. MiFIR Article 23 introduced an obligation for European investment firms to trade shares on (i) a trading venue in the EU or (ii) an equivalent third-country trading venue. Importantly, this obligation covers all equity securities (i) admitted to trading on a regulated market or traded on a trading venue in the EU (this condition captures most of the equity securities listed on SIX Swiss Exchange as such equity securities are often also admitted to trading on a regulated market or traded on a trading venue in the EU) and (ii) traded on such EU trading venues in a way that is not non-systematic, ad-hoc, irregular or infrequent. Therefore, Switzerland's stock exchanges require equivalent third-country

status under MiFID II/MiFIR in order for EU trading participants to be able to directly access Swiss stock exchanges and trading venues for applicable equity securities. On June 30, 2019, the market equivalence for Switzerland's stock exchanges granted by the EU commission expired.

On June 27, 2019, the Swiss Federal Department of Finance ("**FDF**") announced that it was activating the measures adopted by the Swiss Federal Council pursuant to an ordinance enacted to protect the Swiss stock exchange infrastructure on November 30, 2018, called the "Ordinance on the Recognition of Foreign Trading Venues for the Trading of Equity Securities of Companies with Registered Office in Switzerland" (the "**Ordinance**"). As a result of these protective measures, with effect from July 1, 2019, trading venues in the EU are prohibited under Swiss law from offering or facilitating trading in equity securities (including shares) of companies (i) with registered offices in Switzerland and (ii) whose equity securities are listed on a Swiss stock exchange or are traded on a Swiss trading venue ("**Swiss issuers**").

The Ordinance introduces a recognition obligation applicable to foreign trading venues if they admit equity securities to trading or permit trading in such equity securities of Swiss issuers. According to the Ordinance, FINMA will only grant recognition to such foreign trading venues if (i) it is subject to appropriate regulation and supervision and (ii) the jurisdiction in which the foreign trading venue is registered does not restrict market participants from trading the equity securities of Swiss issuers on trading venues in Switzerland, thereby materially adversely affecting the trading in such equity securities at Swiss trading venues. If these conditions are not met, the foreign trading venue will not be granted recognition by FINMA; consequently, these venues will not be allowed to offer trading in the equity securities of Swiss issuers. On June 27, 2019, the FDF published an updated list of such jurisdictions that have not met the necessary conditions under the Ordinance. Currently, this list comprises only the member states of the EU, the result of which means that no recognition can be granted to EU trading venues effective July 1, 2019.

The intended effect of the Ordinance is that trading in the majority of equity securities of Swiss issuers will no longer occur on a regulated market or on a trading venue in the EU after June 30, 2019 (since such regulated markets or trading venues in the EU will not be granted recognition from FINMA). Thus, the share trading obligation and stock exchange equivalence of MiFIR Article 23, no longer applies to the equity securities of Swiss issuers. As a result, eligible EU market participants can continue to trade the shares of Swiss issuers on Swiss trading venues without breaching EU laws. The same would apply even if a certain trading volume with Swiss issuer equity securities remains on EU trading venues, so long as such trading occurs non-systemically, ad hoc, irregularly and infrequently. However, while the equity securities of Swiss issuers continue to trade on Swiss stock exchanges and trading venues, the volume of trading for certain equity securities of Swiss issuers on foreign trading venues (to the extent the equity securities are admitted to trading) could be impacted, which could affect the price of shares of such Swiss issuers. In addition, the Ordinance remains in effect only until December 31, 2025; thus, the long-term impact for Swiss issuers and Swiss capital markets as well remains uncertain until a solution on this topic can be reached with the EU Commission.

We believe the Offering and the listing of GDRs will help enhance our international profile and fund our overseas expansion.

Assuming the sale of all Firm GDRs at an offer price of the mid-point of the Offer Price Range, we expect to receive gross proceeds of between approximately US$148.8 million (assuming no exercise of the Upsize Option) and US$221.0 million (assuming the Upsize Option exercised in full) and net proceeds of between approximately US$144.5 million (assuming no exercise of the Upsize Option) and US$215.7 million (assuming the Upsize Option exercised in full), after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by us in connection with the Offering (inclusive of VAT).

We intend to use the net proceeds received from the Offering as follows:

- Approximately 40% of the net proceeds will be used for the implementation of our global R&D initiatives, which include leveraging our key technological platforms to launch our proprietary innovative products, conduct clinical studies overseas, and commercialize our products to better meet patients' needs globally;

- Approximately 20% of the net proceeds will be used for the establishment of production sites overseas to increase our production capacity and support our product supply globally;

- Approximately 10% of the net proceeds will be used to establish BD centers overseas to support the acquisition of licenses and approvals for us and our products, and seek opportunities to co-develop products empowered by leading technologies, conduct sales and marketing activities of our products globally, and form strategic collaboration with sales, marketing and distribution partners;

- Approximately 10% of the net proceeds will be used to build our sales and distribution network globally with customer service capabilities to broaden our sales channels and increase penetration into more medical and retail institutions to enhance our brand awareness globally; and

- Approximately 20% of the net proceeds will be used to supplement our working capital for general corporate purposes.

The foregoing use of proceeds may change in light of our evolving business needs, regulatory environment and prevailing market conditions and in a way that is consistent with our business strategies and in accordance with applicable laws. To the extent that the net proceeds from the Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

General

Holders of the GDRs will be entitled to receive future dividends, including any dividends declared in respect of the financial year ending December 31, 2022 and in respect of any subsequent period, provided dividends are declared. The distribution shall be made by the Depositary to those Holders of GDRs who are Holders of record on the record date established by the Depositary for that purpose (which shall be the same date as the corresponding record date set by the Company or as near as practicable to any record date set by the Company). Payments to Holders of dividends or other distributions or payments made to Holders on or in respect of the Deposited Shares (as defined under "*Terms and Conditions of the Global Depositary Receipts*") will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates. For details, see "*Terms and Conditions of the Global Depositary Receipts—9. Distribution of Any Payments*" and "*Terms and Conditions of the Global Depositary Receipts—11. Taxation and Applicable Laws*."

Dividend Policy

We distribute dividends primarily in the form of cash, but may also distribute dividends in the form of stock or a combination of cash and stock. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that the Board may deem relevant. See "*—Legal Considerations*."

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to our Company, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that the Board of Directors may consider important.

There can be no assurance that in any given year a dividend will be proposed or declared. See "*Risk Factors—Risks Relating to the GDR and the Offering—The Company's ability to pay dividends in the future depends, amongst other things, on the Group's financial performance and is therefore not guaranteed*." The information on our Company's policies relating to dividends constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance and our Company's actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "*Forward-Looking Statements*" and "*Risk Factors*."

To the extent that dividends are declared and paid in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of A Shares underlying the GDRs, subject to the terms of the Deposit Agreement. For additional information, see "*Description of Share Capital—Description of A Shares—Rights to Dividends*."

Dividend History

In June 2019, with respect to 1,769,250,140 A Shares, we paid cash dividends of RMB0.165 per A Share in connection with our distributable profits for the year of 2018.

In June 2020, with respect to 1,769,250,140 A Shares, we paid cash dividends of RMB0.200 per A Share in connection with our distributable profits for the year of 2019.

In June 2021, with respect to 1,792,178,336 A Shares, we paid cash dividends of RMB0.228 per A Share in connection with our distributable profits for the year of 2020.

In June 2022, with respect to 1,774,493,376 A Shares, we paid cash dividends of RMB0.275 per A Share in connection with our distributable profits for the year of 2021.

We did not declare and pay stock dividends in connection with our distributable profits for the years of 2019, 2020 and 2021.

Legal Considerations

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and
- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

Subject to the aforesaid allocations and restrictions, the remaining profit for the relevant year/period (on an after tax basis) may be distributed as dividends to our shareholders in accordance with their shareholding percentage. As set forth in our Articles of Association, if we record a positive annual distributable profit and a positive accumulated undistributed profit during the year, we shall distribute cash dividends, and the accumulated profits for distribution in the financial year shall be no less than 25% of the distributable profit realized for that year. If the Company's year end asset liability ratio exceeds 60% or net cash flows generated from operating activities is negative for the year, we may choose not to distribute cash dividends.

In addition, dividends declared and paid on the GDRs if any are subject to applicable PRC taxes. For further details, see "*Tax Considerations*."

The following table sets forth certain information on the consolidated capitalization and indebtedness:

- on an actual basis for the Group as of June 30, 2022; and

- on an as-adjusted basis for the Group to give effect to the Offering and receipt by the Company of the estimated net proceeds of US$144.5 million (assuming the sale of all Firm GDRs at the mid-point of the Offer Price Range and no exercise of the Upsize Option) after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by the Company in connection with the Offering) (inclusive of VAT).

The following table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the notes thereto, included elsewhere in this Prospectus.

	As of June 30, 2022	
	Actual	As Adjusted
	(RMB in millions)	
	(reviewed)	*(unaudited)*
Total current liabilities	3,659	3,659
— of which guaranteed/secured	367	367
Total non-current liabilities	5,240	5,240
— of which guaranteed/secured	766	766
Total liabilities	**8,899**	**8,899**
Share capital	1,805	1,864
Other equity instruments	215	215
Capital reserve	1,105	2,044
Less: Treasury shares	600	600
Other comprehensive income	(110)	(110)
Surplus reserve	585	585
Retained earnings	8,907	8,907
Total equity	**12,818**	**13,817**
Total capitalization	**21,717**	**22,716**

As of the date of this Prospectus, there have been no changes to the information set forth in the table above, other than (i) as a result of ongoing normal operating activities, such as changes in cash and cash equivalents and results of operations of the Group, (ii) as otherwise discussed in this Prospectus, and (iii) any changes that would not have a material adverse effect on the Group.

The consolidated financial information presented below sets out our selected consolidated financial and other data as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The selected consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows have been derived from the consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following selected financial data should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
		(audited)		*(unaudited)*	*(reviewed)*
Total operating revenue	**7,796**	**8,039**	**10,660**	**6,521**	**5,334**
Operating revenue	7,796	8,039	10,660	6,521	5,334
Total operating cost	**5,843**	**6,193**	**8,208**	**4,290**	**3,770**
Operating cost	2,165	2,654	4,157	2,428	2,021
Taxes and surcharges	96	90	114	77	55
Selling expenses	2,172	1,839	2,109	958	823
Administrative expenses	586	607	748	353	365
Research and development expenses	544	736	908	373	439
Financial expenses	280	267	172	101	66
Add: Other income	28	61	80	23	21
Investment income (loss expressed in parentheses)	195	(154)	(397)	(71)	(40)
Gains from change in fair value (loss expressed in parentheses)	162	452	29	2	0
Loss on impairment of credit (loss expressed in parentheses)	(174)	(38)	(30)	(19)	(10)
Loss on impairment of assets (loss expressed in parentheses)	(206)	(21)	(9)	0	(2)
Gains from disposal of asset (loss expressed in parentheses)	4	2	20	0	0
Operating profit	**1,961**	**2,149**	**2,145**	**2,166**	**1,531**
Add: Non-operating income	107	73	64	16	6
Less: Non-operating expenses	5	19	62	10	10
Total profit before tax	**2,063**	**2,203**	**2,146**	**2,172**	**1,527**
Income tax expense	339	326	366	356	230
Net profit	**1,724**	**1,877**	**1,780**	**1,816**	**1,297**

Selected Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
ASSETS				
Current assets				
Cash at bank and on hand	1,954	2,434	3,798	3,492
Financial assets held-for-trading	10	21	—	31
Notes receivable	34	14	54	72
Accounts receivable	2,167	2,100	1,661	1,761
Receivable financing	85	95	81	81
Prepayments	89	170	283	413
Other receivables	129	146	178	249
Inventories	1,005	1,424	1,939	2,332
Non-current assets due within one year	92	56	32	6
Other current assets	71	117	122	123
Total current assets	**5,634**	**6,577**	**8,147**	**8,561**
Non-current assets				
Long-term receivables	42	23	11	10
Long-term equity investments	516	839	1,072	1,222
Investments in other equity instruments	1,575	1,652	1,510	1,216
Other non-current financial assets	350	807	94	144
Investment properties	138	293	318	303
Fixed assets	1,479	2,079	2,182	2,372
Construction in progress	658	627	1,158	1,358
Right-of-use assets	—	—	189	239
Intangible assets	1,483	1,386	1,399	1,379
Development expenses	525	514	711	817
Goodwill	2,719	2,772	3,273	3,327
Long-term deferred expenses	173	168	198	211
Deferred income tax assets	144	180	138	142
Other non-current assets	489	241	298	414
Total non-current assets	**10,292**	**11,580**	**12,551**	**13,157**
Total assets	**15,926**	**18,157**	**20,699**	**21,717**
EQUITY AND LIABILITIES				
Current liabilities				
Short-term borrowings	1,464	1,902	584	617
Financial liabilities held-for-trading	—	0	—	—
Notes payable	85	66	229	129
Accounts payable	738	755	1,135	1,492
Advances from customers	164	—	—	—
Contract liabilities	—	269	354	361
Employee benefits payable	103	160	200	73
Taxes payable	128	121	211	270
Other payable	267	284	327	438
Non-current liabilities due within one year	1,359	1,102	250	229
Other current liabilities	803	152	44	49
Total current liabilities	**5,111**	**4,812**	**3,332**	**3,659**
Non-current liabilities				
Long-term borrowings	2,458	1,115	1,210	1,263
Bonds payable	—	1,219	2,673	2,702
Lease liabilities	—	—	125	179
Long-term payable	10	4	—	—
Deferred income	135	146	140	149
Deferred income tax liabilities	207	324	265	227
Other non-current liabilities	—	—	680	721
Total non-current liabilities	**2,811**	**2,808**	**5,093**	**5,240**
Total liabilities	**7,921**	**7,619**	**8,425**	**8,899**
Equity				
Share capital	1,782	1,805	1,805	1,805
Other equity instruments	—	—	215	215
Capital reserve	2	959	984	1,105
Less: Treasury shares	254	254	364	600
Other comprehensive income	113	37	129	(110)
Surplus reserve	423	403	585	585
Retained earnings	5,417	6,923	8,121	8,907
Total equity attributable to shareholders of the Company	**7,483**	**9,873**	**11,474**	**11,907**
Non-controlling interests	522	665	800	912
Total equity	**8,005**	**10,537**	**12,274**	**12,818**
Total liabilities and equity	**15,926**	**18,157**	**20,699**	**21,717**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			(RMB in millions)		
		(audited)		*(unaudited)*	*(reviewed)*
Net cash flows from operating activities	1,990	2,090	3,062	2,134	1,178
Net cash flows from investing activities	(651)	(695)	(860)	(503)	(747)
Net cash flows from financing activities	(1,549)	(763)	(897)	269	(838)
Effect of change in foreign exchange rate on cash and cash equivalents	4	(31)	(11)	(6)	20
Net (decrease)/increase in cash and cash equivalents	**(205)**	**600**	**1,293**	**1,894**	**(386)**
Add: Beginning balance of cash and cash equivalents	1,997	1,792	2,391	2,391	3,684
Ending balance of cash and cash equivalents	**1,792**	**2,391**	**3,684**	**4,285**	**3,298**

Selected Other Financial Metrics

	As of and year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB in millions, except percentages)			
EBITDA[(1)]	2,666	2,872	2,839	1,833
EBITDA Margin[(2)]	34.2%	35.7%	26.6%	34.4%
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss[(3)]	1,241	1,413	1,855	1,264

(1) EBITDA is calculated as net profit before income taxes, depreciation, amortization and total expense paid for interests. The following table sets forth a reconciliation of net profit to EBITDA for the periods indicated:

	As of and year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
Total profit before tax	**2,063**	**2,203**	**2,146**	**1,527**
Plus:				
Depreciation	181	211	309	149
Amortization	144	232	213	98
Total expense paid for interests	277	226	171	59
EBITDA	**2,666**	**2,872**	**2,839**	**1,833**

(2) EBITDA margin is calculated as EBITDA as a percentage of our total operating revenue for the year/period.

(3) Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss represents our net profit attributable to shareholders of the Company less the effects of non-recurring gains or losses. The following table sets forth a reconciliation of our net profit attributable to shareholders of the Company to that after deducting non-recurring profit and loss:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(audited)		*(reviewed)*
Net profit attributable to shareholders of the Company	**1,725**	**1,802**	**1,719**	**1,268**
Less:				
Gain or loss on disposal of non-current assets	4	3	20	0
Government grants included in current profit or loss (other than ongoing government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	127	121	128	22
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held-for-trading, financial liabilities held-for-trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	246	452	(259)	3
Other non-operating income and expenses apart from the aforesaid items	194	(23)	(56)	(6)
Other gain or loss items meeting the definition of non-recurring gains or losses	–	(76)	36	(8)
Effect of income tax	(84)	(83)	1	(6)
Effect of non-controlling interests (after tax)	(2)	(5)	(6)	(1)
Subtotal	**485**	**389**	**(136)**	**5**
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	**1,241**	**1,413**	**1,855**	**1,264**

For details, see note XVI to the audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and note X to the unaudited consolidated financial statements as of and for the six months ended June 30, 2022 in F-pages to this Prospectus.

The following is a discussion and analysis of our financial condition and results of operations and should be read in conjunction with the consolidated financial statements, the accompanying notes and the description of our business included elsewhere in this Prospectus.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors." In addition, certain industry issues also impact our financial condition and results of operations, as described in "Industry and Market Overview."

Overview

We were the only total-solution provider in the PRC across the full life cycle of cardiovascular disease management with products and services encompassing medical devices, pharmaceuticals and medical care solutions, as of the date of Prospectus, according to Frost & Sullivan. We offer (i) medical devices, (ii) pharmaceuticals, and (iii) medical care solutions. We have built a strong competitive edge in the medical devices market with over 600 commercialized products worldwide, in particular, in the cardiovascular device market. This is complemented by our pharmaceutical offerings, consisting of both FDFs and APIs targeting a variety of cardiovascular and other diseases. Meanwhile, to address the evolving demands for innovative medical care solutions, we provide medical care solutions such as AI-empowered cardiovascular solutions, health services and consumer medical devices.

Key Factors Affecting Our Performance

Set forth below are certain key factors which have historically affected our results of operations and may impact our results in the future:

Development of the Industries in which We Operate

The medical device, pharmaceutical and healthcare service industries are intensely competitive and rapidly changing. Accordingly, our business and results of operations are impacted by general factors affecting the development of these industries, including, without limitation: (i) competition from other medical device manufacturers, pharmaceutical companies and healthcare service providers; (ii) changes in regulatory requirements, especially those relating to the approval of medical devices and pharmaceutical products; (iii) advancements in technologies and medical breakthroughs; and (iv) the COVID-19 pandemic, see "*—The COVID-19 Pandemic*." In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC and global healthcare industry and ultimately, the profitability of our business.

Our Abilities to Improve Existing and Develop New Product and Solution Offerings

Our abilities to maintain and expand product and solution offerings are critical to keeping our leading position and achieving sustainable growth. In 2019, 2020 and 2021, we primarily derived operating revenue from three business lines, namely medical devices, pharmaceuticals and medical care solutions. In particular, we enjoy a leading position in the PRC medical devices market, especially the cardiovascular devices with proven commercial success and continual breakthroughs such as our innovative coronary products. However, as market conditions and technology evolve, our existing products or solutions may lose market share, experience slower growth or deliver lower profit margins. Meanwhile, we expect the markets for medical devices, pharmaceuticals as well as medical care solutions to evolve toward newer and more advanced products and solutions, some of which we do not currently produce. Accordingly, our success depends on our ability to anticipate industry trends and improve existing, and design, develop and commercialize new and advanced, products and solutions that meet customer demand in a timely manner.

We have been actively developing new, and upgrading existing, products and solutions to support a more extensive portfolio of medical devices, pharmaceuticals, and medical care solutions, which we believe will diversify our operating revenue source and enable us to maintain sustainable growth. For example, in 2019, 2020 and 2021, we successfully led the development and commercialization of an array of innovative products, especially in the area of innovative coronary products for cardiovascular disease treatment including drug-coated balloon, cutting balloon and bioresorbable scaffold. See "*Our Business—Our Products and Services—Our Medical Devices—Cardiovascular and Peripheral Vascular Devices—Selected products*." We are also the first PRC company with commercialized AI-ECG products and the first PRC company that has obtained FDA approval for AI-ECG platform in 2018. As of June 30, 2022, we had more than 80 product candidates in our R&D pipeline of cardiovascular related medical devices.

It is key for us to enhance our abilities to develop innovative products and solutions efficiently. We adopt an integrated approach involving our internal R&D teams and key players in the industry including leading universities, hospitals and industry consultants, among others. Such collaborative mechanism enables us to achieve effective communication and expertise sharing in relation to technological advancements and market trends. See "*Our Business—R&D*." Furthermore, our technology platforms enable us to systematically coalesce our R&D, manufacturing and commercialization capabilities in each targeted area to leverage prior knowledge for innovative solutions with improved efficiency and robustness. See "*Our Business—Versatile Technology Platforms*." In 2019, 2020 and 2021, our R&D investments were RMB630.8 million, RMB805.6 million and RMB1,111.7 million, respectively, representing 8.1%, 10.0%, and 10.4% of our operating revenue for the same years, respectively.

Government Policies, Medical Insurance Coverage and Volume-based Procurement

Government policies and medical insurance coverage may have a material impact on the prices of, and demand for, our products. The level of government spending on healthcare and the coverage of our products and product candidates under government medical insurance schemes may also affect the sales volume of our products and the relevant market acceptance, which will significantly impact our results of operations.

The PRC healthcare industry has undergone various stages of reform in recent years. The PRC government has promulgated rules and regulations and announced plans aimed at promoting the reform of the PRC healthcare industry, including those that aim to encourage healthcare infrastructure development and improve patients' accessibility to healthcare services. For example, the government grants we received from the local government authorities were to compensate us for expenditure arising from research and clinical trials activities, and for the development of new medical devices and capital expenditure incurred on certain projects. In 2019, 2020 and 2021, we recognized government grants in our consolidated statements of profit or loss of RMB127.2 million, RMB121.0 million and RMB127.7 million, respectively. Most of them were connected to our R&D activities, such as grants for novel fully degradable polymer scaffolds, grants for the product industrialization project of new types of single-rivet occluder, among other things. In addition, in 2019, 2020 and 2021, our Company and some subsidiaries were recognized as High and New Technology Enterprises, eligible for a preferential income tax rate of 15% instead of 25% when certain additional requirements are met. These favorable government policies are expected to support further expansion of the markets for medical devices, pharmaceuticals and medical care solutions in China.

Additionally, growth in population coverage and funding for public medical insurance programs have significantly improved patients' ability to pay for medical treatment, resulting in considerable growth in both patient enrollment and average spending. The inclusion of our products and product candidates (upon commercialization) in the governmental insurance coverage would significantly increase the demand for such products and would therefore have a positive impact on the sales volume of our products and our financial performance. However, there are uncertainties as to whether the government will continue to increase or maintain its healthcare spending and whether our products can be included in the governmental insurance coverage, and different provinces may have different practices for the reimbursement of our products. PRC regulations and medical insurance plans may also exert significant influence over the pricing of medical devices and pharmaceuticals, for example, by imposing reimbursement limits, which could affect patients' access to our products as well as our profitability.

Pricing guidance and other policies issued by the government may also affect our operations and financial performance. In particular, we derived a considerable portion of operating revenue from sales of certain medical devices and pharmaceuticals to hospitals and other medical institutions owned or controlled by government authorities in China through volume-based procurement in accordance with relevant PRC regulations. Over the past few years, the sales of more types of medical devices and pharmaceuticals are required to undergo volume-based procurement in more areas of China. To succeed in the volume-based procurement, we need to price our bids in a manner that enables us to win tenders at profitable levels. If we are unable to do so, our products may not be selected and we may lose sales opportunities. Though the participation in such volume-based procurement has led to a decrease in the relevant selling expenses and a potential increase in sales volume, the implementation of volume-based procurement has resulted in general

decrease in the prices of relevant medical devices and pharmaceuticals, including ones that we produce, which has led to decreased margins in our medical device and pharmaceutical businesses. For details, see "*Regulatory Environment—Principal Laws and Regulations Related to our Businesses in the PRC—Other Related Regulations on Medical Devices and Drugs—Volume-based Procurement*."

Our Abilities to Leverage and Enhance Our Sales and Marketing Network

We generate a majority of our operating revenue from sales to distributors. We leverage our distributors' expertise, knowledge and capabilities to penetrate the local markets and commercialize our products to hospitals, retail pharmacies and clinical institutions, among others. See "*Our Business—Sales, Marketing and Distribution*." As of December 31, 2021, our distributor network covered 31 provinces, municipalities and autonomous regions in the PRC, while we also sold our products to overseas distributors in more than 120 countries and regions.

Apart from cooperation with distributors, we rely on our in-house sales and marketing personnel to promote our sales. The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional sales and marketing personnel. In 2019, 2020 and 2021, we incurred selling expenses of RMB2,171.7 million, RMB1,838.8 million and RMB2,109.2 million, respectively, representing 27.9%, 22.9% and 19.8% of our operating revenue for the same years, respectively.

The COVID-19 Pandemic

Amid the global COVID-19 pandemic, measures in different jurisdictions in response to the pandemic have to various extents contained the spread of COVID-19. Nevertheless, the COVID-19 pandemic has inevitably impacted on the global economy and normal business operations across sectors and countries. Since 2020, the COVID-19 pandemic has affected our results of operations and net profit, and there have been resultant changes in our inventories of work-in-progress, semi-finished and finished goods, raw materials and consumables used and personnel costs. We have also experienced extended payment cycles and delayed collection of accounts receivables during the COVID-19 outbreaks from time to time.

Meanwhile, the increase in our operating revenue in 2021 compared to 2020 was in part attributable to the commencement of sales of COVID-19 antigen rapid test kits. However, the demand for our COVID-19 antigen rapid test kits can be affected by a number of factors such as the duration of the COVID-19 pandemic, competition and government policies. Therefore, the effects of the future COVID-19 pandemic on our business and results of operations are uncertain.

Preparation of the Consolidated Financial Statements

Our consolidated financial information in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 has been prepared in accordance with PRC GAAP. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured by their fair value. The consolidated financial statements are presented in Renminbi.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Where the Group has control over an investee, it is classified as a subsidiary. Control is achieved when the Group has power over the investee, is exposed to variable returns from the investee and has the ability to affect those variable returns through its power over the investee. All material intra-group transactions and balances have been eliminated on consolidation.

Description of Key Line Items in the Consolidated Income Statement

Operating Revenue

We derive substantially all of our operating revenue from sales and provision of medical devices, pharmaceuticals and medical care solutions. Our operating revenue of the medical devices business was mainly generated from sales of our cardiovascular devices. Our operating revenue of the pharmaceuticals business was mainly generated from sales of FDFs and APIs. Our operating revenue of the medical care solutions business was mainly generated from the provision of our AI-empowered cardiovascular solutions, health services and consumer medical devices. The following table sets forth a breakdown of our operating revenue by business line for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Operating revenue	*% of total operating revenue*	*Operating revenue*	*% of total operating revenue*	*Operating revenue*	*% of total operating revenue*
	(RMB in millions, except percentages)					
Medical devices	3,437	44.1	3,400	42.3	6,169	57.9
Pharmaceuticals	3,849	49.4	3,412	42.4	3,258	30.6
Medical care solutions	510	6.5	1,227	15.3	1,232	11.6
Total	**7,796**	**100.0**	**8,039**	**100.0**	**10,660**	**100.0**

While a majority of our operating revenue was generated from the PRC in 2019, 2020 and 2021, the proportion of our overseas operating revenue increased through the years. An important driver of such overseas operating revenue growth is our overseas sales of COVID-19 antigen rapid test kits. The top countries from which our overseas operating revenue was generated in 2019, 2020 and 2021 include Germany, Austria, Czech Republic, Mexico, Brazil and India. The following table sets forth a breakdown of our operating revenue by geographic region for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Operating revenue	*% of total operating revenue*	*Operating revenue*	*% of total operating revenue*	*Operating revenue*	*% of total operating revenue*
	(RMB in millions, except percentages)					
PRC	7,242	92.9	6,497	80.8	6,900	64.7
Overseas	554	7.1	1,542	19.2	3,760	35.3
Total	**7,796**	**100.0**	**8,039**	**100.0**	**10,660**	**100.0**

Operating Cost

Our operating cost mainly consists of manufacturing costs, cost of raw materials and employee benefit expense. Our operating cost increased generally in line with the increase in our operating revenue in 2019, 2020 and 2021. The following table sets forth a breakdown of our operating cost by business line for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Operating cost	*% of total operating cost*	*Operating cost*	*% of total operating cost*	*Operating cost*	*% of total operating cost*
	(RMB in millions, except percentages)					
Medical devices	1,055	48.7	1,203	45.3	2,572	61.9
Pharmaceuticals	805	37.2	812	30.6	908	21.8
Medical care solutions	305	14.1	639	24.1	676	16.3
Total	**2,165**	**100.0**	**2,654**	**100.0**	**4,157**	**100.0**

The following table sets forth a breakdown of our operating cost by geographic region for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Operating cost	*% of total operating cost*	*Operating cost*	*% of total operating cost*	*Operating cost*	*% of total operating cost*
	(RMB in millions, except percentages)					
PRC	1,823	84.2	1,946	73.4	2,253	54.2
Overseas	342	15.8	707	26.7	1,904	45.8
Total	**2,165**	**100.0**	**2,654**	**100.0**	**4,157**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our operating revenue less operating cost. Our gross profit margin is calculated by dividing its gross profit by operating revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	(RMB in millions, except percentages)					
Medical devices	2,381	69.3%	2,197	64.6%	3,597	58.3%
Pharmaceuticals	3,044	79.1%	2,600	76.2%	2,350	72.1%
Medical care solutions	205	40.2%	588	47.9%	556	45.1%
Total	**5,630**	**72.2%**	**5,385**	**67.0%**	**6,503**	**61.0%**

Taxes and Surcharges

Our taxes and surcharges mainly represent city maintenance and construction tax, education surcharges, property tax, land use tax, vehicle usage tax and stamp duty.

Selling Expenses

Our selling expenses mainly include market fee (which relates to expenses arising from marketing events for promoting our product and solution offerings), employee benefit expense and traveling expense. The table below sets forth a breakdown of our selling expenses by nature for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Selling expenses	*% of total selling expenses*	*Selling expenses*	*% of total selling expenses*	*Selling expenses*	*% of total selling expenses*
	(RMB in millions, except percentages)					
	(audited)					
Market fee	1,239	57.0	981	53.3	1,089	51.6
Employee benefit expense	418	19.2	466	25.4	606	28.7
Traveling expense	161	7.4	109	5.9	109	5.2
Exhibition fee	83	3.8	59	3.2	60	2.8
Business expenditure	76	3.5	72	3.9	69	3.3
Advertising publicity fee	66	3.0	76	4.1	76	3.6
Transportation fee	31	1.4	–	–	–	–
Depreciation expense	22	1.0	27	1.4	41	1.9
Business fee	18	0.8	13	0.7	17	0.8
Property rental fee	9	0.4	13	0.7	6	0.3
Others	49	2.3	23	1.3	38	1.8
Total	**2,172**	**100.0**	**1,839**	**100.0**	**2,109**	**100.0**

Administrative Expenses

Our administrative expenses mainly include employee benefit expense, depreciation expense, consult service fee and business fee. The table below sets forth a breakdown of our administrative expenses by nature for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Administrative expenses	*% of total administrative expenses*	*Administrative expenses*	*% of total administrative expenses*	*Administrative expenses*	*% of total administrative expenses*
	(RMB in millions, except percentages)					
	(audited)					
Employee benefit expense	240	40.9	269	44.4	310	41.4
Depreciation expense	108	18.4	126	20.7	119	15.9
Consult service fee	54	9.3	40	6.6	109	14.6
Traveling expense	24	4.1	17	2.9	20	2.7
Business fee	35	5.9	28	4.7	46	6.1
Property rental fee	27	4.6	33	5.5	26	3.5
Business entertainment expense	14	2.5	14	2.3	21	2.8
Amortization fee	19	3.2	25	4.1	28	3.7
Water, electricity and steam	7	1.2	7	1.1	10	1.3
Others	58	9.9	47	7.8	60	8.0
Total	**586**	**100.0**	**607**	**100.0**	**748**	**100.0**

Research and Development Expenses

Our research and development expenses mainly include employee benefit expense, and materials consumed, energy expense, and testing expense. The table below sets forth a breakdown of our research and development expenses by nature for the years indicated:

	Year ended December 31,					
	2019		2020		2021	
	Research and development expenses	*% of total research and development expenses*	*Research and development expenses*	*% of total research and development expenses*	*Research and development expenses*	*% of total research and development expenses*
	(RMB in millions, except percentages)					
	(audited)					
Employee benefit expense	232	42.7	312	42.4	397	43.7
Materials consumed, energy expense, and testing expense	129	23.8	203	27.6	249	27.5
Depreciation and amortization expense	30	5.6	74	10.0	90	9.9
Design and clinical trial fee	42	7.8	36	4.8	64	7.1
Commissioned external research and development expense	54	10.0	53	7.2	40	4.4
Others	55	10.2	58	7.9	68	7.5
Total	**544**	**100.0**	**736**	**100.0**	**908**	**100.0**

Financial Expenses

Our financial expenses primarily consist of interest expenses relating to indebtedness and currency exchange gains or losses. The table below sets forth a breakdown of our financial expenses by nature for the years indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Interest expenses	322	269	228
Including: Interest expenses for lease liabilities	–	–	8
Less: Interest income	44	43	58
Net exchange losses/gains	(7)	27	(7)
Unrealized financing income	(2)	(1)	(1)
Service fee	11	15	8
Total	**280**	**267**	**172**

Investment Income/(Loss)

We invested in a number of companies in the medical and related industries. Changes in our investment income or loss are mainly due to results of operations of our invested companies and disposal of our investments. The table below sets forth a breakdown of our investment income/loss for the years indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Gain on long-term equity investments accounted for using equity method	(77)	(143)	(152)
Investment income from disposal of long-term equity investments	0	1	0
Investment income from disposal of financial assets held-for-trading	–	4	9
Investment income received from investments in other equity instruments during holding period	12	–	0
Income from disposal of other non-current financial assets	71	–	(298)
Others	189	(16)	44
Total	**195**	**(154)**	**(397)**

Gains from Change in Fair Value

We recognize gains or losses of changes in the fair value of certain of our financial assets and liabilities. Our financial assets held-for-trading represent certain wealth management products that we purchased. Other non-current financial assets are mainly our equity investments in other companies. The table below sets forth a breakdown of our gains from changes in fair value for the years indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Financial assets held-for-trading	–	1	–
Other non-current financial assets	162	451	29
Financial liabilities held-for-trading	–	0	–
Total	**162**	**452**	**29**

Results of Operations

The table below sets forth our results of operations for the years indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Total operating revenue	**7,796**	**8,039**	**10,660**
Operating revenue	7,796	8,039	10,660
Total operating cost	**5,843**	**6,193**	**8,208**
Operating cost	2,165	2,654	4,157
Taxes and surcharges	96	90	114
Selling expenses	2,172	1,839	2,109
Administrative expenses	586	607	748
Research and development expenses	544	736	908
Financial expenses	280	267	172
Add: Other income	28	61	80
Investment income (loss expressed in parentheses)	195	(154)	(397)
Gains from change in fair value (loss expressed in parentheses)	162	452	29
Loss on impairment of credit (loss expressed in parentheses)	(174)	(38)	(30)
Loss on impairment of assets (loss expressed in parentheses)	(206)	(21)	(9)
Gains from disposal of asset (loss expressed in parentheses)	4	2	20
Operating profit	**1,961**	**2,149**	**2,145**
Add: Non-operating income	107	73	64
Less: Non-operating expenses	5	19	62
Total profit before tax	**2,063**	**2,203**	**2,146**
Income tax expense	339	326	366
Net profit	**1,724**	**1,877**	**1,780**

Results of Operations in 2021 compared with 2020

The following discussion compares our consolidated results of operations in 2021 with 2020.

Operating Revenue

Our operating revenue increased by RMB2,621.0 million, or 32.6%, from RMB8,038.7 million in 2020 to RMB10,659.7 million in 2021. The table below sets forth the development of our operating revenue by business line:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	6,169	57.9	3,400	42.3	81.4
Pharmaceuticals	3,258	30.6	3,412	42.4	(4.5)
Medical care solutions	1,232	11.6	1,227	15.3	0.4
Total	**10,660**	**100.0**	**8,039**	**100.0**	**32.6**

The increase in our operating revenue was primarily due to an increase in the operating revenue of our medical device business, partially offset by a decrease in that of our pharmaceutical business. In particular:

- The increase in the operating revenue of our medical device business was mainly due to the expansion of this line of business. The sales of innovative coronary products had expanded rapidly, increasing by more than eight times compared to 2020. The increase in the operating revenue of our medical device business was mainly driven by the increased sales of the COVID-19 antigen rapid test kits.

- The decrease in the operating revenue of our pharmaceutical business was mainly because more of our pharmaceuticals were sold through volume-based procurement with reduced average price, despite the increased sales volume of certain of our pharmaceuticals.

- The operating revenue of our medical care solutions business remained relatively stable in 2020 and 2021.

Operating Cost

Our operating cost increased by RMB1,502.9 million, or 56.6%, from RMB2,653.8 million in 2020 to RMB4,156.6 million in 2021. The table below sets forth the development of our operating cost by business line:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	2,572	61.9	1,203	45.3	113.8
Pharmaceuticals	908	21.8	812	30.6	11.8
Medical care solutions	676	16.3	639	24.1	5.9
Total	**4,157**	**100.0**	**2,654**	**100.0**	**56.6**

The increase in our operating cost was primarily due to increases in those of our medical device and pharmaceutical businesses. In particular:

- The increase in the operating cost of our medical device business was mainly due to increased sales volume of our medical device products.
- The increase in the operating cost of our pharmaceutical business was mainly due to increased sales volume of our pharmaceutical products.
- The operating cost of our medical care solutions business remained relatively stable in 2020 and 2021.

Gross Profit and Gross Profit Margin

The table below sets forth the development of our gross profit by business line:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	3,597	55.3	2,197	40.8	63.7
Pharmaceuticals	2,350	36.1	2,600	48.3	(9.6)
Medical care solutions	556	8.5	588	10.9	(5.5)
Total	**6,503**	**100.0**	**5,385**	**100.0**	**20.8**

The table below sets forth the development of our gross profit margin by business line:

	Year ended December 31,		
	2021	2020	Change
		(%)	
Medical devices	58.3	64.6	(6.3)
Pharmaceuticals	72.1	76.2	(4.1)
Medical care solutions	45.1	47.9	(2.8)
Total	**61.0**	**67.0**	**(6.0)**

Our gross profit margin decreased from 67.0% in 2020 to 61.0% in 2021. The decrease in our gross profit margin was primarily due to decreases in that of our medical device and pharmaceutical businesses. In particular:

- The decrease in the gross profit margin of our medical device business was mainly because: (i) part of our medical device products were subject to volume-based procurement, which had relatively lower unit prices; and (ii) the margins of our COVID-19 antigen rapid test kits decreased, since more companies began to offer such products as the COVID-19 pandemic went on, which lowered the average unit price of these products.

- The decrease in the gross profit margin of our pharmaceutical business was mainly due to the effects of the volume-based procurement, which resulted in relatively lower margins for our pharmaceutical products.

- The gross profit margin of our medical care solutions business remained relatively stable in 2020 and 2021.

Taxes and Surcharges

Our taxes and surcharges increased by RMB23.3 million, or 25.8%, from RMB90.5 million in 2020 to RMB113.8 million in 2021. The increase was mainly due to increases in city maintenance and construction tax, educational surcharge and property tax, which were related to the expansion of our business.

Selling Expenses

Our selling expenses increased by RMB270.4 million, or 14.7%, from RMB1,838.8 million in 2020 to RMB2,109.2 million in 2021. The increase was mainly due to: (i) an increase in market fee for promoting new medical devices such as the innovative coronary product portfolio; and (ii) an increase in employee benefit expense, which was in line with the increased operating revenue. The table below sets forth the development of our selling expenses by nature:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Market fee	1,089	51.6	981	53.3	11.0
Employee benefit expense	606	28.7	466	25.4	29.8
Traveling expense	109	5.2	109	5.9	0.1
Exhibition fee	60	2.8	59	3.2	1.3
Business expenditure	69	3.3	72	3.9	(3.1)
Advertising publicity fee	76	3.6	76	4.1	(0.1)
Depreciation expense	41	1.9	27	1.4	53.1
Business fee	17	0.8	13	0.7	29.9
Property rental fee	6	0.3	13	0.7	(57.1)
Others	38	1.8	23	1.3	61.7
Total	**2,109**	**100.0**	**1,839**	**100.0**	**14.7**

Administrative Expenses

Our administrative expenses increased by RMB141.7 million, or 23.4%, from RMB606.7 million in 2020 to RMB748.3 million in 2021. The increase was mainly due to: (i) an increase in employee benefit expense, which was in line with our business expansion; and (ii) an increase in consult service fee, mainly comprising professional parties' fees arising from the proposed spin-off and listing on The Stock Exchange of Hong Kong Limited of LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. The table below sets forth the development of our administrative expenses by nature:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Employee benefit expense	310	41.4	269	44.4	15.1
Depreciation expenses	119	15.9	126	20.7	(5.3)
Consult service fee	109	14.6	40	6.6	171.8
Traveling expense	20	2.7	17	2.9	16.0
Business fee	46	6.1	28	4.7	60.9
Property rental fee	26	3.5	33	5.5	(22.4)
Business entertainment expense	21	2.8	14	2.3	50.3
Amortization fee	28	3.7	25	4.1	12.3
Water, electricity and steam	10	1.3	7	1.1	44.5
Others	60	8.0	47	7.8	27.7
Total	**748**	**100.0**	**607**	**100.0**	**23.4**

Research and Development Expenses

Our research and development expenses increased by RMB171.8 million, or 23.3%, from RMB736.1 million in 2020 to RMB907.9 million in 2021. The increase was mainly due to: (i) an increase in employee benefit expense, primarily due to an increase in the number of our R&D staff and enhanced compensation for such personnel; and (ii) increases in materials consumed, energy expense, and testing expense and design and clinical trial fee, which reflected our continual R&D efforts. The table below sets forth the development of our research and development expenses by nature:

	Year ended December 31,				
	2021	% of total	2020	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Employee benefit expense	397	43.7	312	42.4	27.2
Materials consumed, energy expense and testing expense	249	27.5	203	27.6	22.7
Depreciation and amortization expense	90	9.9	74	10.0	22.1
Design and clinical trial fee	64	7.1	36	4.8	80.0
Commissioned external research and development expense	40	4.4	53	7.2	(25.6)
Others	68	7.5	58	7.9	16.4
Total	**908**	**100.0**	**736**	**100.0**	**23.3**

Financial Expenses

Our financial expenses decreased by RMB94.9 million, or 35.6%, from RMB266.7 million in 2020 to RMB171.8 million in 2021. The decrease was mainly due to: (i) a decrease in our interest expenses, as the outstanding balance of our interest bearing liabilities decreased; and (ii) a change from exchange losses to exchange gains, as affected by changes in the exchange rates between Renminbi and USD.

Other Income

Our other income increased by RMB18.3 million, or 30.0%, from RMB61.2 million in 2020 to RMB79.5 million in 2021. The increase was mainly due to an increase in government grants we received in relation to our daily operations.

Investment Loss

Our investment loss increased by RMB243.1 million, or 158.1%, from RMB153.8 million in 2020 to RMB396.9 million in 2021. The increase was mainly due to investment losses from disposal of other non-current financial assets in 2021, primarily relating to shares held by us of a listed company, the market value of which were subject to fluctuations.

Gains from Change in Fair Value

Our gains from change in fair value decreased by RMB422.5 million, or 93.5%, from RMB451.9 million in 2020 to RMB29.3 million in 2021. The decrease was mainly relating to shares held by us of a listed company, the fair value of which changed with fluctuations in its market value in 2020, while we disposed of such shares in 2021 and the gains from change in fair value decreased as a result.

Loss on Impairment of Credit

Our loss on impairment of credit decreased by RMB7.6 million, or 20.3%, from RMB37.5 million in 2020 to RMB29.9 million in 2021. The decrease was mainly due to a decrease in the outstanding balance of accounts receivable.

Loss on Impairment of Assets

Our loss on impairment of assets decreased by RMB11.5 million, or 55.0%, from RMB21.0 million in 2020 to RMB9.4 million in 2021. The decrease was mainly due to impairment losses from intangible assets in 2020, in relation to impairment of certain intangible assets which failed to generate profits as anticipated.

Gains from Disposal of Asset

Our gains from disposal of asset increased by RMB17.6 million, or 769.7%, from RMB2.3 million in 2020 to RMB19.9 million in 2021. The increase was mainly due to disposal of certain properties owned by our subsidiary in 2021.

Non-Operating Income

Our non-operating income decreased by RMB9.2 million, or 12.6%, from RMB72.8 million in 2020 to RMB63.7 million in 2021. The decrease was mainly due to a decrease in government grants we received outside our daily operations.

Non-Operating Expenses

Our non-operating expenses increased by RMB43.4 million, or 232.3%, from RMB18.7 million in 2020 to RMB62.1 million in 2021. The increase was mainly due to: (i) an increase in donations relating to the COVID-19 pandemic and floods; and (ii) expenses resulting from scrapping of certain COVID-19 products.

Income Tax Expense

Our income tax expense increased by RMB39.5 million, or 12.1%, from RMB326.2 million in 2020 to RMB365.7 million in 2021. The increase was mainly due to an increase in our taxable income.

Results of Operations in 2020 compared with 2019

The following discussion compares our consolidated results of operations in 2020 with 2019.

Operating Revenue

Our operating revenue increased by RMB243.1 million, or 3.1%, from RMB7,795.5 million in 2019 to RMB8,038.7 million in 2020. The table below sets forth the development of our operating revenue by business line:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	3,400	42.3	3,437	44.1	(1.1)
Pharmaceuticals	3,412	42.4	3,849	49.4	(11.4)
Medical care solutions	1,227	15.3	510	6.5	140.4
Total	**8,039**	**100.0**	**7,796**	**100.0**	**3.1**

The increase in our operating revenue was primarily due to an increase in the operating revenue of our medical care solutions business, partially offset by decreases in that of our medical device and pharmaceutical businesses. In particular:

- The operating revenue of our medical device business remained relatively stable in 2019 and 2020, as a result of a combination of: (i) decreased operating revenue from conventional coronary stent products, the sales of which were subject to a volume-based procurement in the last quarter of 2020; (ii) the COVID-19 pandemic, which negatively affected the demand for our products; and (iii) the commencement of sales of COVID-19 antigen rapid test kits.

- The decrease in the operating revenue of our pharmaceutical business was mainly because more of our pharmaceuticals were subject to a volume-based procurement with reduced average price, despite the increased sales volume of certain of our pharmaceuticals. The demand for our pharmaceutical products was also negatively affected by the COVID-19 pandemic.

- The increase in the operating revenue of our medical care solutions business was mainly due to increased demand for consumer medical devices from overseas (such as our monitoring devices) as a result of increased awareness in wellbeing amid the COVID-19 pandemic.

Operating Cost

Our operating cost increased by RMB488.6 million, or 22.6%, from RMB2,165.2 million in 2019 to RMB2,653.8 million in 2020. The table below sets forth the development of our operating cost by business line:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	1,203	45.3	1,055	48.7	14.0
Pharmaceuticals	812	30.6	805	37.2	0.9
Medical care solutions	639	24.1	305	14.1	109.4
Total	**2,654**	**100.0**	**2,165**	**100.0**	**22.6**

The increase in our operating cost was primarily due to increases in those of all three business lines. In particular:

- The increase in the operating cost of our medical device business was mainly due to increased sales volume of our medical device products.
- The operating cost of our pharmaceutical business remained relatively stable in 2019 and 2020.
- The increase in the operating cost of our medical care solutions business was largely in line with the increase in its operating revenue.

Gross Profit and Gross Profit Margin

The table below sets forth the development of our gross profit by business line:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
Medical devices	2,197	40.8	2,381	42.3	(7.7)
Pharmaceuticals	2,600	48.3	3,044	54.1	(14.6)
Medical care solutions	588	10.9	205	3.6	186.4
Total	**5,385**	**100.0**	**5,630**	**100.0**	**(4.4)**

The table below sets forth the development of our gross profit margin by business line:

	Year ended December 31,		
	2020	2019	Change
		(%)	
Medical devices	64.6	69.3	(4.7)
Pharmaceuticals	76.2	79.1	(2.9)
Medical care solutions	47.9	40.2	7.7
Total	**67.0**	**72.2**	**(5.2)**

Our gross profit margin decreased from 72.2% in 2019 to 67.0% in 2020. The decrease in our gross profit margin was primarily due to decreases in that of our medical device and pharmaceutical businesses, partially offset by an increase in that of our medical care solutions business. In particular:

- The decrease in the gross profit margin of our medical device business was mainly due to: (i) part of our medical device products were subject to volume-based procurement, which had relatively lower unit prices; and (ii) the COVID-19 pandemic, which negatively affected the demand for our products.

- The decrease in the gross profit margin of our pharmaceutical business was mainly due to: (i) the effects of volume-based procurement, which resulted in relatively lower margins for our pharmaceutical products; and (ii) the COVID-19 pandemic, which negatively affected the demand for our products.

- The increase in the gross profit margin of our medical care solutions business was mainly due to high demand for consumer medical devices (such as our monitoring devices) from overseas markets amid the COVID-19 pandemic in 2020 with relatively higher average unit prices.

Taxes and Surcharges

Our taxes and surcharges decreased by RMB5.8 million, or 6.0%, from RMB96.2 million in 2019 to RMB90.5 million in 2020. The decrease was mainly due to a decrease in our value-added tax in 2020, resulting in decreases in corresponding city maintenance and construction tax and educational surcharge.

Selling Expenses

Our selling expenses decreased by RMB332.9 million, or 15.3%, from RMB2,171.7 million in 2019 to RMB1,838.8 million in 2020. The decrease was mainly due to decreases in market fee and traveling expense, as our marketing activities were adversely affected by the COVID-19 pandemic and the fact that certain of our products were subject to volume-based procurement in 2020. The table below sets forth the development of our selling expenses by nature:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Market fee	981	53.3	1,239	57.0	(20.8)
Employee benefit expense	466	25.4	418	19.2	11.6
Traveling expense	109	5.9	161	7.4	(32.3)
Exhibition fee	59	3.2	83	3.8	(29.3)
Business expenditure	72	3.9	76	3.5	(5.3)
Advertising publicity fee	76	4.1	66	3.0	15.0
Transportation fee	—	—	31	1.4	(100.0)
Depreciation expense	27	1.4	22	1.0	21.5
Business fee	13	0.7	18	0.8	(27.6)
Property rental fee	13	0.7	9	0.4	50.2
Others	23	1.3	49	2.3	(52.9)
Total	**1,839**	**100.0**	**2,172**	**100.0**	**(15.3)**

Administrative Expenses

Our administrative expenses increased by RMB20.7 million, or 3.5%, from RMB586.0 million in 2019 to RMB606.7 million in 2020. The increase was mainly due to an increase in employee benefit expense, which was in line with our business expansion. The table below sets forth a breakdown of our administrative expenses by nature for the years indicated by nature:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Employee benefit expense	269	44.4	240	40.9	12.4
Depreciation expenses	126	20.7	108	18.4	16.3
Consult service fee	40	6.6	54	9.3	(26.1)
Traveling expense	17	2.9	24	4.1	(27.1)
Business fee	28	4.7	35	5.9	(18.5)
Property rental fee	33	5.5	27	4.6	22.8
Business entertainment expense	14	2.3	14	2.5	(3.8)
Amortization fee	25	4.1	19	3.2	32.0
Water, electricity and steam	7	1.1	7	1.2	(3.6)
Others	47	7.8	58	9.9	(19.0)
Total	**607**	**100.0**	**586**	**100.0**	**3.5**

Research and Development Expenses

Our research and development expenses increased by RMB192.2 million, or 35.3%, from RMB543.9 million in 2019 to RMB736.1 million in 2020. The increase was mainly due to: (i) an increase in employee benefit expense, primarily due to increased number of our R&D staff and enhanced compensation for such personnel; and (ii) an increase in materials consumed, energy expense, and testing expense, which reflected our continual R&D efforts. The table below sets forth a breakdown of our research and development expenses by nature for the years indicated by nature:

	Year ended December 31,				
	2020	% of total	2019	% of total	% Change
	(RMB in millions, except for percentages)				
	(audited)				
Employee benefit expense	312	42.4	232	42.7	34.5
Materials consumed, energy expense, and testing expense	203	27.6	129	23.8	57.0
Depreciation and amortization expense	74	10.0	30	5.6	142.7
Design and clinical trial fee	36	4.8	42	7.8	(16.1)
Commissioned external research and development expense	53	7.2	54	10.0	(2.0)
Others	58	7.9	55	10.2	5.5
Total	**736**	**100.0**	**544**	**100.0**	**35.3**

Financial Expenses

Our financial expenses decreased by RMB13.2 million, or 4.7%, from RMB279.9 million in 2019 to RMB266.7 million in 2020. The decrease was mainly due to a decrease in our interest expenses, as the outstanding balance of our interest bearing liabilities decreased, partially offset by a change from exchange gains to exchange losses, as affected by changes in the exchange rates between Renminbi and USD.

Other Income

Our other income increased by RMB33.3 million, or 119.6%, from RMB27.9 million in 2019 to RMB61.2 million in 2020. The increase was mainly due to an increase in government grants we received in relation to our daily operations.

Investment Income/(Loss)

We had investment income of RMB195.1 million in 2019, followed by investment loss of RMB153.8 million in 2020. The change was mainly due to one-off recognition of revaluation gains through multi-step business combinations in 2019.

Gains from Change in Fair Value

Our gains from change in fair value increased by RMB289.9 million, or 179.0%, from RMB162.0 million in 2019 to RMB451.9 million in 2020. The increase was mainly due to fluctuations in market value of a listed company in which we held shares.

Loss on Impairment of Credit

Our loss on impairment of credit decreased by RMB136.9 million, or 78.5%, from RMB174.4 million in 2019 to RMB37.5 million in 2020. The decrease was mainly due to recognition of bad debts of receivables from a related party in 2019.

Loss on Impairment of Assets

Our loss on impairment of assets decreased by RMB185.0 million, or 89.8%, from RMB206.0 million in 2019 to RMB21.0 million in 2020. The decrease was mainly due to a large amount of impairment losses arising from goodwill and loss from long-term equity investments in 2019.

Gains from Disposal of Asset

Our gains from disposal of asset were insignificant at RMB4.1 million in 2019 and RMB2.3 million in 2020.

Non-Operating Income

Our non-operating income decreased by RMB34.0 million, or 31.9%, from RMB106.9 million in 2019 to RMB72.8 million in 2020. The decrease was mainly due to a decrease in government grants we received outside our daily operations.

Non-Operating Expenses

Our non-operating expenses increased by RMB13.8 million, or 284.6%, from RMB4.9 million in 2019 to RMB18.7 million in 2020. The increase was mainly due to an increase in donations relating to the COVID-19 pandemic.

Income Tax Expense

Our income tax expense decreased by RMB13.2 million, or 3.9%, from RMB339.5 million in 2019 to RMB326.2 million in 2020. The decrease was mainly due to a decrease in taxable income due to increased R&D expenses.

Liquidity and Capital Resources

Our principal source of liquidity has been, and is expected to continue to be, cash generated from operating activities together with available credit facilities, bank borrowings and bonds. Our liquidity requirements primarily relate to funding our working capital requirements and our capital expenditures. Our ability to generate cash flow from operating activities depends on our future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond our control. See "*Risk Factors*" for a discussion of certain factors that could affect our operations.

Cash Flows

The table below sets forth selected cash flow statement information from our consolidated cash flow statements for the years indicated:

	Year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Net cash flows from operating activities	1,990	2,090	3,062
Net cash flows from investing activities	(651)	(695)	(860)
Net cash flows from financing activities	(1,549)	(763)	(897)
Effect of change in foreign exchange rate on cash and cash equivalents	4	(31)	(11)
Net (decrease)/increase in cash and cash equivalents	**(205)**	**600**	**1,293**
Add: Beginning balance of cash and cash equivalents	1,997	1,792	2,391
Ending balance of cash and cash equivalents	**1,792**	**2,391**	**3,684**

Net Cash Flows from Operating Activities

Our net cash inflows from operating activities increased by RMB972.3 million, or 46.5%, from RMB2,089.7 million in 2020 to RMB3,062.0 million in 2021. The increase was primarily attributable to: (i) an increase in cash received from sale of goods or rendering of services of RMB2,809.2 million, which was in line with our increased operating revenue; and (ii) an increase in cash received from tax refund of RMB93.2 million. Such increase was partially offset by an increase in cash paid for goods and services of RMB1,393.8 million.

Our net cash inflows from operating activities increased by RMB99.4 million, or 5.0%, from RMB1,990.3 million in 2019 to RMB2,089.7 million in 2020. The increase was primarily attributable to: (i) an increase in cash received from our sale of goods or rendering of services of RMB635.0 million, which was in line with our increased operating revenue; and (ii) an increase in cash received from tax refund of RMB76.7 million. Such increase was partially offset by an increase in cash paid for goods and services of RMB566.6 million.

To further assess and improve our operational performance, we also evaluate turnover days of inventory, accounts receivable and accounts payable. The table below outlines these performance indicators for the years indicated:

	Years ended December 31,		
	2019	2020	2021
Inventory turnover days[(1)]	149	165	146
Accounts receivable turnover days[(2)]	102	103	69
Accounts payable turnover days[(3)]	115	101	82

(1) Calculated as (average of beginning and ending balance of inventory/operating cost) times 360 days

(2) Calculated as (average of beginning and ending balance of accounts receivable/operating revenue) times 360 days

(3) Calculated as (average of beginning and ending balance of accounts payable/operating cost) times 360 days

Our inventory turnover days in 2020 were higher than those in 2019 and 2021, mainly because we increased purchases of raw materials to prepare us for: (i) timely delivery of products in response to (a) increased purchase orders from volume-based procurement activities in 2020, and (b) increased demand for COVID-19 antigen rapid test kits; and (ii) potential supply shortage amid the COVID-19 pandemic.

Our accounts receivable turnover days in 2019 and 2020 were higher than those in 2021, mainly because: (i) we increased collection efforts in 2021, especially with respect to certain agency distribution business; and (ii) increased proportion of sales of COVID-19 products in 2021, which typically had faster turnover.

Our accounts payable turnover days decreased in 2019, 2020 and 2021, mainly because we made prepayments for certain raw materials and components that were short in supply, as the COVID-19 pandemic has posed considerable challenges to the supply chain.

Net Cash Flows From Investing Activities

Our net cash outflows from investing activities increased by RMB165.0 million, or 23.7%, from RMB695.5 million in 2020 to RMB860.5 million in 2021. The increase was primarily attributable to: (i) an increase in cash paid for purchase of fixed assets, intangible assets and other long-term assets of RMB384.2 million, mainly relating to an increase in the number of our major construction projects; and (ii) an increase in net cash paid for acquisition of subsidiaries and other business units of RMB340.0 million, partially offset by an increase in cash received from investment income of RMB348.6 million.

Our net cash outflows from investing activities increased by RMB44.2 million, or 6.8%, from RMB651.2 million in 2019 to RMB695.5 million in 2020. The increase was primarily attributable to: (i) an increase in cash paid relating to other investing activities of RMB261.7 million; and (ii) an increase in cash paid for investments of RMB78.0 million, partially offset by an increase in cash received relating to other investing activities of RMB469.3 million. We had more cash generated from investing activities in 2019 compared to 2020, mainly in relation to the disposition of certain equity investments and collection of finance lease payments.

Net Cash Flows From Financing Activities

Our net cash outflows from financing activities increased by RMB134.0 million, or 17.5%, from RMB763.4 million in 2020 to RMB897.4 million in 2021. The increase was primarily attributable to a decrease in cash received from borrowings of RMB954.0 million.

Our net cash outflows from financing activities decreased by RMB785.4 million, or 50.7%, from RMB1,548.9 million in 2019 to RMB763.4 million in 2020. The decrease was primarily attributable to: (i) an increase in cash received from borrowings of RMB1,113.2 million; and (ii) an increase in cash received relating to other financing activities of RMB169.7 million.

Capital Expenditures

A key component of cash flows used in investing activities is capital expenditures. We calculate capital expenditures as purchases of fixed assets, intangible assets and other long-term assets, most of which represent our construction projects, software and R&D. Our increasing levels of capital expenditures during the years indicated reflected our expansion investments to fuel and support our expected future growth. The table below outlines our capital expenditures for the years indicated:

	Years ended December 31,		
	2019	2020	2021
	(RMB in millions, except for percentages)		
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	563	600	984
Capital expenditures	**563**	**600**	**984**
Capital expenditures as% of operating revenue	7.2%	7.5%	9.2%

Our major capital expenditure projects in 2022 mainly include the following, all of which are located in the PRC:

- ***Construction of Lepu International Center.*** Lepu International Center is intended for the R&D, production, and management of our medical devices. The construction is expected to be completed by the end of 2022. The estimated gross floor area is approximately 205,300 square meters.

- ***Upgrade of existing, and construction of new, production facilities of Zhejiang Lepu Pharmaceutical Co., Ltd.*** This project comprised (i) construction of new API production facilities (with total GFA of approximately 84,000 square meters), which is expected to be completed by the end of 2025, and (ii) upgrade of existing production facilities (with total GFA of approximately 30,000 square meters) for the R&D and production of new API products, which is expected to be completed by the end of 2023.

- ***Construction of new production facilities of Lepu Pharmaceutical, Inc. and its subsidiaries.*** This project comprised (i) construction of two new production facilities (with total GFA of approximately 5,400 square meters) for producing ophthalmic pharmaceuticals and oncology pharmaceuticals, which is expected to be completed by the end of 2023, and (ii) construction of one new production facility (with total GFA of approximately 5,260 square meters) for R&D of pharmaceutical products and production of oncology API products, which is expected to be completed by the end of 2022.

For the year ending December 31, 2022, we currently estimate approximately RMB740 million committed for capital expenditures.

Contractual Obligations, Commitments and Contingencies

Contractual Obligations

The table below summarizes our outstanding contractual obligations as of December 31, 2021:

	Payments due by period				
	Total	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years
	(RMB in millions, except for percentages)				
	(audited)				
Accounts payable	1,135	1,056	48	20	11
Contractual liabilities	354	318	21	5	10

Indebtedness

The table below sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
	(audited)		
Current indebtedness			
Short term borrowings	1,464	1,902	584
Notes payable	85	66	229
Non-current liabilities due in one year			
Long-term borrowings	755	1,092	184
Bonds payable	598	—	—
Lease liabilities	—	—	65
Other current liabilities			
Short-term bonds payable	803	—	—
Non-current indebtedness			
Long-term borrowings	2,458	1,115	1,210
Bonds payable	—	1,219	2,673
Lease liabilities	—	—	125
Total	**6,163**	**5,394**	**5,070**

The outstanding balance of our total indebtedness decreased from RMB6,162.7 million as of December 31, 2019 to RMB5,393.9 million as of December 31, 2020, and further to RMB5,070.2 million as of December 31, 2021, mainly as a result of our efforts to reduce the outstanding balance of interest-bearing indebtedness.

Our borrowings mainly comprised pledged loans, mortgage borrowings and credit loans, all of which were bank loans. The term of our outstanding loans mainly ranged from one year to nine years.

Our notes payable represented bank acceptance bills.

Our bonds payable mainly include medium-term notes and convertible bonds. The following table sets forth a breakdown of our bonds payable as of the dates indicated:

	As of December 31,		
	2019	2020	2021
		(RMB in millions)	
		(audited)	
Short-term bonds payable	803	—	—
Non-current bonds payable			
Medium-term notes	—	1,219	1,222
Convertible bonds	—	—	1,451
Total	**803**	**1,219**	**2,673**

The following table sets forth some details of our bonds payable as of December 31, 2021:

Medium-term notes

Issuer	Principal amount	Interest rate	Maturity date	Issue date	Listing venue
Our Company	RMB600,000,000	4.15%	April 13, 2023	April 9, 2020	Non-listed
Our Company	RMB600,000,000	4.70%	September 3, 2023	September 1, 2020	Non-listed

Convertible bonds

Issuer	Principal amount	Issue date	End date	Listing date	Issue date	Listing venue
Our Company	RMB1,638,000,000	March 30, 2021	March 29, 2026	April 19, 2021	March 30, 2021	Shenzhen Stock Exchange

For details on the convertible bonds, see "*Description of Share Capital—Capital Structure—Outstanding Bonds, Conversion and Option Rights*."

Our lease liabilities primarily arise from leases of certain production sites and office properties from third parties.

Contingencies

As of December 31, 2021, we were not subject to any material contingent liabilities.

Off-Balance Sheet Arrangements

As of December 31, 2021, we did not have any outstanding off-balance sheet arrangements.

Financial Risk Management

We face risks of various financial instruments in our daily activities, including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). Our risk management policies to reduce the above risks are set forth below.

The Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes final responsibility for risk management objectives and policies. The Board has authorized our finance department to design and implement procedures to ensure the effective implementation of risk management objectives and policies. The Board reviews the effectiveness of the implemented procedures and the rationale of risk management objectives and policies through monthly reports submitted by the finance department director. Our internal auditors will also audit risk management policies and procedures and report the findings to the audit committee of the Board.

The overall goal of our risk management is to formulate risk management policies to minimize risk without excessively affecting our competitiveness and resilience.

Credit risk

Credit risk refers to the risk of our financial loss due to any counterparty's failure to fulfill the obligations of the relevant contract.

We mainly face customer credit risk caused by credit sales. Before signing a new contract, we evaluate the credit risk of new customers, including by assessing external credit ratings and bank credit certificates in some cases (when this information is available). We set a credit limit for each customer, which is the maximum amount that can be credited without additional approval.

We carry out quarterly monitoring of existing customers' credit rating and monthly reviewing of account receivables aging analysis to ensure that our overall credit risk is within a controllable range. When monitoring customers' credit risk, they are grouped according to their credit characteristics. Customers rated "high risk" are placed on a restricted customer list and products can only be sold on credit in the future with additional approval, or they must pay in advance.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or other financial assets.

It is our policy to ensure sufficient cash is available to meet maturing debt obligations. The finance department ensures that we have sufficient funds to repay the debt under all reasonable projections by monitoring cash balances, marketable securities that can be readily liquidated and rolling forecasts of cash flows over the next 12 months.

Market risk

Market risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market price, including exchange rate risk, interest rate risk and other price risks.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates.

The interest rate risk faced by us mainly comes from long-term bank borrowings and bonds payable.

As of December 31, 2021, with other variables being constant, if the borrowing rate calculated at the floating interest rate increases or decreases by 100 basis points, our net profit would decrease or increase by RMB9,071,300 (as opposed to decrease or increase RMB9,454,100 as of December 31, 2020, and RMB20,892,800 as of December 31, 2019).

Exchange Rate Risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in foreign exchange rates.

To the extent possible, we match foreign currency income with foreign currency expenditure to reduce our exchange rate risk exposure. In addition, we may also sign forward foreign exchange contracts or currency exchange contracts to avoid exchange rate risk. In 2019, 2020 and 2021, the relevant control measures included considering the risk of exchange rate fluctuations and the objective situation of foreign exchange receipt and payment. We launched forward and dual-currency deposits with a total amount of US$13.5 million and EUR2.5 million. As of December 31, 2021, the outstanding contract amount amounted to US$1 million. In light of the exchange rate fluctuations in the market environment in 2021, the foregoing has played a good role in controlling our exchange rate risk.

As of December 31, 2021, holding all other variables constant, if Renminbi appreciates or depreciates by 1% against the USD, our net profit would decrease or increase by RMB1,833,800 (as opposed to decrease or increase by RMB2,385,400 as of December 31, 2020, and decrease or increase by RMB2,691,700 as of December 31, 2019). The management believes that 1% reasonably reflects the reasonable range of possible changes of Renminbi against USD in the next year.

Other Price Risks

Other price risks refer to risks that the fair value of financial instruments or future cash flows will fluctuate due to changes in market prices other than the exchange rate risk and interest rate risk.

We hold equity investments in other listed companies, and the management believes that the market price risks involved in these investment activities are acceptable.

Significant Accounting Policies

Revenue Recognition

Accounting policy after January 1, 2020

Revenue is recognized when the Company performs its performance obligations in the contract, namely, when the customer obtains control of the relevant goods or services. To gain control of the relevant goods or services means to dominate the use of the goods or services and obtain almost all the economic benefits from it.

If two or more performance obligations are included in the Contract, the Company shall, on the commencement date of the Contract, allocate the transaction price to each performance obligation in proportion to the standard-alone selling prices of the distinct goods or services. The Company measures revenue at the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Company expects to be entitled to in exchange for transferring promised goods or services to a customer, excluding payments collected on behalf of a third party and amounts expected to be returned to the customer. The Company determines the transaction price according to the terms of the contract and in combination with its previous customary practices, and considers the influence of variable consideration, significant financing components existing in the contract, non-cash consideration, consideration payable to a customer and other factors when determining the transaction price. The Company shall include in the transaction price some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If there is a significant financing component in the Contract, the Company shall determine the transaction price that reflects the price a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when or as they transfer to the customer, and amortize the difference between the transaction price and the contract consideration by the real interest rate method during the contract period.

If one of the following conditions is met, it shall be considered as a performance obligation within a certain period or, otherwise, at a certain point:

- The customer shall obtain and consume the economic benefits brought by the Company during the performance of the Company.

- The customer can control the goods under construction during the performance process.

- The commodities produced by the Company during the performance of the contract have irreplaceable purposes, and the Company has the right to collect money for the accumulated part of the contract that has been completed throughout the whole contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income according to the performance progress within that period, except if the performance progress cannot be reasonably determined. Considering the nature of the goods or services, the Company adopts the output method or the input method to determine the performance progress. If the performance progress cannot be reasonably determined and the cost incurred is expected to be compensated, the Company shall recognize the income according to the cost amount incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Company recognizes revenue at the point when the customer obtains control of the relevant goods or services. In determining whether the customer has acquired control of the goods or services, the Company shall consider the following indications:

- The Company has the present right to payment collection for the goods or services, that is, the customer has a present payment obligation for the goods or services.

- The Company has transferred legal title to the merchandise to the customer, meaning that the customer already has legal title to the merchandise.

- The Company has transferred the commodity to the customer, namely the customer has physical possession of the commodity.

- The Company has transferred the main risks and reward in the ownership of the commodity to the customer, who has acquired the main risks and reward in the ownership of the commodity.

- The customer has accepted the goods or services, etc.

Accounting policy before January 1, 2020

General principles of revenue recognition for goods sold include:

- The company has transferred the principal risks and rewards of ownership of the goods to the purchaser;

- The Company neither retains the right of continued management associated with ownership nor effective control over the goods sold;

- The amount of income can be measured reliably;

- The related economic benefits are likely to flow to the company;

- Related, incurred or to be incurred costs can be measured reliably.

The recognition principle and measurement method of income from providing labor services include:

- The revenue from labor services is recognized after the services have been completed. Meanwhile the economic benefits associated with the services are likely to flow to the company and the related revenues and costs can be measured reliably.

- In the case that the completion progress and results of the transaction can be reliably estimated on the balance sheet date, and the costs incurred and to be incurred in the transaction can be reliably measured, the percentage of completion method is adopted to recognize the income from the provision of labor services.

- In the case that the transaction result cannot be reliably estimated on the balance sheet date, if the incurred labor cost is expected to be compensated, the labor income provided shall be recognized according to the amount of the labor cost incurred and carried forward to the labor cost at the same amount. If the incurred labor cost is not expected to be compensated, it should be included in the profit and loss of the current period and labor income will not be recognized.

Government Grant

Government grant consists of monetary or non-monetary assets obtained from the government, which is divided into asset-related government grants and revenue-related government grants.

Asset-related government grants refer to the government grants obtained by the Company and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. Revenue-related government grants refer to those other than asset-related government grants.

Government grants related to assets are used for the purchase and construction of fixed assets, intangible assets and other long-term assets.

Government grants related to revenue are those other than asset-related government grants.

Government grants shall be recognized when the Company can meet the related conditions stipulated in the financial supporting policies, and it is expected to obtain the financial supporting assets subject to the following:

- The enterprise can meet the conditions attached to the government grants;

- Enterprises can receive government grants.

Deferred Income Tax Assets and Deferred Income Tax Liabilities

Income tax includes the current income tax and the deferred income tax. Except for the income tax arising from business mergers and the transactions or matters directly included in the owner's equity (including other comprehensive income), the Company includes the current income tax and deferred income tax in the current profits and losses.

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book value.

The deferred income tax assets shall be recognized to the extent that the future taxable income is likely to be obtained for deducting deductible temporary difference, deductible loss and tax deduction by the Company. For the deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the future taxable income is likely to be used to offset the deductible losses and tax credits. For the taxable temporary differences, the deferred income tax liabilities are recognized, except in special circumstances.

Nonrecognition of deferred income tax assets or deferred income tax liabilities may include:

- Initial recognition of the goodwill;

- It is not a business merger occurrence and does not affect the accounting profits and taxable income (or deductible losses) transactions or matters.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments of subsidiaries, affiliates and joint ventures, unless the Company can control the timing of the temporary difference and the temporary difference will likely not to be reversed in the foreseeable future. Deferred income tax assets are recognized for the deductible temporary differences related to the investment of subsidiaries, affiliates and joint ventures, when the temporary difference is likely to turn back in the foreseeable future and the taxable income used to deduct the deductible temporary difference is likely to be obtained in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

On the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income is not obtained to offset the deferred income tax assets, the book value of the deferred income tax assets is written down. If there is sufficient taxable income, the written down value is reversed.

When the Company has the legal right to net settle and intends to net settle or acquire assets and pay off liabilities simultaneously, the current income tax assets and the current income tax liabilities are reported as the net offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are offset in the net amount when:

- The tax payer has the legal right to net settle the current income tax assets and the current income tax liabilities;

- Deferred income tax assets and deferred income tax liabilities are with respect to the income tax by the same tax collection and administration authority over the same tax subject, or over different tax subjects but, in the subsequent period of every reversal of important deferred income tax assets and liabilities, such tax subjects intend to net tax assets and liabilities of the current period or acquire assets and settle liabilities at the same time.

Fixed Assets

Fixed assets are tangible assets that are held for production of goods or provision of services, leasing to others, or for administrative purposes, which have useful life over one accounting year. Fixed assets are recognized when the following conditions are met at the same time:

- It is probable that the related economic benefits of fixed assets will flow to the company;

- The cost of fixed assets can be reliably measured.

Fixed assets are initially measured at cost (taking into account the impact of expected disposal expenses).

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets, if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably, and the carrying amount of the replaced part is derecognized. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

The Company has made provision for the fixed assets by using straight-line method and determined the depreciation ratio according to the category of fixed assets, the estimated useful life and estimated rate of salvage value. For fixed assets with provision for impairment, the depreciation amount shall be determined in the future according to the book value after deducting the provision for impairment and the remaining useful life. If the useful lives of the components of fixed assets are different or they provide economic benefits to the enterprise in different ways, the company will choose different depreciation rates or depreciation methods for them and depreciate separately.

The depreciation method, useful life, residual value ratio and annual depreciation rate of fixed assets are classified as below:

Type	Depreciation method	Useful life (year)	Estimated residual value ratio	Annual depreciation rate
			(%)	*(%)*
Buildings and structures	Straight-line method	20-40	5	2.38-4.75
Machinery and equipment	Straight-line method	6-15	5	6.33-15.83
Transportation equipment.	Straight-line method	3-12	5	7.92-31.67
Office equipment and others . .	Straight-line method	2-10	5	9.50-47.50

Proceeds from the disposal of fixed assets on sale, transfer, retirement or destruction, net of their carrying amount and related taxes, are included in profit or loss for the current period.

Changes in Accounting Standards

For a description of changes in accounting standards for 2019, 2020 and 2021 and an assessment of their impact on our consolidated financial statements, see note II to the Annual Historical Financial Information to this Prospectus.

Discussion and Analysis of the Six Month Historical Financial Information

The table below sets forth our results of operations for the periods indicated:

	Six months ended June 30,	
	2021	2022
	(RMB in millions)	
	(unaudited)	*(reviewed)*
Total operating revenue	6,521	5,334
Operating revenue	6,521	5,334
Total operating cost	4,290	3,770
Operating cost	2,428	2,021
Taxes and surcharges	77	55
Selling expenses	958	823
Administrative expenses	353	365
Research and development expenses	373	439
Financial expenses	101	66
Add: Other income	23	21
Investment loss (loss expressed in parentheses)	(71)	(40)
Gains from change in fair value (loss expressed in parentheses)	2	(0)
Loss on impairment of credit (loss expressed in parentheses)	(19)	(10)
Loss on impairment of assets (loss expressed in parentheses)	0	(2)
Gains from disposal of asset (loss expressed in parentheses)	0	0
Operating profit	2,166	1,531
Add: Non-operating income	16	6
Less: Non-operating expenses	10	10
Total profit before tax	2,172	1,527
Income tax expense	356	230
Net profit	1,816	1,297

The following discussion compares our consolidated results of operations in the six months ended June 30, 2022 with 2021.

Operating Revenue

Our operating revenue decreased by RMB1,187.1 million, or 18.2%, from RMB6,520.6 million in the six months ended June 30, 2021 to RMB5,333.5 million in the same period of 2022. The decrease was mainly due to a decrease in the operating revenue of our medical device business, primarily due to: a decrease in the revenue generated from sales of COVID-19 antigen rapid test kits, as the demand for such products has normalized.

Operating Cost

Our operating cost decreased by RMB406.6 million, or 16.8%, from RMB2,428.0 million in the six months ended June 30, 2021 to RMB2,021.4 million in the same period of 2022. The decrease was largely in line with our decreased operating revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by RMB780.4 million, or 19.1%, from RMB4,092.5 million in the six months ended June 30, 2021 to RMB3,312.1 million in the same period of 2022. Our gross profit margin remained relatively stable at 62.8% and 62.1% in the six months ended June 30, 2021 and 2022, respectively.

Taxes and Surcharges

Our taxes and surcharges decreased by RMB21.7 million, or 28.2%, from RMB77.0 million in the six months ended June 30, 2021 to RMB55.3 million in the same period of 2022. The decrease was mainly due to decreases in city maintenance and construction tax and educational surcharge.

Selling Expenses

Our selling expenses decreased by RMB135.4 million, or 14.1%, from RMB958.4 million in the six months ended June 30, 2021 to RMB823.0 million in the same period of 2022. The decrease was mainly due to decreases in (i) market fee (mainly related to the promotion of our new and existing products to the market), the fluctuations in which are mainly related to the promotion efforts in our new and existing products in light of the market reception of such products, and (ii) traveling expense, as our marketing activities were adversely affected by the new waves of COVID-19 in the first half of 2022.

Administrative Expenses

Our administrative expenses increased by RMB12.1 million, or 3.4%, from RMB353.1 million in the six months ended June 30, 2021 to RMB365.1 million in the same period of 2022. The increase was mainly due to: (i) an increase in employee benefit expense; (ii) an increase in depreciation expense, mainly due to an increase in the balance of our fixed assets.

Research and Development Expenses

Our research and development expenses increased by RMB66.5 million, or 17.8%, from RMB373.0 million in the six months ended June 30, 2021 to RMB439.5 million in the same period of 2022. The increase was mainly due to: (i) an increase in employee benefit expense, primarily due to increased number of our R&D staff and enhanced compensation for such personnel; and (ii) an increase in material fee and materials consumed, energy expense, and testing expense, which reflected our continual R&D efforts.

Financial Expenses

Our financial expenses decreased by RMB34.7 million, or 34.4%, from RMB100.8 million in the six months ended June 30, 2021 to RMB66.1 million in the same period of 2022. The decrease was mainly due to an increase in our interest income, as the Company improved the management of money on hand, and increased the return accordingly.

Other Income

Our other income decreased by RMB2.9 million, or 12.5%, from RMB23.5 million in the six months ended June 30, 2021 to RMB20.5 million in the same period of 2022. The decrease was mainly due to a decrease in government grants we received in relation to our daily operations.

Investment Loss

Our investment loss decreased by RMB30.6 million, or 43.4%, from RMB70.5 million in the six months ended June 30, 2021 to RMB39.9 million in the same period of 2022. The decrease was mainly due to our share of the increased investment in R&D activities by Lepu Biopharma Co., Ltd. based on our shareholding percentage.

Gains/(Loss) from Change in Fair Value

We had gains from change in fair value of RMB1.8 million in the six months ended June 30, 2021, which changed to loss from change in fair value of RMB0.2 million in the same period of 2022. The change was mainly due to the fluctuations in the stock prices of shares held by us.

Loss on Impairment of Credit

Our loss on impairment of credit decreased by RMB8.4 million, or 44.5%, from RMB18.9 million in the six months ended June 30, 2021 to RMB10.5 million in the same period of 2022. The decrease was mainly due to a decrease in the bad debts of accounts receivable, and the collection of certain aged accounts receivables.

Loss on Impairment of Assets

We had nil loss on impairment of assets in the six months ended June 30, 2021, which changed to loss on impairment of assets of RMB2.0 million in the same period of 2022, mainly relating to impairment of inventories of certain of our subsidiaries.

Gains from Disposal of Assets

Our gains from disposal of assets remained relatively stable at RMB0.06 million and RMB0.4 million in the six months ended June 30, 2021 and 2022, respectively.

Non-Operating Income

Our non-operating income decreased by RMB10.2 million, or 63.9%, from RMB16.0 million in the six months ended June 30, 2021 to RMB5.8 million in the same period of 2022. The decrease was mainly due to a decrease in government grants we received outside our daily operations.

Non-Operating Expenses

Our non-operating expenses remained relatively stable at RMB10.4 million and RMB10.2 million in the six months ended June 30, 2021 and 2022, respectively.

Income Tax Expense

Our income tax expense decreased by RMB126.1 million, or 35.4%, from RMB356.2 million in the six months ended June 30, 2021 to RMB230.2 million in the same period of 2022. The decrease was mainly due to a decrease in our taxable income.

Indebtedness

The table below sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31, 2021	As of June 30 2022
	(RMB in millions)	
	(audited)	*(reviewed)*
Current indebtedness		
Short-term borrowings	584	617
Notes payable	229	129
Non-current liabilities due in one year		
Long-term borrowings	184	167
Lease liabilities	65	62
Non-current indebtedness		
Long-term borrowings	1,210	1,263
Bonds payable	2,673	2,702
Lease liabilities	125	179
Total	**5,070**	**5,118**

The outstanding balance of our total indebtedness remained relatively stable as of December 31, 2021 and June 30, 2022. As of June 30, 2022, we had utilized approximately RMB3,160 million of our banking facilities, and approximately RMB6,940 million remained unutilized. As of the same date, we had applied for extension of existing credit line of RMB2,600 million from five commercial banks, which was subject to their internal approval.

Recent Developments

On May 17, 2022, the general meeting of the shareholders of our Company approved a proposal to register and issue additional medium-term notes with a principal amount of no more than RMB1.8 billion and a term of less than five years.

Outlook for the Year Ending December 31, 2022

Certain statements in this section, including in particular the financial targets described immediately below, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "*Forward-Looking Statements*" and "*Risk Factors*," respectively. Investors are strongly urged not to place undue reliance on any of the statements set forth below.

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For the current financial year of 2022, based on prudent estimation in light of our current business, we aim to achieve an increase in our operating revenue by 15% to 25%, compared to 2021, with respect to our regular business, which does not take into account COVID-19 related products.

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In preparing our outlook, we have generally assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable laws, regulations or rules (including, but not limited to, licensing requirements, volume-based procurement regulations, tax laws, accounting policies and accounting treatments) or movements in foreign exchanges rates, which, individually or in the aggregate, would be material to our results of operations; and that we will not become party to any litigation or administrative proceeding that might have a material impact on us or of which we are currently unaware. The assumptions on which we have based our financial outlook include the following:

- We will be able to continue building our product pipeline and achieve commercial approval for the relevant product candidates.
- We will be able to maintain and expand our sales and distribution network.
- We will be able to maintain our existing key customer relationships and/or acquire new customers.
- We will be able to maintain and expand our academic customer education and training services to train doctors and other medical professionals to use our products.
- We will be able to continue further developing and improving our product offerings through in-house R&D.
- We will be able to continue to deliver high quality products in a timely manner.
- We will be able to continue expanding and/or optimizing our production capacity and utilization in line with increased sales volumes.
- We will be able to continue securing regulatory approval and certifications in a timely manner.

The assumptions that may also be affected by external factors beyond our control include the following:

- We expect that the overall markets we serve will continue to develop as described in "*Industry and Market Overview*."
- We expect that the economic environments in the markets and industries we serve will not develop in a negative manner that could have a material impact on our results of operations.

- We expect that the competitive landscape will remain similar to the current market situation as described in "*Industry and Market Overview*."

- We expect that regulatory laws and requirements, including those with regard to licensing, reimbursement and procurement, will remain similar to the current regulatory landscape.

- We expect that tax laws will not change dramatically to our disadvantage.

- We expect that ongoing litigation and administrative proceedings of which we are currently aware will not result in outcomes that will have a material adverse impact on us.

- We expect that foreign exchange rates will not change in such a significant way that the current relation between our assets and capital is heavily distorted.

Investors are strongly urged not to place undue reliance on any of the statements set forth above. Investors are also urged to review the sections "*Forward-Looking Statements*" and "*Risk Factors*" when considering the statements made above.

Generally, the information on the market and competitive environment presented below in this section is, unless indicated otherwise, taken or derived from the market study that was prepared for us by Frost & Sullivan (the "Frost & Sullivan Report"). The report's objective was to determine the relevant markets for us, their size and growth prospects and to determine our competitive position in these markets. Certain statements below are based on our own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as "estimate" or "believe," and as such do not purport to cite or summarize any third-party or independent source and should not be read as such. The forward-looking statements in this section are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments that may be inaccurate.

Cardiovascular Diseases

Overview of Cardiovascular Diseases

Cardiovascular diseases are generally categorized into two types, vascular diseases and heart diseases. Vascular diseases generally include coronary artery disease, neurovascular disease and peripheral vascular disease. Heart diseases generally include congenital heart disease, heart valvular disease, myocardial disease and arrhythmia. The table below sets out main subcategories of cardiovascular diseases:

Disease Subcategory	Disease Overview	Representative Diagnostic/Treatment/Monitoring Devices	2021 Prevalence/ Incidence in China
Coronary Artery Diseases (CAD)	Coronary artery diseases (CAD) are forms of myocardial ischemia (MI) and angina pectoris or myocardial infarction heart disease caused by coronary artery stenosis or obstruction (atherosclerosis or dynamic vasospasm), which is also known as ischemic heart disease.	• DSA, Intra Vascular Ultrasound (IVUs), Computed Tomography Angiography (CTA), FFR • Bioresorbable Scaffolds, DES, DCB, PTCA Balloon, Cutting Balloon, Pulsed Sonic Balloon	Prevalence 25.9 million
Atrial Fibrillation (AF)	Atrial fibrillation (AF) is the most common sustained arrhythmia, which can cause palpitations, chest tightness, dizziness and even fainting, increase the chance of thromboembolism and induce or aggravate existing heart diseases, further resulting in heart failure, pulmonary edema, angina, shock and sudden death.	• Ablation Therapies, Implantable Pacemaker • ECG, Pulse and Blood Pressure Monitor	Prevalence 20.3 million
Cardioembolic Stroke	Cardioembolic stroke refers to the shedding of microthrombi in the heart during the systole of the heart, causing vascular embolism and then stroke events, of which the common cause is related to atrial fibrillation and heart failure.	• LAA Occluder, PFO Occluder	Prevalence 4.5 million
Valvular Diseases	Valvular diseases refer to the lesions of valves in the human body - mitral valve, tricuspid valve, aortic valve or pulmonary valve, which affects blood flow, resulting in abnormal heart function and heart failure, of which cause is related to rheumatic fever, degenerative changes, congenital malformations, avascular necrosis, infection and trauma.	• TAVR, TMVr, Transcatheter Mitral Valve Replacement (TMVR), Transcatheter Tricuspid Valve Repair (TTVr), Transcatheter Tricuspid Valve Replacement (TTVR)	Prevalence Aortic Stenosis (AS): 4.5 million Aortic Regurgitation (AR): 4.0 million Severe to Moderate Mitral Regurgitation (MR*): 11.1 million
Congenital Heart Diseases (CHD)	As one of the leading causes of infant mortality, congenital heart diseases (CHD) refer to the abnormal development or failure to close the channels that should be automatically closed after birth when forming heart and blood vessels during embryonic development. They result in abnormalities in the solid structure or function of the blood vessels in the heart or thoracic cavity.	• ASD, VSD, Patent Ductus Arteriosus Occluders (PDA Occluders)	Incidence 133.4 thousand
Peripheral Artery Diseases (PAD)	Peripheral artery diseases (PAD) refer to diseases of the blood vessels locating outside the heart, the brain and the thoracoabdominal aorta, most of which occur as a result of the narrowing, blocking or weakening of the arteries, and is primarily related to atherosclerosis.	• DCB, DES, PTA Balloon, Vena Cava Filter (VCF), Debulking Devices, Pulsed Sonic Balloon	Prevalence 52.0 million

Source: Literature Research, Expert Interview, Frost & Sullivan Analysis

Burden Analysis for Cardiovascular Diseases Globally and in China

Globally, cardiovascular diseases are the top causes of death. An estimated 17.9 million people died from cardiovascular diseases in 2019, representing 32% of all global deaths. Of these deaths, 85% were due to heart attack and stroke. In addition, more than three quarters of deaths caused by cardiovascular diseases occur in low- and middle-income countries. According to the Global Burden of Disease (GBD) Study 2019, cardiovascular diseases accounted for 393 million disability-adjusted life years (DALYs) globally, with over 46,000 per million people years of life lost (YLL) and over 4,000 per million people years lost due to disability (YLD). From 2010 to 2019, cardiovascular diseases remained the top cause for global deaths, YLLs and DALYs.

Cardiovascular diseases are highly prevalent in China and its disease burden remains the highest among all diseases in 2019, with a significant increase in recent years. According to the GBD Study 2019, cardiovascular diseases were responsible for 4.6 million deaths in China in 2019. From 2005 to 2019, the estimated YLLs increased from 69.0 million to 81.5 million.

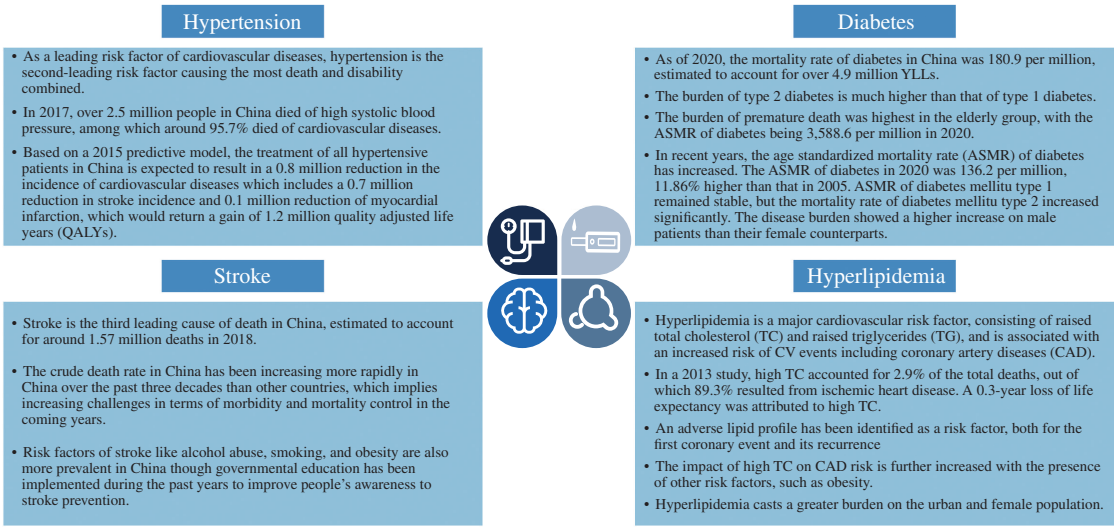
The prevalence, number of deaths and YLLs of cardiovascular diseases are higher in relation to the male and elderly populations. With continual increase in life expectancy and the elderly population, the burden of cardiovascular diseases is expected to grow both globally and in China.

Life Cycle Management of Cardiovascular Diseases

Cardiovascular diseases are characterized by high prevalence, high disability rate and high mortality rate, and are common among the middle-aged and elderly population. Population with high blood pressure, high cholesterol level and high glucose level caused by aging, smoking, excessive drinking and other unhealthy lifestyles are exposed to high cardiovascular disease risk. Additionally, some of the cardiovascular diseases tend to develop rapidly. Hence, disease prevention at an early stage is recommended for such population. To avoid sudden cardiac death and cardiogenic shock, timely diagnosis and treatment are suggested for patients as soon as possible after they are diagnosed or have physical discomfort. After surgical treatment for acute symptoms, patients with cardiovascular diseases are supposed to undergo the cardiac rehabilitation. Therefore, whole life cycle management of cardiovascular diseases for patients, including continuous monitoring and drug administration, is of great importance for improving prognosis, reducing mortality and avoiding relapse. Drugs, medical devices and medical services are all important for the whole life cycle management of cardiovascular diseases.

Chronic Diseases related to Cardiovascular Diseases

Chronic diseases are defined broadly as conditions that last for at least one year and require ongoing medical attention or limit activities of daily living or both. According to the World Bank statistics, non-communicable diseases (NCDs) are the leading cause of death in China, and the number of deaths caused by NCDs each year accounts for more than 80% of the deaths caused by all diseases. In addition, some chronic diseases increase risks to cardiovascular diseases. People with abnormal blood pressure, cholesterol levels and glucose levels tend to require professional guidance to prevent their illnesses from worsening. The chart below lists typical chronic diseases related to cardiovascular diseases in China:



Source: Literature review, Frost & Sullivan Analysis

The Medical Device Market

Cardiology Interventional Devices

Cardiovascular interventional devices can be classified into cardiology interventional devices, neurovascular interventional devices and peripheral interventional devices. Cardiology interventional devices could be generally divided into coronary artery interventional devices, structural heart disease interventional devices, cardiac electrophysiology interventional devices as well as access and supportive devices. Coronary artery interventional devices generally refer to coronary stents and balloon catheters. Coronary stents include bare metal stent (BMS), drug eluting stent (DES) and bioresorbable scaffolds (BRS). Coronary balloon catheters include percutaneous coronary angioplasty (PTCA) balloon catheters, drug coated balloon (DCB) catheters and functional balloon catheters such as cutting balloon catheters and IVL balloon catheters (pulsed sonic balloon dilatation catheters). Structural heart diseases interventional devices mainly include occluders and valvular diseases interventional devices, such as ASD/VSD/PDA occluders, TAVR devices, TMV treatment devices and TTV treatment devices. Cardiac electrophysiology interventional devices mainly include mapping catheters, ablation catheters, implantable cardioverter defibrillator (ICD) and pacemakers. Access and supportive devices could be classified based on general or specific applicable scenarios.

Typical examples for those applied to general scenarios include puncture needles, guiding catheters and guiding wires, which could be applied to various cardiology interventional surgeries. In comparison, the use of devices with specific indication, for example, intracardiac introducer sheath sets and accessories, is generally limited to certain scenarios.

The cardiology interventional device market in China is expected to grow, driven by factors including (i) aging population and unmet clinical needs; (ii) national incentive policies and increased patient accessibility; and (iii) the popularization of the "intervention without implantation" concept.

Expected future trends of the cardiology interventional devices market in China mainly include:

(i) increasing clinical needs for cardiology interventional devices;

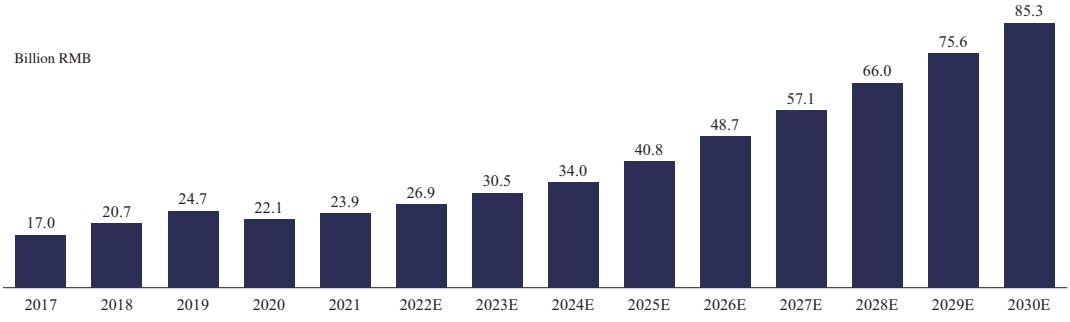
(ii) technology iteration in the context of volume-based procurement; and

(iii) the popularization of "precise PCI" and innovative coronary products.

The table below sets out the historical and forecasted market size of cardiology interventional devices in China:

Historical and Forecasted Market Size of Cardiology Interventional Devices in China, 2017-2030E

Period	CAGR
2017-2021	8.9%
2021-2025E	14.4%
2025E-2030E	15.9%



Source: Frost & Sullivan analysis

Coronary Artery Stent

Percutaneous coronary intervention (PCI) is an interventional procedure used to treat coronary arteries narrowing (stenosis) found in coronary artery disease. As the most widely applied and minimally invasive surgical treatment for coronary heart diseases, PCI surgeries involve various types of products and include major subcategories such as PTCA and coronary stent implantation (CSI). PTCA, as a basic interventional method for the treatment of coronary heart diseases, utilizes balloon catheters to dilate vascular stenosis and resume blood stream. However, PTCA alone could result in a comparatively high incidence of acute coronary occlusion and restenosis. As a result, PTCA is rarely performed alone at present, but followed by CSI to ensure long-term vessel dilation. Once the stenotic coronary arteries are dilated by balloon catheters, stents could be placed at the target lesion to keep the artery dilated and reduce Late Lumen Loss (LLL).

The coronary artery stent implantation evolved gradually, from percutaneous angioplasty balloon, to BMS, to DES and to bioresorbable scaffold. Bioresorbable scaffold is a polymer- or metal-based scaffold that can provide mechanical support to maintain vascular patency and subsequently degrades in the human body without leaving permanent foreign implantation which may lead to lifelong medication, restenosis, hindrance of further surgery and impairment of imaging.

In addition to avoiding such adverse events caused by implantation of non-resorbable stents, bioresorbable scaffold improves the outcome of PCI and preserves future revascularization options for cardiovascular disease treatment. Bioresorbable scaffold is expected to gradually become the first choice for coronary interventional treatment. The table below summarizes potential advantages of BRS over DES and BMS:

Potential advantages of bioresorbable scaffolds over DES and BMS	BRS	DES	BMS
Sufficient Radial Support after the Procedures	★★★	★★★	★★★
Positive Remodeling Possibility	★★★	★	★
Facilitate Reintervention in the Treated Segment (CABG or PCI)	★★★	★	★
Potential Recovery of Vasomotion	★★★	★★	★
No Interference with X-ray, CT, MRI examinations	★★★	★	★

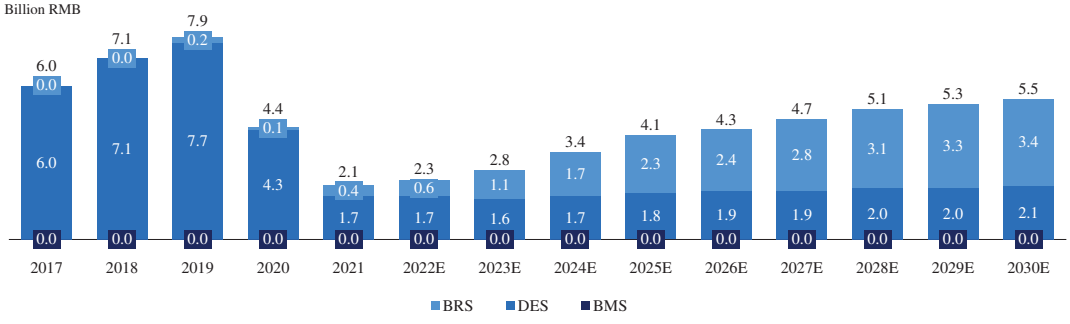
Strong ★★★
Medium ★★
Poor ★

Source: Literature Review, NCBI, Frost & Sullivan Analysis

The table below sets out the historical and forecasted market size of coronary stent in China:

Breakdown of China Coronary Stent Market by Type, 2017-2030E

Period	BMS	DES	BRS	Total
2017-2021	-61.6%	-27.0%	–	-22.8%
2021-2025E	-0.8%	1.5%	51.0%	17.4%
2025E-2030E	-2.0%	2.7%	8.7%	6.2%



Source: Frost & Sullivan analysis

NeoVas and Xinsorb are currently the only two bioresorbable scaffolds approved in China which have been practically used in clinical scenarios. China's bioresorbable scaffold market is expected to be dominated by a few domestic players. The ability to develop advanced products that can satisfy real and intimate clinical needs could be one of the key distinguishing factors for competing in this market.

	Commercialized Drug-Eluting Bioresorbable Scaffolds		Drug Eluting Bioresorbable Scaffolds in Research Phase					
Manufacturer	**Lepu Medical**	**BioHuaan**	**Bioheart**	**MicroPort**	**AMET**	**Lifetech**	**Maiquan**	**Meril Life**
Product Name	NeoVas	Xinsorb	Bio-heart	Firesorb	Amsorb	IBS	Biomagic	MeRes100
Thickness (μm)	170	160	125-145	100-125	140-150	70-80	130	100
First-in-human Trial(FIM)	Completed		Completed	Completed	Completed	Completed	Completed	Completed
Randomized Controlled Trial (RCT)	Completed		In Progress	In Progress	In Progress	In Progress	In Progress	In Progress
Approval Time / Region	2019	2020	N/A					
Imaging Marker	4 (manually embedded)	4 (manually embedded)	4 (embedded by machine)	N/A	2	N/A	N/A	2
Radial Force (N/mm)	1.4	1.4	1.4	1.2	N/A	N/A	N/A	1.2
***Bidding Price (RMB)**	29,580	27,800	N/A	N/A	N/A	N/A	N/A	N/A
Governmental Reimbursement Coverage	No	No	N/A	N/A	N/A	N/A	N/A	N/A

* The device price is based on the latest and regional bidding price from public information. Price updated as of May 12, 2022.

Source: NMPA, Company Website, CMDE, Frost & Sullivan Analysis

Bioresorbable scaffold development is facing barriers including (i) insufficient ductility, which affects stent retention on balloon catheter and limits the range expansion of the stent during deployment; (ii) low tensile strength and stiffness, which require the struts to be thick enough to prevent recoiling during vascular remodeling; (iii) limited elongation-at-break, which defines the expansion range of the stent; and (iv) stent design, which requires greater strut thickness to compensate for the reduced radial strength of struts. Future trends of bioresorbable scaffold development will be focused on device improvement, implantation techniques improvement and patient screening improvement.

Coronary Balloon Catheters

Coronary balloon catheters can mainly be classified as ordinary balloon catheters, high pressure balloon catheters, drug-coated balloon catheters, cutting balloon catheters and pulsed sonic balloon dilatation catheters. The ordinary balloon catheters can be applied before stent implementation or drug-coated balloon catheter intervention for pre-dilation. Cutting balloon catheters and pulsed sonic balloon dilatation catheters are applied for the treatment of calcified lesions where ordinary balloon catheters cannot be applied. Drug-coated balloon catheter intervention is an alternative for drug-eluting stent implementation which may cause in-stent restenosis. Also drug-coated balloon catheters can be applied in scenarios like small vessel diseases and bifurcation lesions, where drug-eluting stent implementation is incapable of achieving ideal curative effect.

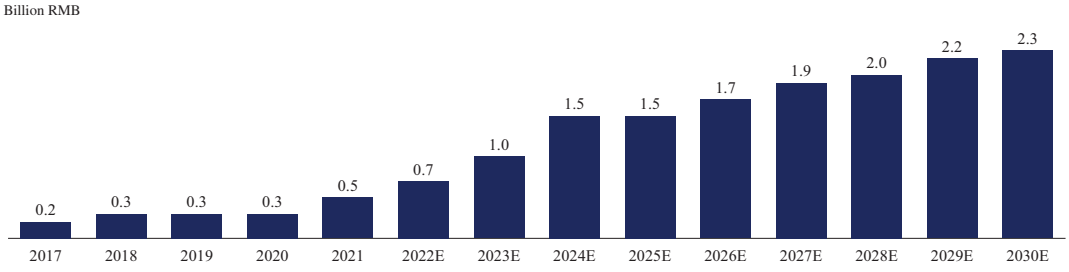
Cutting Balloon Catheters

The cutting balloon catheter is a special kind of balloon catheter. There are usually three or four atherotomes (microsurgical blades) bonded longitudinally to the outer surface of the balloon. The mechanism of cutting balloon catheter is to create discrete longitudinal incisions in the atherosclerotic target coronary segment during balloon inflation. Cutting balloon catheter is a unique angioplasty device used in PCI.

The table below sets out the historical and forecasted market size of coronary cutting balloon catheter in China:

Historical and Forecasted Market Size of Coronary Cutting Balloon Catheter in China, 2017-2030E

Period	CAGR
2017-2021	20.2%
2021-2025E	34.1%
2025E-2030E	8.4%



Source: Frost & Sullivan analysis

In China, two imported intracardiac cutting balloon products that have obtained NMPA approval, both manufactured by Boston Scientific. Vesscide cutting balloon system, manufactured by Lepu Medical, is the only domestic product.

Manufacturer	**Boston Scientific**		**Lepu Medical**
Product Name	Flextome Cutting Balloon Monorail Microsurgical Dilatation Device	Wolverine Coronary Cutting Balloon MONORAIL Microsurgical Dilatation Device	Vesscide Cutting Balloon System
Approval Indication	Intended for patients with coronary artery disease who can accept coronary artery bypass graft (CABG) surgery and need surgical treatment urgently	Intended for patients with coronary artery disease who can accept CABG surgery and need surgical treatment urgently	Indicated for patients with atherosclerotic plaques in coronary arteries that need cutting treatment, and patients for CABG surgery in an emergency
Key Features	• Nylon balloon material designed to provide flexibility, superb compliance and improved puncture resistance • Overall better deliverability to treat more complex lesions • Precise dilatation • Scores the plaque by severing the elastic and fibrotic continuity of the vessel wall • Dilating the lesion at lower pressures with less recoil • Lumen gain through plaque compression instead of vessel wall expansion	• Combines a proprietary athrotome and low pressure balloon design • Compared to Flextome, the reduction in the T-slot height generates a smaller profile • Improved inner and outer flexibility • Improved tip flexibility and visibility • Improved balloon flexibility and durability	• Better pretreatment before stent and DCB implants • Easier to pass through the vessel based on the design of four columns of segmented blades • Less abrasion to the inner wall of blood vessels with microblades
NMPA Approval	June 26, 2017	April 10, 2020	December 1, 2020
Average Bidding Price* (RMB)	5,718	5,718	5,700

* The device price is based on the latest and regional bidding price from public information. Price updated as of May 11, 2022.

Source: NMPA, Company Websites, CMDE, Frost & Sullivan Analysis

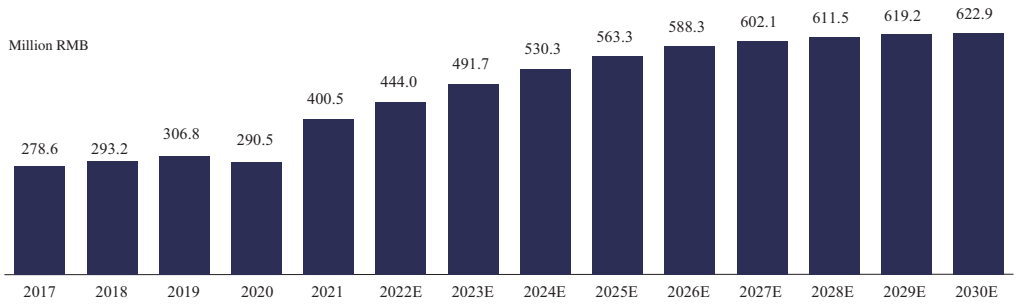
CHD Occluder Products

Congenital heart diseases (CHD) interventional occlusion is a method of puncturing the peripheral blood vessels and pushing the delivery catheter and occluder to the corresponding part of the congenital heart development defect with the assistance of fluoroscopy guidance and bedside echocardiography. It is a minimally invasive treatment technology for atrial septal defect (ASD), ventricular septal defect (VSD), patent ductus arteriosus (PDA) and defects on other vascular pathways.

The table below sets out the historical and forecasted China CHD occluder market size:

Historical and Forecasted China CHD Occluder Market Size, 2017-2030E

Period	CAGR
2017-2021	9.5%
2021-2025E	8.9%
2025E-2030E	2.0%



Source: Frost & Sullivan Analysis

Cardioembolic Stroke Prevention Occluder Products

Interventional occlusion is a method for the prevention of cardioembolic stroke. Cardioembolic stroke occluder products primarily include patent foramen ovale (PFO) and Left Atrial Appendage (LAA) occluder products.

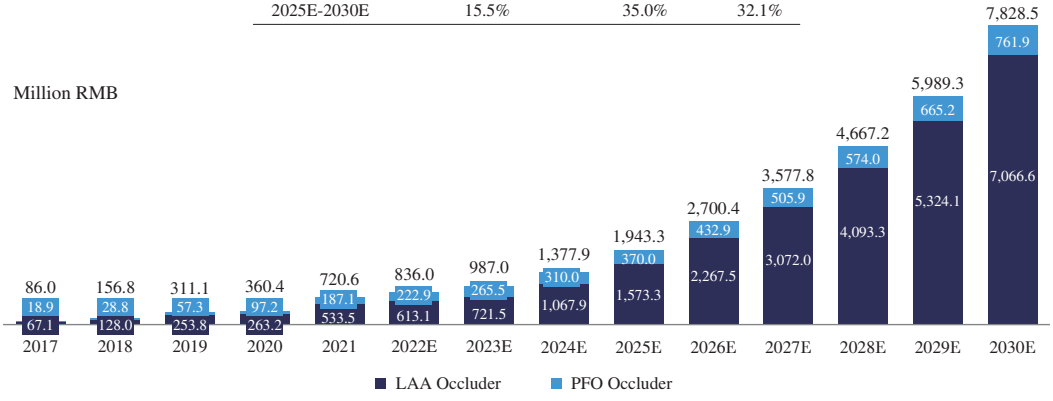
PFO occluder is a medical device delivered along the blood vessel to the patient's PFO. A medical practitioner implants the PFO occluder into the patient's PFO through a catheter from a small incision in the patient's thigh groin. Once a medical practitioner confirms that the position is correct, the PFO occluder is opened, expands and forms on both sides of the interatrial septum, and the occluder is then released.

LAA occluder is a medical device that blocks LAA to prevent the thrombus formation and breaking off, thereby preventing cardioembolic stroke. Patients may use LAA occlusion when there is no improvement after the drug treatment. For patients who have a high risk of bleeding and embolism, and are not suitable for long-term anticoagulant therapy, implantation of the LAA occluder is a better option.

The table below sets out the historical and forecasted China cardioembolic stroke prevention occluder market size:

Breakdown of China Cardioembolic Stroke Prevention Occluder Market, 2017-2030E

CAGR	PFO Occluder	LAA Occluder	Total
2017-2021	77.3%	67.9%	70.1%
2021-2025E	18.6%	31.0%	28.1%
2025E-2030E	15.5%	35.0%	32.1%



Source: Frost & Sullivan Analysis

Transcatheter Aortic Valve Replacement (TAVR), Transcatheter Mitral Valve Repair (TMVr) and Transcatheter Mitral Valve Replacement (TMVR)

TAVR is a globally advanced cardiovascular interventional technique by implantation of a prosthetic valve through a vascular path to treat aortic stenosis or aortic regurgitation. TAVR has the advantages of minimal invasiveness, a shorter postoperative recovery period and suitable for patients who cannot tolerate surgical aortic valve replacement (SAVR). The China market for retrievable TAVR products is on the rise. Four retrievable TAVR products have been launched, and five retrievable TAVR products have entered clinical trial stage in China based on public information. The table below summarizes the competitive landscape of these retrievable TAVR products in clinical stage:

Company	Product	Indication	Access Route	Expanding Mechanism	Pericardium Material
Lepu Scientech	ScienCrown™	AS	TF	BE & SE	BP
Silara Medtech	Silara®-Valve	AS	TF	SE	BP
KingstronBio	ProStyle	AS	TF	SE	BP
Venus Medtech	Venus-PowerX®	AS	NA	SE	NA
Peijia Medical	Taurus NXT®	AS	NA	SE	BP

As of June 2, 2022.

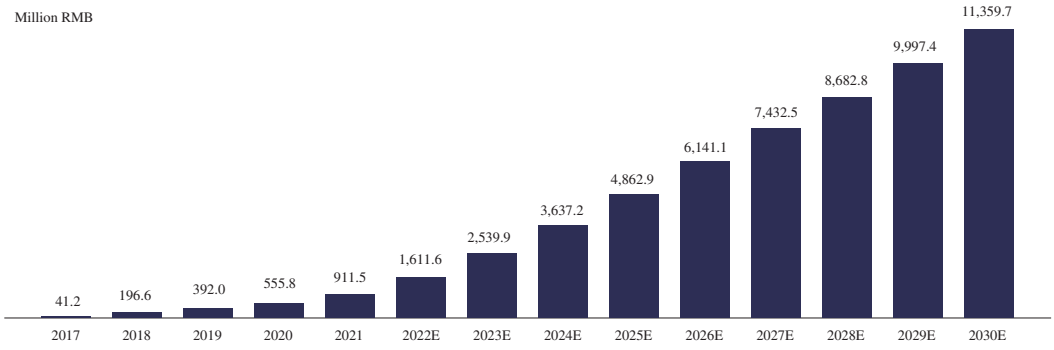
BE=balloon-expanding; SE=self-expanding; BP=bovine pericardium; PP=porcine pericardium; TF=transfemoral; TA=transapical

Source: Public Information, Frost & Sullivan Analysis

The table below sets out the historical and forecasted China TAVR device market size:

Historical and Forecasted China TAVR Device Market Size, 2017-2030E

Period	CAGR
2017-2021	116.9%
2021-2025E	52.0%
2025E-2030E	18.5%



Source: Frost & Sullivan Analysis

Interventional mitral valve treatment is suitable for patients with severe mitral regurgitation who cannot tolerate conventional surgical treatments. The treatment options include Transcatheter Mitral Valve Repair (TMVr) and Transcatheter Mitral Valve Replacement (TMVR). Currently in China, there is one approved transcatheter mitral valve treatment devices and eleven devices in clinical trials, including eight for repair and three for replacement. The table below summarizes the current competitive landscape of Chinese TMVr and TMVR products:

Intended Use	Company	Product	Technique	Access Route
Repair	Lepu Scientech	MemoClip-A	Edge-to-edge repair	Transapical
		–	Chordal implantation	Transapical
	Hanyu Medical	ValveClamp	Edge-to-edge repair	Transapical
	Valgen Medtech	MitralStitch®	Mainly chordal implantation	Transapical
		DragonFly™	Edge-to-edge repair	Transfemoral
	NewMed Medical	Valveclip-M™	Edge-to-edge repair	Transfemoral
	Shenqi Medical	Qilin™ System	Edge-to-edge repair	Transfemoral
	KOKA Lifesciences	LIFECLIP®	Edge-to-edge repair	Transapical
Replacement	NewMed Medical	Mi-thos®	Transcatheter mitral valve replacement	Transapical
	MitrAssist	MitraFix®	Transcatheter mitral valve replacement	Transapical
	Balance Medical	Renato™	Transcatheter mitral valve replacement (valve-in-valve)	Transapical

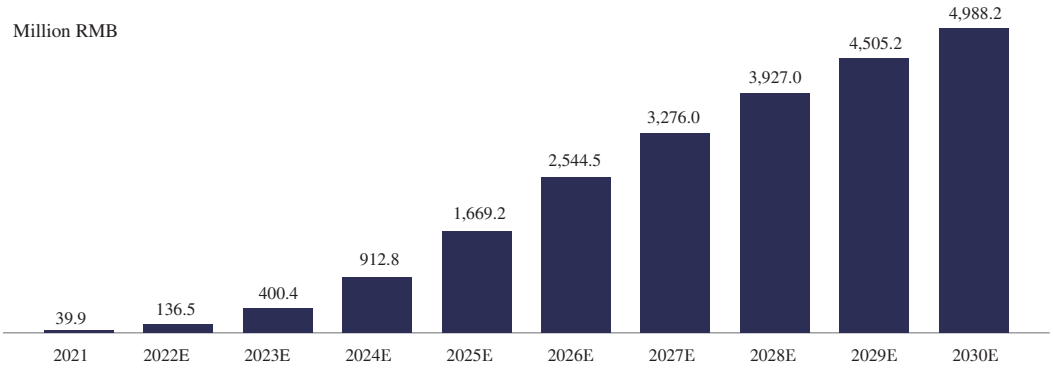
As of May 11, 2022

Source: Public Information, Frost & Sullivan Analysis

The table below sets out the historical and forecasted China TMVr device market size:

Historical and Forecasted China TMVr Device Market Size, 2021-2030E

Period	Period
2021-2025E	154.3%
2025E-2030E	24.5%



Source: Frost & Sullivan Analysis

Pacemakers

A pacemaker is a small device to prevent the heart from beating abnormally. It works by mimicking the body's sinus node, sending electrical impulses to prompt the heart to beat. According to the number of leads, pacemakers can be mainly categorized into single-chamber, dual-chamber and biventricular pacemakers. The more chambers where the lead is implanted, the greater the assisting effect of the pacemaker, and the contraction between parts of the heart becomes more/coordinated and efficient. The table below provides main classifications of pacemakers:

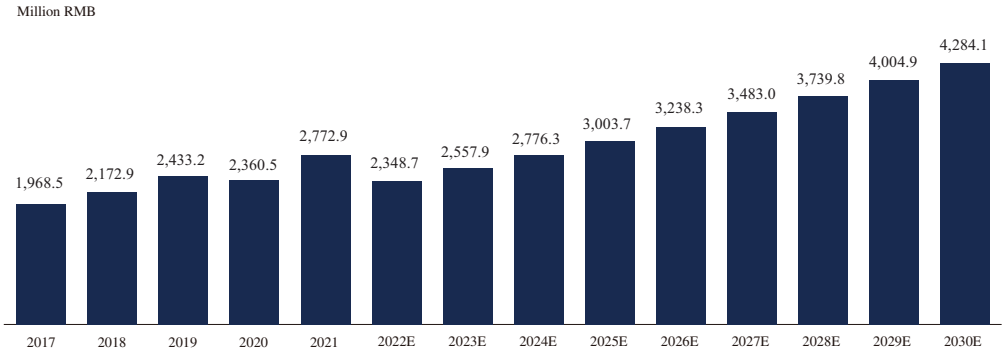
	Compositions and Differences		Indications
Single chamber	Pulse generator	**A lead** implanted in the right atrium or right ventricle	Persistent atrial fibrillation, sinus node problems but normal conduction
Dual-chamber		**Two leads** implanted in the right atrium and right ventricle, respectively	Bradycardia
Biventricular pacemakers		**Three leads** usually implanted in the right atrium, right ventricle, and left ventricle	Patients with heart failure and different ratios of left and right ventricular systole

Source: Frost & Sullivan Analysis

The table below sets out the historical and forecasted China implantable pacemaker market size:

Historical and Forecasted China Implantable Pacemaker Market Size, 2017-2030E

Period	CAGR
2017-2021	8.9%
2021-2025E	2.0%
2025E-2030E	7.4%



Source: Frost & Sullivan Analysis

Direct Measurement Fractional Flow Reserve (FFR)

The presence of myocardial ischemia is the most important prognostic factor in patients with ischemic heart disease. FFR is a technique used in coronary catheterization to measure pressure differences across a coronary artery stenosis to determine the likelihood that the stenosis impedes oxygen delivery to the heart muscle (myocardial ischemia). Precision PCI is gradually gaining popularity in the U.S., Japan and the EU. FFR penetration to CAG in the U.S., Japan and the EU has reached 16.1%, 15.7% and 6.7% in 2020 respectively. However, FFR penetration to CAG in China was only 0.6% in 2020.

The table below summarizes the current competitive landscape of approved direct measurement FFR catheters in China:

Manufacturer	Domestic		MNC															
	Insight Lifetech		Abbott									Philips			Boston Scientific		
Product Name	TRUEPHYSIO®		Pressurewire Certus®			Pressurewire X Guidewire®			Pressurewire Aeris®			Verrata®			Comet®		
Category	Pressure Microcatheter		Pressure Wire			Pressure Wire			Pressure Wire			Pressure Wire			Pressure Wire		
Product Compatibility	Compatible with VivoCardio™ Console		Compatible with multiple platforms			Compatible with the QUANTIEN™ Measurement System, OPTIS™ Imaging Systems and the Coroventis CoroFlow Cardiovascular System			Compatible with multiple platforms, including all major hemodynamic recording systems and ILUMIEN™			Compatible with Volcano's multi-modality imaging systems			Compatible with all hemodynamic systems		
Major Commercialized Regions	EU and China		US, EU and China			US, EU and China			US, EU and China			US, EU and China			US, EU, Japan and China		
Major Approval Authorities	NMPA	CE	NMPA	CE	FDA	NMPA	CE	FDA	NMPA	CE	FDA	NMPA	CE	FDA	NMPA	CE	FDA
Approval Year	2020	2020	2014	2010	2012	2019	2016	2016	2014	2010	2012	2019	2013	2013	2021	2016	2016
Average Retail Price in China, RMB	13,000		9,400			9,400/11,900			11,900			10,076			12,800		

Source: NMPA, FDA, Literature Review, Expert Interview, Frost & Sullivan Analysis

In vitro diagnostic (IVD) Devices

In vitro diagnostic (IVD) devices refer to any reagent, calibrator, control material, kit, specimen receptacle, software, instrument, apparatus, equipment or system, whether used alone or in combination with other diagnostic goods, for in vitro use. It must be intended by the manufacturer to be used in vitro for the examination of specimens derived from the human body, solely or principally for the purpose of giving information about a physiological or pathological state, a congenital abnormality or to determine safety and compatibility with a potential recipient, or to monitor therapeutic measures. IVD devices can be classified as IVD equipment and IVD consumables.

IVD devices can be categorized by underlying technology platforms. The table below lists the testing principle, major technique and application example of major IVD technology platforms:

	Biochemical Diagnostic Platform	Immunologic Diagnostic Platform	Molecular Diagnostic Platform	POCT Platform	Clinical Examination Platform	Microbial Diagnostic Platform
Testing Principle	• Determines the level of biochemical indicators in the body such as enzymes, sugars, proteins, inorganic elements, etc. through biochemical or immunological reactions	• Detects specific substances in the sample by specific binding reaction between antigen and antibody	• Analyzes DNA, RNA or the expression of proteins to test for abnormalities and variation in genetic code, thus determine predisposition or presence of disease	• Test performed at or near the site of patient care, shortening the time to clinical decision-making about additional testing or therapy	• Aids the clinical examination procedure in sample collection, processing and analysis • Regarding the hematology test, qualitative and quantitative biochemical analyses performed to measure the patient's level of erythrocyte, hemameba, hemoglobin and other substances	• Determines the type and amount of microorganisms either by directly observing through microscope, or with the aid of testing equipment
Major Technique	• Chemistry • Enzymology	• Chemiluminescence • Colloid gold test • Enzyme immunoassay	• PCR • Gene sequencing	• Vary by the test performed	• Vary by function of the platform and the test performed, including flow cytometry, blood cell analysis, microscopy, etc.	• Drug sensitivity experiment
Application Example	• Measures enzymes, lipids, electrolytes • Tests liver function, plasma lipids, kidney function and hemoglobin A1 in diabetic patients	• Measures tumor markers, cardiac markers, infection markers, drug concentrations, etc. • Diagnoses contagious and endocrine diseases	• Gene test for hereditary disease diagnosis • Pregnancy test	• Bedside testing • Home healthcare • Emergency care • ICU	• Sample processing system, sample addition system • Coagulation analysis, erythrocyte sedimentation rate (ESR) analysis, thromboelastography analysis, blood type analysis	• Identify pathogen for contagious diseases • Blood culture to identify sepsis

Source: Literature review, Frost & Sullivan analysis

The Pharmaceutical Market

Cardiovascular disease is the result of multiple risk factors and basic prophylactic measures should be appropriately taken based on the type and specific condition of each patient's disease. For instance, blood pressure of patients with hypertension should be measured regularly to ensure the individualization and pertinence of medication.

The therapeutic drugs for cardiovascular related diseases could mainly be divided into four categories: antithrombotic drugs, antihyperlipidemic drugs, antihypertensive drugs and antihyperglycemic drugs. The table below lists major indications and representative drugs of each category:

Drug Category	Major Indications	Representative Therapeutic Drug
Antithrombotic Drugs	• Coronary heart disease is a pathological process in which atherosclerotic plaque deposits on the inner wall of coronary arteries, resulting in stenosis or obstruction of the lumen, thereby causing myocardial ischemia and hypoxia. Coronary heart disease is the result of a combination of multiple risk factors, including but not limited to hypertension, diabetes and hyperlipidemia. According to the clinical characteristics of coronary heart disease, it could be divided into acute coronary syndrome (ACS) and chronic coronary syndrome (CCS).	• Antithrombotic drugs could be divided into anticoagulants and antiplatelet drugs. • Anticoagulants include vitamin K antagonist (Warfarin), direct oral anticoagulants (Dabigatran, Apixaban, Edoxaban) and heparin (Dalteparin). • Antiplatelet drugs include P2Y12 inhibitors (Clopidogrel), COX inhibitors (Aspirin), phosphodiesterase inhibitors (Cilostazol), GP IIb/IIIa inhibitors (Tirofiban, Abciximab). • The commonly used drugs in the group of ACS patients and CCS patients in China are Aspirin and Clopidogrel.
Antihyperlipidemic Drugs	• Hyperlipidemia is characterized by the high level of blood lipids. The deposition of lipids could cause a series of diseases such as atherosclerosis and coronary heart disease that endanger human health.	• Antihyperlipidemic drugs could be divided into statins (Lovastatin, Atorvastatin, Rosuvastatin), fibrates (Gemfibrozil, Fenofibrate, Clofibrate), PC SK9 inhibitors (Alirocumab, Evolocumab, Inclisiran), bile acid sequestrants (Colestyramine, Colestipol) and cholesterol absorption inhibitors (Ezetimibe). • Statins could be regarded as the cornerstone of dyslipidemia treatment drugs, which are effective in lowering the level of low-density lipoprotein cholesterol.
Antihypertensive Drugs	• Hypertension is a common cardiovascular disease characterized by elevated systemic arterial blood pressure (systolic and/or diastolic). Elevated blood pressure could lead to heart failure with preserved ejection fraction, atrial fibrillation, cerebral embolism and other severe diseases, endangering human health and quality of life.	• Antihypertensive drugs could be divided into diuretics (Hydrochlorothiazide, Indapamide, Torasemide), β blockers (Bisoprolol, Atenolol), CCBs (Amlodipine Besylate, Nifedipine), ACEIs (Benazepril, Enalapril), ARBs (Candesartan, Telmisartan, Valsartan) and nitrates (Isosorbide Mononitrate. Isosorbide Dinitrate). • The fundamental of hypertension treatment is to reduce the total risk of cardiac, renal and vascular complications and death in hypertensive patients.
Antihyperglycemic Drugs	• Diabetes, a metabolic disease characterized by hyperglycemia, is closely related to the risk of atherosclerotic disease. According to the "Practice Guidelines for Primary Integrated Management of Cardiovascular Disease *2020 (《基层心血管病综合管理实践指南2020》)*," the risk of death due to cardiovascular disease, the risk of coronary heart disease and ischemic stroke in diabetic patients could be significantly increased, and approximately one-third of patients with heart failure have a history of diabetes.	• Antihyperglycemic drugs could be divided into insulin and analogs (Insulin Aspart, Insulin Glargine, NPH Human Insulin), alpha-glucosidase inhibitors (Acarbose, Miglitol), biguanides (Metformin), DPP-4 inhibitors (Alogliptin, Sitagliptin, Saxagliptin), SGLT2 inhibitors (Dapagliflozin, Empagliflozin, Canagliflozin), sulfonylureas (Chlorpropamide, Glimepiride, Glipizide), thiazolidinediones (Rosiglitazone, Pioglitazone) and GLP-1 receptor agonists (Dulaglutide, Exenatide, Liraglutide). • For patients with both diabetes mellitus type 2 (T2DM) and atherosclerotic disease, antihyperglycemic drugs with cardiovascular benefit should be preferred.

Note: CCB-calcium channel blocker; ACEI-angiotensin converting enzyme inhibitor; ARB-angiotensin receptor blocker

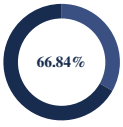
Source: Frost & Sullivan Analysis

Clopidogrel Hydrogen Sulfate Tablets

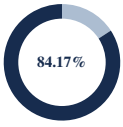
Clopidogrel is a representative antithrombotic drug. Clopidogrel could be used for secondary prevention of atherothrombotic events in patients with recent myocardial infarction, recent ischemic stroke or peripheral arteries and for treatment of patients with acute coronary syndrome. According to the "Practice Guidelines for Primary Integrated Management of Cardiovascular Disease 2020," clopidogrel is the most commonly used oral P2Y12 receptor antagonist in China, with great antithrombotic effect and rapid onset of action. The table below summarizes volume-based procurement (VBP) information of patented drug and generic drugs for Clopidogrel:

Manufacturer	Brand Name	First Approval Date	Bioequivalence (BE) Result	VBP Batch	Dosage Form	Bid-winning Price, RMB
Sanofi(Hangzhou) Pharmaceutical* 賽諾菲(杭州)製藥	Plavix® 波立維	2001.08	-	4 + 7 Expanded Procurement	75mg*7	17.81
Zhejiang Lepu Pharmaceutical 樂普藥業	Shuaixin 帥信®	2012	2018.12	4 + 7 Expanded Procurement	25mg*20	24.72
					75mg*7	20.85
CSPC Ouyi Pharmaceutical 石藥集團歐意藥業	Encun 恩存®	2019.05	2019.06	4 + 7 Expanded Procurement	75mg*14	34.12
					75mg*30	71.11
Shenzhen Salubris Pharmaceuticals 深圳信立泰藥業	Taijia 泰嘉®	2000	2017.12	4 + 7 Pilot Procurement	25mg*20	26.40
					25mg*10	13.54
					75mg*7	22.26

Average Price Reduction

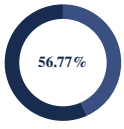


Highest Price Reduction



Sanofi

Lowest Price Reduction



Zhejiang Lepu

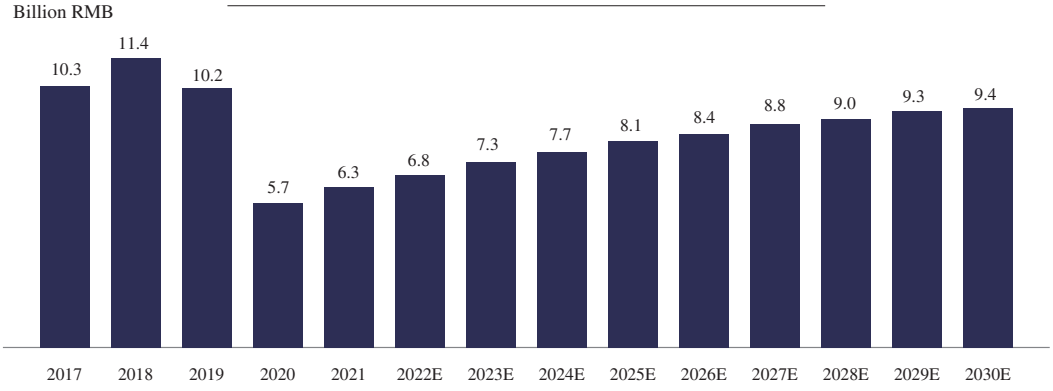
Note: *Manufacturer of patented drug

Source: Frost & Sullivan Analysis

The table below sets out the historical and forecasted China Clopidogrel market size:

Historical and Forecasted China Clopidogrel Market Size, 2017-2030E

Period	CAGR
2017-2021	-11.6%
2021-2025E	6.7%
2025E-2030E	3.0%



Note: The Clopidogrel market is measured by winning bidding price, and the impact of Volume-based Procurement has been taken into consideration.

Source: Frost & Sullivan Analysis

Atorvastatin Calcium Tablets

Statins, also known as HMG-CoA reductase inhibitors, are a class of antihyperlipidemic medications, which could be classified in three generations based on their potency and efficacy in lowering LDL concentrations. Atorvastatin is a representative statins. As the third generation of statins, atorvastatin is characterized by great efficacy in lowering LDL cholesterol, comparatively long metabolic cycle and ease of use, and is widely prescribed with hypercholesterolemia and coronary heart disease. The table below summarizes VBP information of original and generic drugs for Atorvastatin:

Manufacturer	Brand Name	First Approval Date	Bioequivalence (BE) Result	VBP Batch	Dosage Form	Bid-wining Price, RMB
Pfizer* 輝瑞	Lipitor® 立普妥®	1999	-	-	-	-
Qilu Pharmaceutical (Hainan) 齊魯製藥(海南)	Meidaxin 美達信®	2019.05	2019.05	4 + 7 Expanded Procurement	20mg*14	2.86
					10mg*14	1.68
Cinmed Pharmaceutical 興安藥業	Anweining 安維寧®	2019.02	2019.02	4 + 7 Expanded Procurement	10mg*28	3.6
Zhejiang Lepu Pharmaceutical 樂普藥業	Youliping 優力平®	2018.03	2018.07	4 + 7 Expanded Procurement	20mg*7	3.84
					10mg*14	4.41
Beijing Jialin Pharmaceutical 北京嘉林藥業	Ale 阿樂®	1999	2018.05	4 + 7 Pilot Procurement	20mg*7	6.6
					10mg*7	3.88

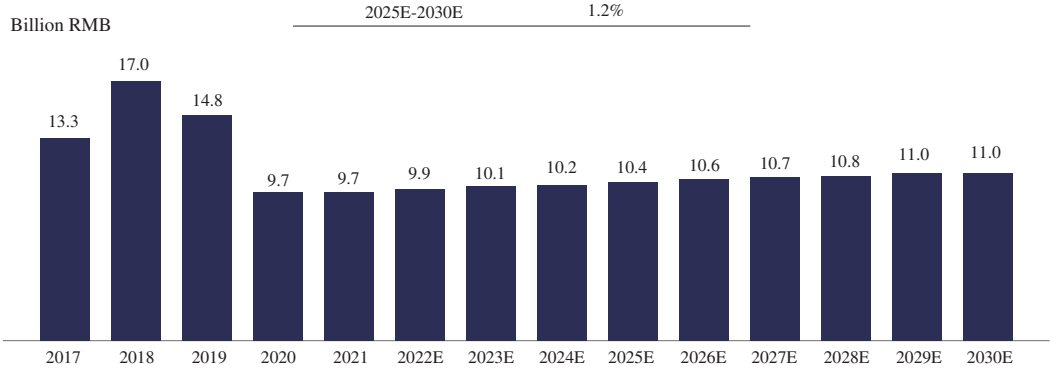
Note: *Manufacturer of patented drug

Source: Frost & Sullivan Analysis

The table below sets out the historical and forecasted China Atorvastatin market size:

Historical and Forecasted China Atorvastatin Market Size, 2017-2030E

Period	CAGR
2017-2021	-7.6%
2021-2025E	1.9%
2025E-2030E	1.2%



Source: Frost & Sullivan Analysis

The Medical Service Market

AI-ECG

AI-ECG platform incorporates artificial intelligence algorithms to generate ECG analysis. With the aid of AI methods such as deep-learning convolutional neural networks, gigantic volume of ECG records can be transformed into analyzable data and collected in the database to develop AI models. By collecting ECG data in real time, AI-ECG platform recognizes signals and patterns in the ECG graph to detect abnormal events and generates interpretation with the AI model to identify cardiovascular diseases such as arrhythmia.

With an aging population and increasing health awareness, providing better access to medical services for patients has become essential. AI-ECG system enables patients to monitor their cardiovascular health more closely and get medical intervention in time. For medical institutions, AI-ECG allows for optimization of medical resource allocation by empowering primary health centers and clinics, alleviating hospital burden.

The below tables summarize the current global competitive landscape of AI-ECG platforms:

	Commercialized AI-ECG Platform						
Manufacturer	**Lepu (Carewell)**		**AliveCor**		**Philips**	**Medtronic**	**Implicity**
Product Name	AI-ECG Platform	AI-ECG Tracker	Kardia AI	Kardia AI V2	Cardiologs Holter Platform powered by Cardiologs AI algorithms	LINQ II insertable cardiac monitor (ICM) powered by AccuRhythm AI algorithms	ICM ECG Analysis System powered by ILR ECG Analyzer
Accuracy	>95%	>95%	NA	NA	NA	NA	NA
Number of Cardiac Events Determined	>100	>25	6	9	>20	2	7
Approval Time	• FDA (2018) • CE (2018) • NMPA (2020)	• FDA (2020) • CE (2020)	• FDA (2019) • CE (2019)	• FDA (2020)	• FDA (2021)	• FDA (2021)	• FDA (2021)
Main Features	• Detecting normal and abnormal cardiac events include arrhythmias, conduction abnormalities, ventricular hypertrophy and myocardial infarction • EC57 MIT-BIH test results: Total accuracy >95%; PAC sensitivity is 91%, PPV is 92%; PVC sensitivity is 95%, PPV is 96%; • CSE clinical test results: Normals and AMI total accuracy outperforms the performance of the "average CSE cardiologist" by 1% • Supporting 12-leads resting ECG	• Arrhythmia diagnostics for holter, event recorder, and 12-leads ambulatory ECG devices • EC57 MIT-BIH test results: QRS detection sensitivity is 99%, PPV is 99%; Afib sensitivity is 98%, PPV is 97%; Ventricular couplet sensitivity is 92%, PPV is 95%; Supraventricular long run sensitivity is 95%, PPV is 96%; • Carewell 250 ambulatory ECG test results: Asystole sensitivity is 97%, PPV is 99%; Ventricular Tachycardia sensitivity is 98%, PPV is 99%; Atrial Tachycardia sensitivity is 95%, PPV is 97% • Supporting single lead and multiple leads up to 12-leads ambulatory ECG	• ECG noise filtering • Heart rate measurement from ECGs • Detection of noisy ECGs • ECG rhythm analysis for detecting the presence of normal sinus rhythm, atrial fibrillation, bradycardia and tachycardia	• Filtering ECG noise • Reporting heart rate measurement from ECGs • Detecting noisy ECGs • Reporting ECG rhythm analysis for the presence of sinus rhythm, atrial fibrillation, bradycardia and tachycardia; for ECGs detected as sinus rhythm, detecting normal sinus rhythm, sinus rhythm with wide QRS, sinus rhythm with premature ventricular contractions (PVC) and sinus rhythm with supraventricular ectopy • Detecting QRS complexes in an ECG • For ECGs detected as sinus rhythm, classifying individual beats as a PVC or non-PVC beat • Generating an average beat from an ECG	• 10 times reduction in Afib false positives in Holter, improve the specificity in Afib detection from 82.8% to 96.9% with comparable sensitivity. • Reduction of false positives by up to 70% in ICM. • Reduction of inconclusive results by 96% in Smartwatch ECGs. • Assessment of arrhythmias using ECG data in the adult and pediatric population.	• AccuRhythm AI algorithms intended for use with the LINQ II insertable cardiac monitor (ICM) • AccuRhythm AI algorithms address the two most common ICM false alerts-Afib and Pause • 97.4% reduction in false Pause alerts • 74.2% reduction in false Afib alerts	• Reduces the number of false positives by 79% while maintaining a sensitivity of 99%. • Detect asystole, bradycardia, atrial tachycardia or atrial fibrillation, ventricular tachycardia, normal rhythm and artifact

Source: NMPA, FDA, ec.Europa, Press information, Company Website

Chronic Disease Management (CDM)

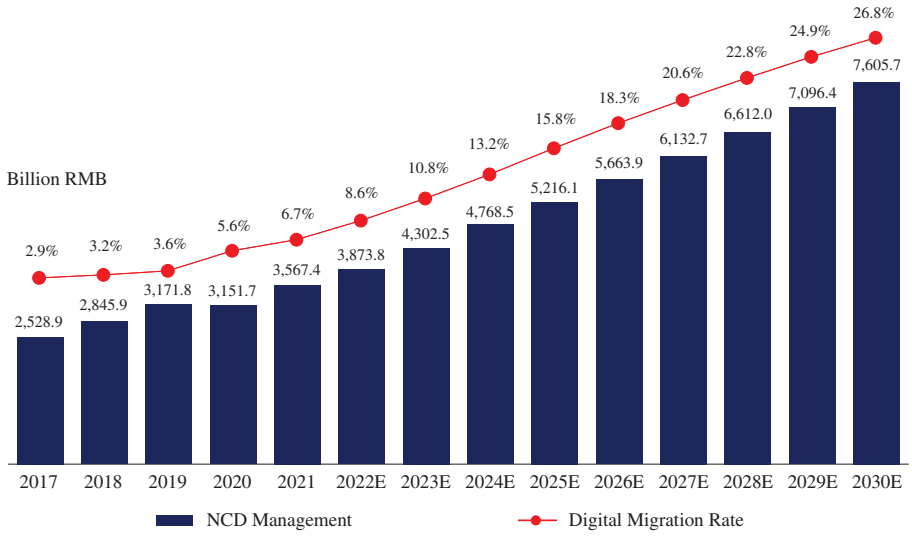
Chronic Disease Management (CDM) refers to the establishment of an integrated system of intervention and management throughout different stages of the continuum of chronic disease care, ultimately strengthening disease control, preventing disease deterioration and controlling the overall medical cost.

Current prevention and treatment of chronic disease in China have pain points such as (i) the application of the digital health system is in progress but still incomplete; (ii) the awareness of preventing and treating chronic disease in China is insufficient; (iii) medical resources in China are overly concentrated in municipal hospitals; and (iv) purchasing channels for prescription drugs are primarily concentrated within hospitals. CDM is of great significance in addressing these pain points as CDM in a broad sense includes not only disease management but also guidance to the cognition, mental state and behavior of patients with chronic diseases, as well as the management of the social environment in which chronic patients are located.

The table below sets out the historical and forecasted non-communicable disease (NCD) management market size and digital migration rate in China:

Historical and Forecasted China NCD Management Market Size and Digital Migration Rate, 2017-2030E

Period	CAGR
2017-2021	9.0%
2021-2025E	10.0%
2025E-2030E	7.8%

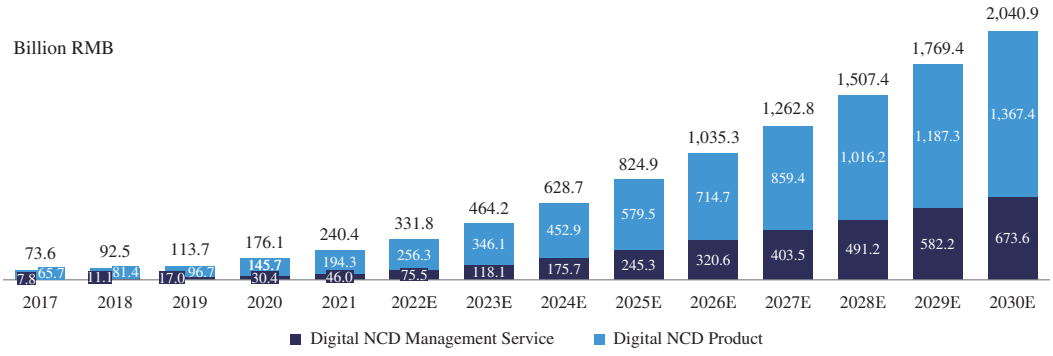


Source: Frost & Sullivan Analysis

The table below sets out the breakdown of the digital NCD management market size in China:

Breakdown of China Digital NCD Management Market by Service and Product, 2017-2030E

CAGR	Digital NCD Management Service	Digital NCD Product	Total
2017-2021	55.7%	31.1%	34.4%
2021-2025E	52.0%	31.4%	36.1%
2025E-2030E	22.4%	18.7%	19.9%



Source: Frost & Sullivan Analysis

China Cardiovascular Specialized Medical Services

The main channels of access for cardiovascular patients are general hospitals, cardiology departments of hospitals and specialized cardiology hospitals. The proportion of specialized cardiology hospitals remains low. Main entry barriers to China's cardiovascular specialized medical service market include talent development, insufficiency of medical resources, high demand for operation capability with high efficiency and sustainability and limited sources of patients.

Overview

We were the only total-solution provider in the PRC across the full life cycle of cardiovascular disease management, with products and services encompassing medical devices, pharmaceuticals, and medical care solutions, as of the date of Prospectus, according to Frost & Sullivan. We are one of the earliest companies in the PRC to offer coronary interventional products and have consolidated our first-mover advantages through relentless innovation since our inception in 1999. Our key products, namely, coronary drug-eluting stent, coronary bioresorbable scaffold, coronary drug-coated balloon, congenital heart disease occluder and coronary cutting balloon, all ranked top three in the PRC, according to the same source, in terms of operating revenue in 2021. We have grown steadily for the past 15 consecutive years at a CAGR of 31.5% in operating revenue and a CAGR of 24.9% in net profit. We have been listed on the Shenzhen Stock Exchange (SZSE: 300003.SZ) since October 2009.

We organize our business into three operating segments which are also our reporting segments: medical devices, pharmaceuticals and medical care solutions, which contributed to 57.9%, 30.6% and 11.6% of our operating revenue, respectively, in 2021.

- **Medical Devices**. We primarily offer cardiovascular medical devices such as coronary interventional products, structural heart disease products, cardiac rhythm management products, digital subtraction angiography (DSA) equipment, and peripheral interventional products. In particular, we are a pioneer in the innovative coronary medical device market in the PRC. Leveraging our technical capabilities and industry expertise, as well as sales and supply chain networks from the cardiovascular market, we have further expanded into IVD equipment and test kits, and surgical & anesthetic devices and consumables. We had obtained 541 NMPA type II and type III licenses, 234 CE certificates and 34 FDA approvals in medical devices as of June 30, 2022.

- **Pharmaceuticals**. We offer both API and FDF pharmaceuticals. According to Frost & Sullivan, we provide one of the most comprehensive cardiovascular FDF offerings in the PRC. We had 87 pharmaceuticals included in the NRDL as of June 30, 2022, primarily antihyperlipidemic, antihypertensive, antihyperglycemic, anti-thrombotic and anti-heart failure pharmaceuticals.

- **Medical Care Solutions**. We offer cardiovascular-related medical care solutions through our cardiovascular hospital, Internet hospitals, check-up center, independent clinical laboratories, and online pharmacies. We also provide solutions for cardiovascular patients to facilitate their health management at home. Empowered by our AI-ECG platform, our vital sign monitoring products and services, such as medical equipment and consumables, software systems and data analysis services, provide continuous remote monitoring to support consumers' health management.

Our leading R&D expertise and capabilities have enabled us to develop and successfully commercialize a comprehensive portfolio of products. Our National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center was the only nationally certified research center for implantation and intervention devices for cardiovascular diseases in the PRC as of June 30, 2022. We focus our R&D efforts on unmet clinical needs. We have developed and commercialized the first fully biodegradable occluder in the world and many first Chinese brand products, such as coronary stent, cardiac pacemaker, bioresorbable scaffold and coronary cutting balloon. In addition, we are the first PRC company to apply AI technology to ECG devices. We had a total of 1,541 registered patents in the PRC as of June 30, 2022. Furthermore, benefiting from our diverse technology platforms, we have developed over 80 product candidates for cardiovascular devices and peripheral artery devices across coronary artery diseases, structural heart diseases, cardiac rhythm management, electrophysiology and other segments, of which our peripheral cutting balloon, coronary FFR measurement catheter and measurement system, among other products, have entered registration stage. In addition, our pulsed sonic balloon dilatation catheter, drug-coated balloon (coronary branches), PTCA drug-coated balloon catheter, drug-coated balloon catheter for acute coronary syndrome, above-the-knee PTA drug-coated balloon, below-the-knee PTA drug-coated balloon, TAVR system, ScienCrown™, transapical mitral valve repair system (chordal), transapical mitral valve clip repair system, interatrial shunt device and Qinming8632 smart pacemaker, among other products, have commenced clinical trials and are expected to drive our future growth further.

The following table sets forth the information on our key product candidates by stage:

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
Coronary	• Pressure-controlled intermittent coronary sinus occlusion	• Percutaneous transluminal coronary angioplasty (PTCA) balloon dilatation (GRIP)	• Pulsed sonic balloon dilatation catheter (coronary artery)	• FFR measurement catheter
	• Exchange device	• Coronary scoring balloon	• Drug-coated balloon catheter (coronary branches)	• FFR measurement system
	• Drug-coated coronary scoring balloon	• Coronary rapamycin infusion system	• PTCA drug-coated balloon catheter	• Disposable radial artery compression hemostat apparatus
	• Drug-coated cutting balloon	• Rapamycin-coated balloon catheter (coronary branches)	• Drug-coated balloon catheter for acute coronary syndrome (ACS)	• Disposable micro-guidewire
	• Intravenous Ultrasound (IVUS)	• Coronary rapamycin coated balloon catheter		
	• Pressure sensor system for single use			
Peripheral artery	• Below-the-knee (BTK) DCB (small artery)	• Peripheral vascular dissection stent	• Above-the-knee PTA DCB	• Peripheral cutting balloon (PCB)
	• Bioresorbable biliary stent/bioabsorbable peripheral DES	• Rapid thrombus aspiration device	• Below-the-knee PTA DCB	• Small peripheral cutting balloon (SPCB)
	• Thrombectomy device	• Peripheral artery rapamycin infusion system	• Pulsed sonic balloon dilatation catheter (peripheral artery)	
	• Water-powered thrombectomy device			
	• Peripheral plaque rotational atherectomy system			
Structural heart diseases	• Artificial heart valve with polymer leaflets for transcatheter implantation	• Left atrial appendage occluder (biodegradable)	• Atrial septal defect occluder (biodegradable)	
	• Transcatheter aortic valve stenosis therapy system	• Transcatheter aortic valve system (balloon dilatation)	• Patent foramen ovale occluder (biodegradable)	
	• Aortic valve perfusion system	• Transfemoral mitral valve clip repair system (TMVr-F)	• Transcatheter aortic valve replacement (TAVR) system ScienCrown™	
	• Aortic regurgitation prevention device (annulus)		• Transapical mitral valve repair system (chordal) (TMVCRS)	
	• Non-slip element balloon dilation catheter for valve		• Transapical mitral valve clip repair system (TMVr-A)	
	• Dilation occluding device for paravalvular leak (annulus)		• Aortic balloon dilatation system	

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
	• Transcatheter aortic valve stenosis therapy system • Bioprosthetic surgical valve • Partially biodegradable valve • Transcatheter valve in valve replacement system • Transcatheter mitral valve replacement system (TMVR) • Transcatheter annulus repair system • Transcatheter tricuspid valve repair system • Transcatheter papillary muscle repair system • Transcatheter tricuspid valve replacement system • Transcatheter annulus repair system • Transcatheter pulmonary valve replacement system			
Electrophysiology	• Ultrasonic ablation catheter for pulmonary artery denervation • Radiofrequency ablation catheter and device for renal denervation • Catheter for targeted pulmonary denervation • Spray cryocatheter for chronic obstructive pulmonary disease (COPD)	• Cryoballoon ablation catheter and device • Radiofrequency ablation catheter device	• Ultrasonic ablation catheter and device for renal denervation	
Cardiac rhythm management, & neuro-modulation	• Cardioverter defibrillator (ICD) • Cardiac Resynchronization Therapy pacemaker (CRT) • Vagus nerve stimulator (VNS) • Spinal cord stimulator	• MRI compatible smart pacemaker • Deep Brain Stimulation (DBS) • Cardiac Contractility Modulator (CCM)	• Qinming8632 smart pacemaker	
Heart failure	• Left ventricular assist device (LVAD) • Transcatheter cardio clip • Hydrogel implant system • Implantable cardiac resynchronization pacemaker • Implantable cardiac resynchronization defibrillator	• Interatrial radiofrequency ablation shunt device • Cardiac Contractility Modulator (CCM)	• Interatrial shunt device	

Our extensive sales, marketing and distribution network integrates online and offline channels to reach medical institutions, pharmacies and online pharmacies, across 31 provinces, municipalities and autonomous regions in the PRC and over 120 overseas countries and regions as of June 30, 2022. Our sales and marketing strategies are customized to fit our diverse products and services.

Our Company is led by a management team with international vision and an average of over 20 years' experience in the healthcare industry and over seven years' experience in our Company. Despite the changing market conditions and various challenges faced by the healthcare industry in the PRC and globally, such as those relating to VBP and COVID-19, we continue to maintain solid growth. From 2019 to 2021, our operating revenue increased from RMB7.8 billion to RMB10.7 billion at a CAGR of 16.9%; our net profit attributable to shareholders of the Company after deducting non-recurring profit and loss increased from RMB1.2 billion to RMB1.9 billion at a CAGR of 22.3%; and our net cash inflow from operating activities increased from RMB2.0 billion to RMB3.1 billion at a CAGR of 24.0%. With the development and successful commercialization of innovative products in 2020, our operating revenue, net profit attributable to shareholders of the Company after deducting non-recurring profit and loss and net cash inflows from operating activities increased by 32.6%, 31.3% and 46.5%, respectively, from 2020 to 2021. We have also had long-standing commercial success historically. From 2014 to 2018, our operating revenue, net profit attributable to shareholders of the Company after deducting non-recurring profit and loss and net cash inflows from operating activities grew at a CAGR of 39.7%, 26.7% and 44.1%, respectively.

Our Key Competitive Strengths

Domestic leader in the PRC cardiovascular market

We were the only total-solution provider in the PRC across the full life cycle of cardiovascular disease management with products and services encompassing medical devices, pharmaceuticals and medical care solutions, as of the date of Prospectus, according to Frost & Sullivan. Through relentless innovation since our establishment in 1999, we have become a pioneer and a leader in the cardiovascular market in the PRC.

The successful development and commercialization of our bioresorbable scaffold, cutting balloon and drug-coated balloon have helped accelerate the advancement of the domestic coronary intervention industry through the application of precision PCI in treatments with proven commercial success. Our key products, such as coronary drug-eluting stent, coronary bioresorbable scaffold, coronary drug-coated balloon, congenital heart disease occluder and coronary cutting balloon, all ranked top three in the PRC in terms of operating revenue in 2021, according to Frost & Sullivan. We have developed and commercialized the first fully biodegradable occluder worldwide and many first Chinese-branded products such as coronary stent, cardiac pacemaker, bioresorbable scaffold and coronary cutting balloon. In addition, we are the first PRC company to apply AI technology to ECG devices, offering AI-empowered digitalized services across prevention, diagnosis, treatment and rehabilitation to patients to build a one-stop cardiovascular medical care solutions platform. We had over 100 NMPA medical device registrations and more than 80 product candidates for the treatment of cardiovascular diseases as of June 30, 2022. We believe that our accumulated expertise in product commercialization and our robust product pipeline will enable us to consolidate our leading position and market penetration.

Robust product pipeline derived from highly effective development platforms

Our multidisciplinary biomedical technology platforms are crucial for us to address the needs of cardiovascular devices. Our R&D teams, led by Dr. PU Zhongjie, Chairman and technology head of our Company, are responsible for the design of, clinical trials and registration for, products in each targeted area. Leveraging our versatile technology platforms, we are dedicated to improving existing products and developing innovative products. We had more than 80 product candidates for the treatment of cardiovascular diseases as of June 30, 2022. For example, enabled by our biodegradable biomaterial technology, our biodegradable occluder can fully biodegrade within 12 months after implantation in the human body. Our biodegradable occluder can reduce compression and abrasion to normal tissue caused by conventional metal occluders and hence avoid the risks of long-term complications. Furthermore, leveraging our deep industry expertise, we have been able to coordinate our R&D efforts to provide innovative solutions to address unmet needs. For example, we developed pulsed sonic balloon dilatation catheters and a coronary rapamycin infusion system to address pain points in the treatment of coronary artery calcification, in particular, in severe cases. We have also developed FFR and QCA systems targeting the underdeveloped market of precision diagnosis in PCI procedures.

Product Candidate	Stage	Functionality	Value Proposition
FFR	Registration	Measurement of coronary artery pressure during coronary angiography and/or interventional procedures	Provide valuable information for pre-interventional, intra-interventional and post-interventional evaluation of myocardial ischemia in PCI procedure
AI-QCA	Clinical trial	Identify and locate lesions for angiography analysis and 3D vessel reconstruction	Enable AI-empowered identification of shape of vascular tree and 3D reconstruction of coronary artery, locate stenosis segments and calculate the vessel diameter and stenosis rate, and provide reference data for stent implantation
Pulsed sonic balloon dilatation catheter	Clinical trial	Break up calcified lesions in arteries with sonic pressure waves	Potentially reduces risks of vascular injury associated with rotational atherectomy
Coronary rapamycin infusion system	Pre-clinical	Treatment for vascular stenosis or in-stent restenosis	Easier to pass through the vessel, lower drug loss and better positioned compared to drug-coated balloon

Holistic solutions empowered by AI technologies

We are a pioneer in the application of AI technologies to medical care solutions. Our AI-empowered solutions, featuring AI-ECG solutions and other vital sign monitoring products, can be used by both medical institutions and individual consumers. We are the first domestic company to offer commercialized AI-ECG algorithm-integrated vital sign monitoring products in the PRC. Our AI-ECG solutions, with a diagnostic accuracy of over 95% (on the same level as cardiologists), provide real-time diagnostic assistance, short-term static or long-term dynamic monitoring and analysis and diagnosis services

such as remote health management services. With our FDA, CE and NMPA registrations and approvals, we have commercialized our AI-ECG solutions globally. We have offered our AI-ECG products to more than 9,100 medical institutions in the PRC, performing short-term static ECG monitoring and long-term dynamic ECG monitoring over 180 million times and 2.7 million times, respectively, as of June 30, 2022. In addition to AI-ECG products, we have also developed AI-empowered product candidates for blood pressure monitoring, blood glucose monitoring, echocardiography and QCA. We are able to offer one-stop services with advanced AI technologies and deep industry insights. Our services cover the full life cycle of disease management, ranging from prevention, diagnosis and treatment, to rehabilitation, supported by our online and offline medical capabilities. Specifically, through our Internet hospital, patients can receive online services such as personalized consultations and online prescriptions, regardless of geographic boundaries. Meanwhile, doctors and patients can access real-time data for assisted diagnosis, early warning and disease management services. We believe that such comprehensive solutions will continue to strengthen our cardiovascular market leadership.

Diversified products and service solutions

In the cardiovascular market, we have developed a full-spectrum portfolio across medical devices, pharmaceuticals and medical care solutions. In addition to our over 100 NMPA-approved medical devices for cardiovascular diseases, we had 87 NMPA-approved pharmaceuticals included in the NRDL, primarily anti-thrombotic, antihyperlipidemic, antihypertensive, antihyperglycemic and anti-heart failure drugs, as of June 30, 2022. In the medical care solutions sector, we own a total of nearly 20 healthcare facilities and online platforms encompassing a Class III specialized cardiovascular hospital, Internet hospitals, a check-up center, independent clinical laboratories, and online pharmacies. We also offer AI-empowered vital sign monitoring products, which can be used in both hospitals and households. Benefiting from our strengths in technology, R&D expertise, sales and marketing resources and brand awareness, we are able to continuously offer comprehensive products and services in the cardiovascular market and expand into other markets to diversify against risks with further customer and supplier development, enlarged sales and distribution network, and strengthened synergies throughout R&D, production and sales and marketing to maintain steady growth. As of the date of Prospectus, we have expanded into the following markets:

- **IVD equipment and test kits:** Our comprehensive IVD solutions, including equipment and test kits, are underpinned by technologies in hematology, immunoassay, molecular and biochemical tests. We also offer an array of products based on POCT techniques. Specifically, to address the needs of consumers during the COVID-19 pandemic, we have developed and globally commercialized COVID-19 antigen rapid test kits. In addition, in response to the Monkeypox outbreak in 2022, we have developed the Monkeypox Virus Nucleic Acid Test kit (PCR-fluorescent probe method), for which we have obtained CE approval since May 2022.

- **Surgical & anesthetic devices and consumables:** We also produce various types of staplers, ultrasonic scalpels and stents for gastrointestinal and respiratory intervention, as well as a comprehensive portfolio of minimally invasive surgical & anesthetic consumables.

- **Consumer products and services:** We are exploring consumer healthcare markets with products such as clear aligners and product candidates such as orthokeratology lenses.

Global sales and distribution network with industry specialists

Our sales team is led by industry veterans with an average of over 20 years' experience in the healthcare industry. Our expansive sales, marketing, and distribution network reached over 9,000 medical institutions, including over 2,700 hospitals with PCI procedure capabilities, and nearly 200,000 pharmacies across all provinces, municipalities and autonomous regions in the PRC and more than 120 overseas countries and regions, as of June 30, 2022. In 2021, we generated RMB3,760 million from overseas sales, representing 35.3% of our operating revenue, which had grown at a CAGR of 161% from 2019. Our commercial success is bolstered by our targeted marketing strategy. We organize our sales and marketing teams by categories of products, especially for innovative products, to conduct product education and training services for hospitals and doctors via programs including product introduction, technical training, and live case observation. In 2021, operating revenue attributable to our innovative coronary products increased by more than eight times compared to 2020. In addition, we have dedicated online and offline teams to cover our over-the-counter (OTC) products. We believe that such targeted marketing strategy will enable us to increase customer stickiness and improve cost-effectiveness in our business. Our selling expenses as a percentage of operating revenue have decreased from 27.9% in 2019 to 19.8% in 2021. We are committed to leveraging our global sales distribution network and targeted marketing strategy to meet the needs of healthcare consumers, especially through providing innovative products.

Visionary leadership with industry expertise

Our visionary management is key to our steady and sustainable growth. Our management team has an average of over 20 years' experiences in the healthcare industry and over seven years' experience with our Company. Dr. PU Zhongjie, the chairman of the Board and technology head of our Company, holds a doctorate degree in metallic materials science. Dr. Pu founded the National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center, the only nationally certified research center for implantation and intervention devices for cardiovascular diseases in the PRC. He also serves as vice chairman of the Beijing Pharmaceutical Industry Association, executive director of the China Society for Drug Regulation, and director of the Chinese Society of Biotechnology.

Our Strategy

Further expand internationally

We aim to enhance our global presence. To implement our global R&D initiatives, we plan to establish overseas R&D centers for clinical trial management to facilitate the development of innovative products. Meanwhile, we also plan to establish overseas manufacturing facilities to increase our production capacity and to support our product supply globally. We will also establish BD centers overseas to license in or co-develop innovative products. We intend to further expand our sales and distribution network globally with customer service capabilities to increase our penetration of medical institutions and retail channels and thus enhance our brand awareness globally.

Continue to innovate and commercialize cardiovascular products

We aim to consolidate our market-leading position via continuous innovation and commercialization of cardiovascular medical devices and pharmaceuticals, such as our FFR, rapamycin drug-coated balloon, rapamycin infusion system, pulsed sonic balloon dilatation catheter and TAVR system (ScienCrown™). We will further strengthen our competitive advantage in R&D through continuous strategic investment, further collaboration with doctors, hospitals and research institutions, and potential acquisition of emerging technologies.

Expand medical care solutions business featuring AI technology

We aim to further expand our cardiovascular medical care solutions business featuring AI technologies by increasing the coverage of our AI-ECG products. We intend to accelerate the R&D processes for our AI-empowered blood pressure and blood glucose monitoring products. Leveraging our online and offline medical resources, such as the specialized cardiovascular hospital, we will explore diversified markets, directly facing medical institutions, pharmacies and consumers, with the assistance of AI-empowered solution.

Strengthen synergies and increase cost-efficiencies to drive sustained growth

We aim to strengthen synergies and maximize cost-efficiencies from our comprehensive offerings. We intend to integrate resources for products which are complementary to each other, such as our PCI medical devices and surgical consumables, our API and FDF, and our medical care solutions. We believe that such strategy will help increase efficiency of our R&D, manufacturing, and sales and marketing activities. In addition, we will take initiatives to strengthen our internal controls and supplier management to increase our operating efficiencies.

History

Our Company was established on June 11, 1999 as a limited liability company, and converted into a joint stock company with limited liabilities on January 14, 2008. Our Company has been listed on the Shenzhen Stock Exchange (SZSE:300003.SZ) since October 2009.

The following sets forth a timeline of our key business milestones:

2005	• Received NMPA approval for Sirolimus-eluting coronary stent (Partner®)
2007	• Strategic investment by Warburg Pincus Capital
2008	• Acquired 100% share in Shanghai Shape Memory Alloy Co., Ltd. to enter occluder industry
2009	• Listed on the Shenzhen Stock Exchange (SZSE: 300003.SZ)
2010	• Acquired 100% share in a leading heart valve company in the PRC, Beijing Star Medical Devices Co., Ltd. • Acquired 30.46% share in a Chinese pacemaker producer, Qinming Medical Instrument Co., Ltd. (later renamed to **Lepu Medical Electronics**)
2011	• Received NMPA approval for Polymer-free Sirolimus-eluting coronary stent (Nano plus®)
2012	• Received NMPA approval for CoCr sirolimus-eluting coronary stent (GuReater®) • Acquired 44.64% share in Qinming Medical

2013	• Acquired 24.90% share in Qinming Medical • Acquired 60% share in Henan Xinshuaike Pharmaceutical Co., Ltd. (later renamed **Lepu Pharmaceutical**) to enter pharmaceutical industry
2014	• Acquired 51% share in Zhejiang Xindonggang Pharmaceutical Co., Ltd. (later renamed **Zhejiang Lepu Pharmaceutical**) to enter Active Pharmaceutical Ingredients (API) industry
2016	• Acquired 40% share in Lepu Pharmaceutical • Received NMPA approval for dual-chamber pacemaker
2017	• Acquired share in Liaoning Bo'ao Bio-pharmaceutical Co., Ltd., to expand pharmaceutical products line • Launched AI assisted analysis and diagnosis system, AI-ECG Platform, to the market
2019	• Received NMPA approval for Sirolimus-eluting bioresorbable coronary scaffold (NeoVas®) • Certain pharmaceutical products started participating in volume-based procurement
2020	• Drug-eluting stent (GuReater®) started participating in volume-based procurement • Received NMPA approval for drug-coated balloon and cutting balloon
2022	• Received NMPA approval for biodegradable VSD occluder (MemoSorb®)

Versatile Technology Platforms

Our versatile technology platforms significantly support our continuous innovation with breakthrough technologies and help us achieve sustainable growth. With innovative solutions empowered by our platforms, we can systematically integrate our R&D and manufacturing capabilities in each targeted area more efficiently. Our in-house expertise team, supported by external partners, enables us to access the latest technical know-how and various resources in the industry value chain for continuous innovation. Specifically, as of June 30, 2022, we have obtained 541 NMPA type II and type III licenses, 234 CE certificates and 34 FDA approvals for medical devices.

R&D and manufacturing capabilities are important to our business. We have established the following platforms for innovation of diversified products.

R&D and Manufacturing Technology for Biomedical Applications

- **Precise design and manufacture technology** Our precise design and manufacture technology comprises cutting, braiding, coiling, molding, grinding, lapping and polishing of metals and alloys (e.g., stainless steel, cobalt-based alloy, nitinol alloy, etc.). Such capabilities enable us to realize production of precise miniature parts and micro components, which is very important in the design and manufacture of our medical devices including stents, catheters, and balloons.

- **Biodegradable biomaterial technology** We have accumulated extensive know-how and expertise in biomedical applications of biodegradable biomaterial, e.g. materials that are specifically selected to satisfy the functional requirement of a product, with the appropriate structural design to secure the product's performance by creating a firm structure, and a balance between biomaterial degradation and tissue replacement, reflecting how we manufacture our featured products using advanced techniques (e.g., biodegradable wire netting, heat molding, vacuum drying and sterilization).

Leveraging our biodegradable biomaterial technology, we are able to enhance the performance and validity of our biodegradable products, such as bioresorbable scaffolds and biodegradable occluders.

- **Drug-coating technology** We have developed drug-coating technologies with different drugs, including paclitaxel and rapamycin, for our various drug-device combination products. We have also established state-of-the-art drug-coating manufacture lines for balloons with different diameters, lengths, drug-loading levels and drug-release rates. Leveraging our drug-coating technology, we have developed products including drug-eluting stents, drug-coated balloon and product candidates, including rapamycin-coated balloon.

- **Ultrasound shockwave technology** We have extended the application of lithotripsy, which is a procedure commonly adopted to break up calculi in nephrolithiasis to treat cardiovascular diseases. The ultrasound shockwave helps to break up calcification by generating of high energy with less harm to soft tissue. Leveraging our ultrasound shockwave technology, we have developed candidate products, such as pulsed sonic balloon dilatation catheter.

- **Animal-based material technology** Our animal-based material technology enables processing of animal tissues such as bovine and porcine pericardium into materials for implants. We adopt various techniques, including biomaterial decellularization, crosslinking, virus inactivation techniques, anti-calcification, and dehydration to reduce the immunogenicity risks, extending the service life of the products and facilitating the sterilization, storage and transportation of products.

- **Catheter design and manufacturing technology** Our catheter design and manufacturing technology with coil-winding, mesh-braiding, thermal-molding, marker-embedding and coating technologies allows us to manufacture different types of catheters. Our catheter products primarily include perfusion catheters used in angiographic diagnosis and treatment, guiding catheters used to guide diagnostic or therapeutic devices, and balloon dilatation catheters used for pre- or post-dilation.

- **Balloon design and manufacturing technology** We have balloon design and manufacturing technology based on balloon molding, laser welding, pleating and folding technologies. Benefiting from such technology, we are able to develop various balloon products and product candidates, such as drug-coated balloons, cutting balloons and pulsed sonic balloon dilatation catheters, to meet the needs of coronary and peripheral intervention.

- **Active implantable medical devices (AIMD) technology** AIMD is a medical device which functions based on any source of power, such as electrical energy, that is not directly generated by human body or gravity and which functions by converting such power. Leveraging this type of technology, we have launched ultrasonic, cryogenic, radiofrequency and pulsed field ablation technology platforms.

AI Platforms

We focus on the development of algorithms, software and equipment with our AI technology platforms. Specifically, we have developed an array of commercialized AI-ECG solutions for health management. See "—*Our Products and Services*."

We have achieved breakthroughs in integrating AI technology into ECG measurement and analysis. In 2018, our "AI-ECG platform" became the first FDA-cleared and CE-certified AI-ECG analysis software developed by a PRC company. ECG is the most frequently used and effective measurement to help medical professionals detect arrhythmia in patients. However, the accuracy of conventional ECG tests may be affected by noise and artifacts, significant individual variance and doctor fatigue. In comparison, our AI-ECG platform supports the analysis and diagnosis of arrhythmia events with accuracy on par with cardiologists, significantly increasing efficiency in offering end-to-end solutions.

- **Accuracy**. Tested by 50 million points of training data and one million points of independent test data, the average accuracy rate of our AI-ECG platform reaches 95.2%, which is on the same level as the performance of cardiologists. The application of our AI-ECG platform also reduces the potential variance among interpretations by different cardiologists.

- **Efficiency**. Conventional ECG test signal interpretation and diagnosis rely on medical professionals. Our AI-ECG platform allows for automatic ECG interpretation and diagnosis within seconds, saving time for medical professionals and patients and improving the medical consultation experience.

- **Effectiveness**. We are the first AI-ECG solution provider to develop commercialized end-to-end solutions in the PRC succesfully. Our comprehensive deep learning-based analysis solution, OmniECG, provides synchronous automatic interpretation of ECG raw data collected from the standard 12-lead resting ECG.

Benefiting from our AI technology platform, we have also developed products and product candidates, including Automated External Defibrillators ("**AED**"), vital signs monitoring equipment and ventilators. Meanwhile, we have incorporated the application of leading technologies such as Artificial Intelligence of Things ("**AIoT**") and cloud storage into the realm of cardiovascular disease treatment and health management. For example, we have developed and launched solutions empowered by AIoT-supported and cloud-based ECG devices such as resting ECG, Holter ECG, event recorder and wearables such as Checkme series. Our AIoT-supported and cloud-based devices enable upload of raw ECG data collected in real time for analysis and interpretation. The AI diagnosis results can be downloaded to clinical software in hospitals and healthcare institutions, or to mobile apps of individual users. Thus, we extend the application of ECG measurement from hospitals or healthcare institutions, which require medical professionals to analyze and interpret ECG signals, to individual households, where real-time and remote monitoring and analysis of static and dynamic ECGs are possible. As of the date of Prospectus, we have launched commercialized cloud-based ECG service solutions such as i-Holter, which has been approved by the FDA and certified by CE. See "*—Our Products and Services*."

Our Products and Services

We offer medical devices, pharmaceuticals, and medical care solutions to the PRC and more than 120 countries and regions. We have achieved strong competitive strengths in the medical device market, with over 600 commercialized products worldwide, in particular, in the cardiovascular devices market. This is complemented by our pharmaceutical products, including FDFs and APIs, targeting various cardiovascular and other diseases. Meanwhile, to address the evolving demands for innovative medical care solutions, we provide medical care solutions, including AI-empowered cardiovascular solutions, health services and consumer medical devices.

The following table sets forth our operating revenue by products and services offerings in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022:

	For the year ended December 31,						For the period ended June 30,			
	2019		2020		2021		2021		2022	
	RMB in millions	*%*	*RMB in millions*	*%*	*RMB in millions*	*%*	*RMB in millions*	*%*	*RMB in millions*	*%*
Medical devices	3,437	44.1	3,400	42.3	6,169	57.9	4,097	62.8	2,990	56.1
Pharmaceuticals	3,849	49.4	3,412	42.4	3,258	30.6	1,782	27.3	1,748	32.8
Medical care solutions.	510	6.5	1,227	15.3	1,232	11.6	641	9.8	596	11.2
Total	**7,796**	**100.0**	**8,039**	**100.0**	**10,660**	**100.0**	**6,521**	**100.0**	**5,334**	**100.0**

Our comprehensive solutions across medical devices, pharmaceuticals and medical care solutions enable us to continuously provide value through the full life cycle of disease management. Leveraging our technology advancements, we are able to offer AI-empowered digitalized one-stop services, including prevention, diagnosis, treatment and rehabilitation, to patients across geographic boundaries. We also achieve synergies from our collaborative management, R&D activities, manufacturing, commercialization and sales and distribution among different business segments to save costs and increase our operation efficiencies. Specifically, according to Frost & Sullivan, as of the date of Prospectus, we were the only company in the PRC to provide the all-round offerings comprising medical devices, pharmaceuticals and medical care solutions for cardiovascular diseases. With time-tested expertise and accumulated industry understanding acquired through changing market conditions of the healthcare industry in the PRC in the past two decades, we are able to lead industry transformation. For example, we are a pioneer in offering coronary innovative medical devices, and a harbinger of integrating AI technology in cardiovascular disease health management. We believe we will continue to seize emerging opportunities, maintain sustainable growth and build brand awareness.

Our Medical Devices

We are a leading company in the medical device market in the PRC. We primarily provide three types of medical devices, including: (1) cardiovascular and peripheral vascular devices; (2) IVD equipment and test kits; and (3) surgical & anesthetic devices and consumables.

Cardiovascular and Peripheral Vascular Devices

We are in the leading position in the medical device market for cardiovascular disease treatment in the following aspects:

- **Comprehensive solutions provider**. According to Frost & Sullivan, we were the only total-solution provider in the PRC covering the full life cycle of cardiovascular diseases with products and services across medical devices, pharmaceuticals and medical care solutions as of the date of Prospectus. Our products include coronary products, peripheral products, structural heart disease treatment products, cardiac rhythm management products and DSA equipment. See "—*Product Portfolio*."

- **Proven commercial success**. Many of our cardiovascular devices have been commercially successful and well received by the market. According to Frost & Sullivan, in terms of operating revenue, our innovative products, such as coronary drug-eluting stents, coronary bioresorbable scaffolds, coronary drug-coated balloon, congenital heart disease occluders and coronary cutting balloon all ranked in the top three in the PRC market in 2021.

- **Continuous product innovation**. Leveraging our advanced technology platforms, we have been the pioneer in the PRC in offering key innovative products in cardiovascular disease treatment, including drug-coated balloon, cutting balloon, bioresorbable scaffolds and biodegradable occluders. We are committed to maintaining and advancing our strength in product innovation by continuously researching, developing, and commercializing the product candidates that we have in the pipeline. See "*—Product Candidates*."

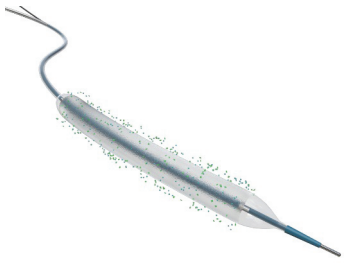
Selected Products

As a testament to our leading position and our underlying advanced technology capabilities, we have led the R&D and commercialization of the following selected products, many of which have been commercially successful and will help us to maintain sustainable growth in markets with great growth potential.

- Drug-coated balloon

  A drug-coated balloon is a therapeutic solution that reduces the risks of restenosis (the re-narrowing of the previously treated vessel.) Restenosis is associated with percutaneous transluminal coronary angioplasty (a minimally invasive procedure to open up a blocked blood vessel.) Restenosis has been conventionally treated with a drug-eluting stent, which is a stent implanted with anti-proliferative drugs such as paclitaxel coated on its surface to inhibit vascular smooth muscle cell proliferation and migration. However, drug-eluting stents may increase the risks of the thrombus (the formation of blood clot) which may be caused by implants of exogenous substances. In comparison, a drug-coated balloon enables transfer of anti-proliferative drugs during inflation of balloon and "leaves nothing behind", thus reducing the thrombotic risks in the treatment of restenosis.

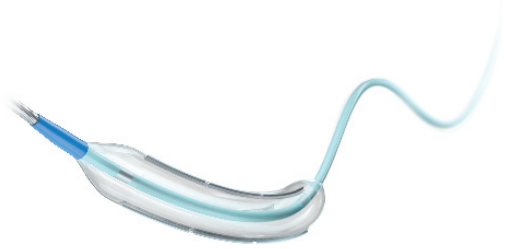
  We have obtained NMPA registration for our paclitaxel drug-coated balloon (Vesselin®) since June 2020. As of June 30, 2022, we have initiated clinical trials for our second-generation of balloon product candidate with smaller doses of paclitaxel to increase its safety profile. Our third-generation of balloon product candidate of rapamycin drug-coated balloons is at pre-clinical stage.



- Cutting balloon

  A cutting balloon is a therapeutic solution that allows for minimally invasive incisions in the target coronary segment during balloon inflation. The use of cutting balloons also helps to assist remodeling of fibrocalcific atheromatous plaque and achieve uniform vascular dilatation, which could decrease the likelihood of procedure failure and post-procedure complications such as vessel closure and dissection commonly seen with conventional open surgery or PCI procedures. Thus, cutting balloons optimizes lumen dilatation by cutting lesions to reduce the incidence of abrupt vessel closure (AVC) and to prevent uncontrolled dissections.

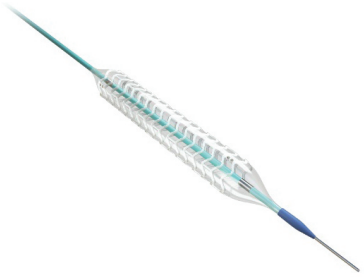
  We have obtained NMPA registration for our cutting balloon (Vesscide™) since December 2020. Vesscide™ can be used for the treatment of coronary atherosclerotic lesions, mild-to-moderate calcification lesions, in stent restenosis, and for small vessel diseases. It is equipped with 3-4 columns of microscopic blades situated longitudinally on the surface to cut plaque while expanding the blood vessel, enabling optimal lumen gain.



- Bioresorbable scaffold

  Bioresorbable scaffold provides the necessary mechanical support after the PCI procedure, maintain vascular patency after which the scaffold gradually degrades in the human body. It typically takes two to three years for a scaffold to degrade after implantation, by which time the process of vascular remodeling would have been completed. Compared with conventional stents, bioresorbable scaffolds enable anatomical and functional "vascular restoration" instead of mere implantation of an exogenous substance, and reduces the risks associated with permanent implantation of a metallic foreign body such as precipitation of metal ions.

We are the first company in the PRC and the second company worldwide to launch a commercialized bioresorbable scaffold product (NeoVas®), which received NMPA approval in February 2019.



- Left atrial appendage (LAA) occluder

  LAA occluder is a self-expansive device used in LAA closure ("**LAAC**") procedures. LAAC procedure is an interventional therapy which reduces the cardiac thrombosis risks, which may lead to a series of occlusive diseases, such as cerebral and pulmonary thromboembolism. While patients take anticoagulative drugs to prevent thrombosis with conventional anticoagulation therapy, LAA occluder provides an alternative to patients who cannot tolerate long-term anticoagulative drugs by promoting the closure of LAA.

  We have obtained NMPA registration for our LAAC occluder I (MemoLefort®) since June 2020. MemoLefort® is designed to adapt to most of the LAA ostium with various sizes, allowing doctors to select the product to match different LAA ostiums.

- Drug-eluting stent

  We are one of the largest companies in the PRC to offer coronary stent systems. Our key products feature in:

  - Partner®, drug-eluting stent with double-layer polymer coating to ensure optimal controlled drug release;
  - GuReater®, drug-eluting stent with biodegradable coating to ensure optimal controlled drug release; and
  - Nano plus®, polymer-free drug-eluting stent with nanoporous cavities on strut abluminal surface functioning as drug carrier to ensure firm adhesion which enables decreased inflammation.

Product Portfolio

Our cardiovascular and peripheral vascular medical devices comprise: (1) coronary products, including stents, drug-coated balloon, cutting balloon, catheters, access devices and accessories; (2) structural heart disease products, including CHD occluders, LAA occluders and valvular products; (3) cardiac rhythm management products, such as electrophysiology products and pacemakers; (4) peripheral products, including mapping and dilatation catheters; and (5) digital subtraction angiography (DSA) equipment.

The following table sets forth our cardiovascular medical devices by category:

Category	Type	Name	Class	Functionality
Coronary	Stent	Partner® sirolimus drug-eluting stent	III	Indicated for de novo native coronary artery lesions
	Stent	Nano plus® polymer-free sirolimus-eluting stent	III	Indicated for de novo native coronary artery lesions, coronary artery dissection, coronary restenosis after PTCA and abrupt vessel closure
	Stent	GuReater® CoCr sirolimus-eluting stent	III	Indicated for de novo native coronary artery lesions, coronary restenosis after PTCA and abrupt vessel closure
	Stent	NeoVas® sirolimus-eluting bioresorbable stent	III	Indicated for de novo native coronary artery lesions
	Drug-coated balloon	Vesselin® paclitaxel-coated balloon	III	Indicated for in-stent restenosis, small vessel disease and branch lesions
	Cutting balloon	Vesscide™ cutting balloon	III	Indicated for dilatation of stenosis in coronary arteries

Category	Type	Name	Class	Functionality
	Guidewire	ULTRASKIN® Angiographic guidewire	III	Providing delivery of catheters for a variety of clinical applications
	Guidewire	Smoothrough® PTCA guidewire	III	Providing the extra support and smooth device tracking required for device delivery
	Guidewire	Sailor® PTCA guidewire	III	Providing the extra support and smooth device tracking required for device delivery
	Balloon	Hoper® PTCA balloon dilatation catheter	III	Indicated for stenosis in coronary artery or bypass graft stenosis, and the post-delivery expansion of stents
	Balloon	Tadpole® PTCA balloon dilatation catheter	III	Indicated for stenosis in coronary artery
	Catheter	Convoyer® guide catheter	III	Providing precise handling, device delivery options and clinical versatility.
	Catheter	Angiostar® angiographic catheter	III	Designed to provide a pathway to be used for delivering contrast media to selected sites in the vascular system during an angiographic procedure.
	Catheter	DELIVER® Perfusion catheter	III	Allowing passive drug perfusion during intervention.
	Accessories	Y-Valve module	III	Providing delivery channels and fluid injection for interventional device

Category	Type	Name	Class	Functionality
Structural heart disease products	Congenital heart disease occluder	MemoPart® ASD occluder (double riveting)	III	Indicated for atrial septal defect
	Congenital heart disease occluder	MemoCarna® ASD occluder (oxide film)	III	Indicated for atrial septal defect
	Congenital heart disease occluder	MemoPart® VSD occluder (double riveting)	III	Indicated for ventricular septal defect
	Congenital heart disease occluder	MemoCarna® VSD occluder (oxide film)	III	Indicated for ventricular septal defect
	Congenital heart disease occluder	MemoPart® PDA occluder (double riveting)	III	Indicated for patent ductus arteriosus
	Congenital heart disease occluder	MemoCarna® PDA occluder (oxide film)	III	Indicated for patent ductus arteriosus
	Congenital heart disease occluder	MemoSorb® fully degradable occluder	III	Indicated for ventricular septal defect
	LAA occluder	MemoLefort® LAA occluder	III	Indicated for patients with non-valvular atrial fibrillation who are not suitable for anticoagulant therapy
	Mechanical valve	Single-leaflet mechanical heart valve	III	Replacement of heart valve damaged by congenital or acquired causes, also suitable in valve
	Mechanical valve	Two-leaflet mechanical heart valve	III	Replacement of heart valve damaged by congenital or acquired causes, also suitable for valve replacement
CRM	Pacemaker	Qinming2312 single chamber pacemaker	III	Used for the treatment of bradyarrhythmia
	Pacemaker	Qinming8631 D/DR Series double chamber pacemaker	III	Used for the treatment of bradyarrhythmia

Category	Type	Name	Class	Functionality
Electrophysiology	Catheter	Cardiac radiofrequency ablation catheter	III	Used for radiofrequency ablation interventional therapy to treat tachyarrhythmia
	Catheter	Electrophysiology mapping catheter	III	Mapping cardiac structure by stimulation and recording
	Catheter	Circular pulmonary vein mapping catheter	III	Designed for mapping of electric potential in pulmonary veins along with stimulation and recording
Peripheral	Balloon	Non-compliant balloon dilatation catheter	III	Used for percutaneous transluminal angioplasty (PTA) of peripheral arteries and arteriovenous fistula stenosis or occlusive lesions
	Balloon	Supercross® pro Below-the-knee balloon dilatation catheter	III	Indicated for below-the-knee vascular stenosis or occlusive lesions
	Balloon	Supercross® PTA balloon dilatation catheter	III	Indicated for peripheral venous or arterial stenosis or occlusive lesions
Imaging	DSA	Vicor-CV Robin C/Robin F medical angiography x-ray machine	III	Used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment
	DSA	Vicor-CVSwift medical angiography x-ray machine	III	Used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment
	DSA	Vicor-LARK mobile C-arm x-ray machine	II	Used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment

Product Candidates

We are committed to improving manufacturing through innovation and technology to keep commercializing new products that meet patient demands. As of June 30, 2022, we had more than 80 cardiovascular product candidates in our R&D pipeline.

- **Balloon and catheter product candidates.** We are developing an array of balloon and catheter product candidates to address limitations associated with existing solutions in the market. For example, our rapamycin-coated balloon is designed to ensure effectiveness with better safety compared to the first-generation paclitaxel drug-coated balloon. As of June 30, 2022, our rapamycin-coated balloon is at pre-clinical stage. Our cryoballoon ablation product candidate uses cryogenic energy to precisely ablate heart tissue that causes irregular heartbeats. Cryoballoon ablation can be performed without complex mapping systems. As of June 30, 2022, our cryoballoon ablation product candidate is at pre-clinical stage. Our pulsed sonic balloon dilatation catheter product candidate is used for patients with atherosclerotic plaques in arteries. Leveraging our ultrasound shockwave technology platform, our pulsed sonic balloon dilatation catheter product candidate can break up superficial and deep calcification with minimal tissue damage. As of June 30, 2022, our pulsed sonic balloon dilatation catheter is at clinical trial stage.

- **Biodegradable occluder product candidates.** Mainstream occluder products are made of non-biodegradable materials such as nitinol alloy, which will permanently remain in the human body after implantation. Leveraging our biodegradable biomaterial platform, our biodegradable occluder candidate can degrade at a controlled rate, presenting the unique value proposition of "leave nothing behind." Our biodegradable occluder product candidates comprise occluder product candidates for LAA, ASD and PFO occluders. As of June 30, 2022, our LAA occluder product candidate is at pre-clinical stage and our ASD occluder and PFO occluder product candidates are at clinical stage.

- **Interventional heart valve product candidates.** We have cultivated a comprehensive pipeline of interventional heart valve product candidates. Our interventional heart valve product candidates primarily include our TAVR system (ScienCrown™), transapical mitral valve clip repair system ("TMVr-A"), transfemoral mitral valve clip repair system ("TMVr-F") and transapical mitral valve repair system (chordal) (TMVCRS). Our TAVR system (ScienCrown™), is expected to be 100% deployable, retrievable and repositionable before being detached from the delivery system. Our TMVr-A and TMVr-F product candidates enable repair of the mitral valve by interventional therapy without open-chest surgery. As of June 30, 2022, our TMVr-F system is at pre-clinical stage and our TAVR system (ScienCrown™), TMVr-A system, and TMVCRS system are at clinical trial stage.

- **Diagnostic device product candidates.** Our diagnostic device product candidates, including the FFR measurement catheter, the FFR measurement system and the QCA system, provide hemodynamic information for assessment and diagnosis in vascular diseases. FFR results provide valuable information for preinterventional, intrainterventional and postinterventional evaluation of PCI procedures. The interpretation of FFR and QCA results is important in evidence-based intervention, and can even be advisory to cardiologist for customized calculation of, for example, the size of the stent. As of June 30, 2022, our QCA product candidate is at clinical trial stage, and our FFR product candidates are pending regulatory approval.

- **Continuous Glucose Monitoring ("CGM") system product candidates.** We developed a semi-implantable CGM system that indirectly monitors the blood glucose level of diabetic patients by measuring the glucose concentration in the subcutaneous interstitial fluid with a glucose biosensor, and an AI-empowered non-invasive blood glucose monitoring product candidate that calculates the local blood glucose level by detecting the local human energy consumption by combining the near-infrared method with the Metabolic Heat Conformation (MHC) method. Compared with the conventional method of measuring fingertip blood glucose and venous blood glucose, CGM can provide continuous, dynamic, comprehensive and reliable data, better reflecting the fluctuation trends of blood glucose. Our CGM system is also designed to be helpful in health management. As of June 30, 2022, these two CGM system product candidates are both at pre-clinical stage.

The following table sets forth the information on our key product candidates by stage:

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
Coronary	• Pressure-controlled intermittent coronary sinus occlusion	• Percutaneous transluminal coronary angioplasty (PTCA) balloon dilatation (GRIP)	• Pulsed sonic balloon dilatation catheter (coronary artery)	• FFR measurement catheter
	• Exchange Device	• Coronary scoring balloon	• Drug-coated balloon catheter (coronary branches)	• FFR measurement system
	• Drug-coated coronary scoring balloon	• Coronary rapamycin infusion system	• PTCA drug-coated balloon catheter	• Disposable radial artery compression hemostat apparatus
	• Drug-coated cutting balloon	• Rapamycin- coated balloon catheter (coronary branches)	• Drug-coated balloon catheter for acute coronary syndrome (ACS)	• Disposable micro-guidewire
	• Intravenous Ultrasound (IVUS)	• Coronary rapamycin-coated balloon catheter		
	• Pressure sensor system for single use			
Peripheral artery	• Below-the-knee (BTK) DCB (small artery)	• Peripheral vascular dissection stent	• Above-the-knee PTA DCB	• Peripheral cutting balloon (PCB)
	• Bioresorbable biliary stent/bioabsorbable peripheral DES	• Rapid thrombus aspiration device	• Below-the-knee PTA DCB	• Small peripheral cutting balloon (SPCB)
	• Thrombectomy device	• Peripheral artery rapamycin infusion system	• Pulsed sonic balloon dilatation catheter (peripheral artery)	
	• Water-powered thrombectomy device			
	• Peripheral plaque rotational atherectomy system			
Structural heart diseases	• Artificial heart valve with polymer leaflets for transcatheter implantation	• Left atrial appendage occluder (biodegradable)	• Atrial septal defect occluder (biodegradable)	
	• Transcatheter aortic valve stenosis therapy system	• Transcatheter aortic valve system (balloon dilatation)	• Patent foramen ovale occluder (biodegradable)	
	• Aortic valve perfusion system	• Transfemoral mitral valve clip repair system (TMVr-F)	• Transcatheter aortic valve replacement (TAVR) system ScienCrown™	
	• Aortic regurgitation prevention device (annulus)		• Transapical mitral valve repair system (chordal) (TMVCRS)	
	• Non-slip element balloon dilation catheter for valve		• Transapical mitral valve clip repair system (TMVr-A)	
	• Dilation occluding device for paravalvular leak (annulus)		• Aortic balloon dilatation system	

	Design stage	Pre-clinical stage	Clinical trial stage	Registration stage
	• Transcatheter aortic valve stenosis therapy system • Bioprosthetic surgical valve • Partially biodegradable valve • Transcatheter valve in valve replacement system • Transcatheter mitral valve replacement system (TMVR) • Transcatheter annulus repair system • Transcatheter tricuspid valve repair system • Transcatheter papillary muscle repair system • Transcatheter tricuspid valve replacement system • Transcatheter annulus repair system • Transcatheter pulmonary valve replacement system			
Electrophysiology	• Ultrasonic ablation catheter for pulmonary artery denervation • Radiofrequency ablation catheter and device for renal denervation • Catheter for targeted pulmonary denervation • Spray cryocatheter for chronic obstructive pulmonary disease (COPD)	• Cryoballoon ablation catheter and device • Radiofrequency ablation catheter device	• Ultrasonic ablation catheter and device for renal denervation	
Cardiac rhythm management, & neuro-modulation	• Cardioverter defibrillator (ICD) • Cardiac Resynchronization Therapy pacemaker (CRT) • Vagus nerve stimulator (VNS) • Spinal cord stimulator	• MRI compatible smart pacemaker • Deep Brain Stimulation (DBS) • Cardiac Contractility Modulator (CCM)	• Qinming8632 smart pacemaker	
Heart failure	• Left ventricular assist device (LVAD) • Transcatheter cardio clip • Hydrogel implant system • Implantable cardiac resynchronization pacemaker • Implantable cardiac resynchronization defibrillator	• Interatrial radiofrequency ablation shunt device • Cardiac Contractility Modulator (CCM)	• Interatrial shunt device	

IVD Equipment and Test Kits

We offer a wide range of IVD equipment, including: (1) POCT products, including colloidal gold quantitative analyzer, cholesterol analyzer and PT/INR meter analyzer, among others, (2) hematology and coagulation test products, coagulation analyzer, thromboelastographic (TEG) analyzer and blood grouping systems, among others, (3) molecular diagnostics products, fully automated nucleic acid extractor and real-time PCR systems, among others, (4) Immunodiagnostic products, including enzyme-linked immunosorbent assay (ELISA) related equipment; and (5) biochemical diagnostics products, including fully automated biochemical analyzers, among others.

We also provide a variety of IVD test kits, which include biological or chemical substances that are able to react with target substances in the samples. As of June 30, 2022, we have obtained 102 NMPA approvals for our biochemistry test kits, including 23 obtained in 2021; we have obtained 112 NMPA approvals for our immunoassay test kits, including 68 obtained in 2021 and 15 in the six months ended June 30, 2022; we have obtained 19 NMPA approvals for our hematology and coagulation test kits, including two obtained in 2021; we have obtained 10 approvals for our molecular test kits; and we have obtained 70 NMPA approvals for our POCT diagnostic test kits, including 11 obtained in 2021 and 2 in the six months ended June 30, 2022. Additionally, we have commercialized and sold our COVID-19 antigen rapid test kits to countries and regions in Europe, Southeast Asia and others. We are capable of rapidly tracking the evolving needs of pandemic and adapting our test kit for newly emerged viruses. For example, we have commercialized our COVID-19 antigen rapid test kits and realized sales in Europe, Southeast Asia and other regions, and also recently commercialized our Monkeypox Virus Nucleic Acid Test Kit (PCR-fluorescent probe method) with CE certification obtained in Europe in May 2022.

The following table sets forth the main information about IVD analyzers that we offer.

Category	Product	Functionality
POCT equipment.	Colloidal Gold Immunochromatographic Analyzer	Used in clinical institutions to detect the content of analytes in human fluids
	Immunoassay Analyzer	Used with the company's commercialized fluorescent quantitative detection test kits; also used in clinical institutions to detect the content of the analyte in human fluids
	Fluorescence Quantitative Analyzer	Used with our test kits to quantitatively detect the content of the substance to be tested in clinical samples and assist in clinical diagnosis
	Fluorescence Immunochromatography Analyzer	Used with the fluorescence immunochromatography quantitative detection test kit to quantitatively determine the content of the analyte in human samples in vitro
	Automatic Fluorescence Immunoassay Analyzer	Used with corresponding test kits for quantitative immunoassay of trace substances in serum by medical institutions
	Blood Glucose Meter	Used with our blood glucose test strips for quantitative determination of glucose concentration in whole blood
	Blood Lipid Analyzer	Used for the quantitative determination of total cholesterol (CHOL), high-density lipoprotein cholesterol (HDL) and triglyceride (TRIG) in human whole blood (capillary blood or venous blood) in vitro by applying the principle of light reflection
	Blood Glucose, Ketone Body, Uric Acid Detector	Used with our supporting blood sugar test strips, ketone physical examination test strips and uric acid test strips to detect glucose, ketone bodies and uric acid in human fresh fingertip capillary blood in vitro
	Dry Glycated Hemoglobin Analyzer	Used for quantitative analysis of glycated hemoglobin in human samples

Category	Product	Functionality
Coagulation diagnostics equipment	Thrombelastography Analyzer	Used with our test kits to monitor the coagulation and fibrinolysis process and reflect the patient's coagulation and fibrinolysis status
	Automatic Platelet Aggregator	Used with our platelet aggregation detection test kit card to detect the platelet aggregation function in human whole blood
	Coagulation Analyzer	Used to determine the prothrombin time (PT) of human capillary whole blood
	Automatic Blood Type Analyzer	Used for ABO/RhD blood group identification, irregular antibody screening and cross-matching blood samples from human blood samples
Molecular diagnostics equipment	Fully-automatic Medical PCR Analysis System	Used to determine the analytes in nucleic acid samples (DNA/RNA) derived from the human body based on the polymerase chain reaction principle (PCR) and real-time fluorescence monitoring technology
Immunoassay diagnostics equipment	Pipeline Automatic ELISA Workstation	Used for enzyme-linked immunosorbent assays using micropores as carriers
	Fully-automatic Chemiluminescence Immunoassay Analyzer	Used for qualitative or quantitative detection of analytes in human serum, plasma, whole blood or urine samples, including hormones, tumor-related antigens, infectious diseases, autoimmunity, allergens and allergen-related items
	Automatic Chemiluminescence Immunoassay Analyzer	Used for qualitative or quantitative detection of analytes in human serum and plasma samples, including hormones, tumor-related antigens, infectious diseases and cardiomyopathy-related items
	Automatic Enzyme Immunoassay Analyzer	Used for analysis of enzyme-linked immunosorbent assay of human samples
	Fully-automatic Chemiluminescence Enzyme Immunoassay Analyzer	Used for qualitative or quantitative detection of analytes in human serum, plasma and other body fluid samples, including hormones, tumor-related antigens, infectious diseases, autoimmunity and allergen-related items
Biochemistry diagnostics equipment	Automatic Biochemical Analyzer	Used for quantitative analysis of serum, plasma, urine, cerebrospinal fluid and other samples

Surgical & Anesthetic Devices and Consumables

Our surgical & anesthetic devices and consumables include: (1) surgical staples; (2) ultrasonic scalpels system; (3) anesthetic devices; and (4) other devices. We also provide accessories required in conducting surgeries.

The following table sets forth the information of representative surgical & anesthetic devices that we offer.

Category	Product	Functionality
Surgical staples	Disposable endoscopic linear cutting stapler and components	Used for cutting with smooth firing process which increases procedure safety
	Disposable tubular stapler	Our disposable tubular stapler products include conventional tubular staplers, laparoscopic circular stapler, bounce cap tubular stapler and curved tubular staplers, which are suitable for esophagus, stomach, intestine and other digestive tract reconstruction surgeries. We adopt the use of high-strength titanium alloy material to reduce the risks of postoperative complications
Ultrasonic scalpel system	Ultrasonic soft tissue cutting hemostatic device	Used for laparoscopic surgery with little thermal damage to surrounding tissues
Anesthetic devices	Disposable pressure sensor	Used to measure arterial blood pressure and venous blood pressure with high sensitivity and accuracy
	Disposable medicated central venous catheter pack	Used for infusion, blood transfusion, drug infusion, sampling and central venous pressure monitoring
	Disposable human arterial blood sample collector	Used for arterial blood sample collection with safe patented design to prevent injuries from needle penetration
	Separator needleless connector	Used to connect blood transfusion and infusion pipelines, allowing large flow with seamless docking of syringes and no dead space, which can reduce infection and avoid drug or blood residues
Others	NiTi memory alloy human cavity stent series	Our NiTi memory alloy human cavity stents series includes esophageal stents, intestinal stents, biliary stents and respiratory stents, which are mainly used to treat benign or malignant strictures in human cavities

Our Pharmaceuticals

Our vertically integrated pharmaceuticals comprise the offerings of (1) FDF products, which are intended for direct use, primarily targeting cardiovascular diseases; and (2) API products, which ingredient that produces the intended effects. In particular, according to Frost & Sullivan, we are one of the most comprehensive cardiovascular FDF producers in the PRC. As of June 30, 2022, 87 of our pharmaceuticals have been included in the NRDL.

The following table sets forth the information of key API and FDF products that we offer:

Category	Product Name	Therapeutic Area	Certification
API	Atorvastatin Calcium	Antihyperlipidemic	PRC, US, EU, Japan, Canada
	Rosuvastatin Calcium		PRC, US, EU, Japan
	Clopidogrel Hydrogen Sulfate	Antithrombotic	US, Canada
	Ticagrelor	Antithrombotic	PRC
	Macitentan	Antihypertensive	PRC, US
	Doxazosin Mesylate		PRC, Japan
FDF	Clopidogrel	Antithrombotic	PRC
	Atorvastatin	Antihyperlipidemic	PRC
	Valsartan	Antihypertensive	PRC
	Levosimendan	Anti-heart failure	PRC
	Losartan Potassium Hydrochlorothiazide	Antihypertensive	PRC
	Amlodipine Besylate	Antihypertensive	PRC
	Isosorbide Mononitrate Sustained Release	Antianginal	PRC
	Ticagrelor	Antithrombotic	PRC
	Acarbose	Antihyperglycemic	PRC
	Apixaban	Antithrombotic	PRC

Medical Care Solutions

We offer medical care solutions including: (1) AI-empowered cardiovascular solutions such as vital sign monitoring devices; (2) health services from healthcare facilities and online platforms, including a specialized cardiovascular hospital, internet hospitals, a check-up center, Internet hospitals and independent clinical laboratories, and online pharmacies; and (3) consumer medical devices.

We are able to offer one-stop services with our medical care solutions. Our AI-empowered vital signal monitoring solutions enable access to real-time remote monitoring of static and dynamic data. These data and analyses serve as the basis for data-driven health management processes. For example, doctors and patients can use such datapoints for diagnosis assistance, early warning or health management. Moreover, with our Internet hospital, patients can receive online services such as medical consultations and personalized care services regardless of geographic boundaries.

AI-empowered cardiovascular solutions

Our AI-empowered cardiovascular solutions mainly include vital signs monitoring products. Leveraging our AI technology platform, we are the first PRC company with commercialized AI-ECG products and the first PRC company to have obtained FDA approval for AI-ECG platform in 2018. Our AI-ECG platform is capable of analyzing and diagnosing arrhythmia events and cardiac afferent conduction abnormalities with effectiveness on par with the performance of medical professionals with significantly increased efficiency.

Our AI-ECG platform offers a unique value proposition as our AI-ECG solution product can extend the user scenario of conventional ECG to real-time remote monitoring of static and dynamic ECG with AI assisted analysis and interpretation. Furthermore, our AI-ECG platform can serve as a useful tool for primary healthcare institutions in the PRC, which provide most of the services for outpatient conditions in the PRC but often face the challenge of medical personnel shortage and skills, level variation according to Frost & Sullivan. Meanwhile, with the incorporation of other advanced technologies, such as cloud storage of data and AIoT, our AI-ECG platform and its empowered solution can be widely used in clinical static ECG diagnosis, remote and dynamic ECG diagnosis, real-time bedside monitoring, household monitoring and early warning systems.

As of June 30, 2022, we have provided our AI-ECG platform empowered solution to over 9,100 healthcare institutions, providing more than 180 million instances of static ECG services and more than 2.7 million instances of dynamic ECG services.

The table below illustrates the information on our key AI-empowered cardiovascular solutions.

User case	Solution product
Hospitals and healthcare institutions	**AI-ECG diagnostic solutions** Our AI-ECG diagnostic solutions, such as OmniECG, facilitate doctors to perform clinical ECG examinations. Our AI-ECG diagnostic solutions help doctors and patients to save time with the potential to increase diagnosis accuracy and treatment protocol consistency. **AI-ECG workstation** Our AI-ECG workstation, AIView, can be used in hospitals to simultaneously analyze of ECG signals collected from different clinical rooms within the hospital network. **Cloud-based ECG services empowered solutions** Our cloud-based ECG services empowered solutions, such as i-Holter, facilitate real-time ECG remote monitoring and enable early detection and diagnosis of arrhythmia. Though cardiovascular disorders are the leading cause of death in the PRC, they often go undiagnosed because the related cardiac arrhythmias, meaning the abnormal cardiac signal occurrences, are often unpredictable, transient and asymptomatic.
Household health management	**Household vital signs monitoring device** Our household vital signs monitoring devices allows dynamic monitoring of vital signs, including ECG signals, blood pressure, heart rate and oxygen saturation rate. Individual customers are also able to purchase our AI-ECG vital sign monitoring services to conduct online consultations provided by our Internet hospitals. To facilitate the consultation, customers can choose to upload the record of vital signs recorded locally on their devices. **One-stop AI health management terminal** Our one-stop AI health management terminal is a physiological parameter detector that integrates telemedicine, identification, multi-parameter measurement, touch operation, integrated design and other functions. It can measure various physiological parameters such as heart rate, body temperature and blood glucose.

Health Services

Specialized cardiovascular hospital

We provide medical services and conduct R&D activities, including clinical trials, at our own specialized cardiovascular hospital, the High-Tech Specialized Cardiovascular Hospital in Hefei, Anhui. Our specialized cardiovascular hospital is equipped with 500 hospital beds with a total GFA of over 30,000 square meters.

As a certified Class III specialized hospital, we provide clinical consultations, outpatient and emergency services, and inpatient services across 11 departments, including Cardiovascular, General Thoracic and Cardiovascular Surgery, General Surgery, and Neurology. We focus, in particular, on cardiovascular diseases including coronary heart disease, structural heart disease, atrial fibrillation and macrovascular disease.

Our specialized cardiovascular hospital is also important for our R&D activities. We have successfully completed TAVR systems and TMV systems in the PRC and initiated clinical studies for product candidates, including biodegradable PFO occluders and biodegradable ASD occluders.

Internet hospitals

Through our cardiovascular Internet hospitals, we connect doctors with patients by enabling doctors to provide services such as medical consultations and personalized care services remotely to patients. Patients can browse and choose doctors in various departments from our cardiovascular Internet hospitals and communicate with the doctors through text messages or telephone once the doctors accept the consultation or follow-up requests. We typically recommend that patients visit hospitals for serious or acute conditions. Patients with chronic diseases who are on our management plans can continuously receive private care services supported by our real-time AI-ECG service pack so that doctors can receive alert messages at the first sign of the occurrence of abnormal signals. In addition, our Internet hospitals are connected to our online pharmacies so that patients can order drugs after consultation with the doctors on our platform. See "—*Online pharmacies*."

Check-up center

We provide one-stop clinical services, including health check-up, clinical consultation, and health management in our Beijing Lejian Dongwai Clinic. This clinic provides online services as well.

In our clinic, patients can purchase health check-up packages, receive customized medical service management packages based on health check-up results schedule appointments with our contracted cardiovascular experts from leading general hospitals and specialized cardiovascular hospitals in the PRC, arrange referrals for surgery opinion when necessary, and receive private care services for chronic disease management.

Independent clinical laboratories

We offer clinical diagnostic services, including cardiovascular disease diagnosis, non-invasive prenatal genetic diagnosis, prenatal and postnatal diagnosis and telepathology diagnosis. Our laboratory IPE Center has 13 specialized laboratories, including the clinical chemistry laboratory, the clinical immunology laboratory, the clinical microbiology laboratory, the flow cytometry laboratory, the cytogenetics laboratory, the molecular biology laboratory, the trace elements laboratory and the mass spectrometry laboratory.

We primarily provide services to medical institutes such as hospitals and research institutes. We also collaborate with hospitals, research institutes and regulatory authorities to conduct R&D activities for general pathological diagnosis.

Online pharmacies

We offer products such as OTC drugs, OTC medical devices, health management devices, and health supplements through our online pharmacies, including our own online health mall and our online health shops established on major e-commerce platforms in the PRC. We operate our online pharmacies under the direct sales model where we directly sell our products to customers. We are responsible for the product delivery. The cost of delivery is deducted from the product price. We also provide after-sales customer services for such products.

Consumer medical devices

We also offer consumer medical devices to supplement our disease treatment and health management solutions. Our consumer medical device offerings primarily include household oxygen generators, nebulizers, thermometers and FDA-approved oximeters. Individual customers are able to purchase our consumer medical devices from offline pharmacies and our self-operated medical e-commerce platforms.

R&D

Our ability to stay at the forefront of technological developments is crucial to determining if we are able to remain competitive in the market. Thus, continuous investment in R&D is key to our product development and sustainable growth. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our R&D investment amounted to RMB630.8 million, RMB805.6 million, RMB1,111.7 million and RMB439.5 million, respectively, representing 8.1%, 10.0%, 10.4% and 8.2% of our operating revenue during the same year or period, respectively. We were able to pioneer innovations and achieve technological breakthroughs with our R&D efforts. See "—*Versatile Technology Platforms*." As of June 30, 2022, our self-owned National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center was the only nationally certified research center for implantation and intervention devices for cardiovascular diseases in the PRC.

Our R&D team possesses rich industry experience. As of June 30, 2022, our R&D team consisted of more than 1,900 employees, approximately 23% of whom possessed a master's degree or above, amongst which many are specialized in cardiology, biopharmaceuticals, engineering or other related disciplines. We have entered into legally-binding confidentiality and non-compete agreements with employees involved in our R&D activities, pursuant to which any intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property.

We employ an integrated approach to R&D involving our internal R&D teams and key players in the industry, including leading universities, teaching hospitals and research institutions. Our internal R&D organization comprises: (1) our R&D team at our headquarter, dedicated to fundamental research, technology platform advancements and clinical trial management; and (2) our R&D team at subsidiary companies focusing on the development and optimization of products in selected areas and the corresponding clinical trial management. We have also established group-level collaborative mechanisms enabling communication and expertise sharing among our different R&D teams. For our collaboration with external R&D partners, we lead the R&D process of our products. We collect market information from doctors and hospitals at the project proposal stage to optimize product design. After we have a preliminary design, we seek suggestions from partnered research institutions to evaluate feasibility and then we further refine product features.

Specifically, we conduct clinical trials of our new products to obtain the requisite regulatory approvals and collect post-procedure data that can improve and enhance the design and features of our products. In addition, robust clinical data is an important marketing tool to increase the credibility of our brand and products. Accordingly, we have established specialized clinical management teams responsible for conducting clinical trials for our products. Meanwhile, in line with industry practice, we also engage industry leading contract research organizations ("**CROs**") to provide certain supporting services in the clinical trials for our products.

Typically, our R&D processes include the following steps:

- *Project proposal and approval*: We are constantly tracking the latest advancements of frontier technologies in formulating our R&D plans. Further, we routinely communicate with doctors to collect feedback on our existing offerings and stay informed of market demand. We take into consideration both the technology advancements and the market demand in formulating new product proposals. A new product proposal is analyzed by multiple functional teams before approval.

- *Project approval:* After a project has passed all internal assessments, representatives from our R&D, procurement, quality control and regulatory, product registration, production and management teams collectively review the project proposal and determine whether the project should proceed. The R&D team shares its studies on project feasibility. The procurement team assists with determining raw material requirements. The quality control and regulatory team helps ensure that the product design complies with all applicable laws and regulations. The production team then produces and modifies product archetypes. Based on feedback from our functional teams, our management will then determine whether a project should proceed.

- *Design and development*: Our new medical device product design and development is guided by our internal control protocol prepared with reference to our risk management standards.

- *Pre-clinical animal studies*: We primarily conduct animal studies in third-party animal study laboratories. Based on the animal study results, we will then confirm our product design or make improvements to its safety and efficacy.

- *Pre-clinical and clinical trial*: We conduct clinical trials to collect data for measuring the clinical efficacy and safety of products before applying for government approvals. Following a pre-clinical evaluation and/or animal studies of our new products in a government-approved testing lab, we conduct clinical trials on human subjects. In addition to engagement of qualified clinical trial institutions to carry out clinical trials, we are also able to conduct clinical research at our own specialized cardiovascular hospital with increased efficiency and cost-savings. We first prepare a clinical trial protocol plan that describes in detail the clinical trial's purpose, design, timeline, methods, procedures, and risks. We then meet with clinical trial institutions to discuss the clinical trial protocol plan. Following such a meeting, we prepare and send a proposal to the ethics committee of each participating clinical trial institution, including our clinical trial protocol plan, patient consent forms, investigator report forms and agreements with the participating clinical trial institution. During the clinical trial, our R&D team monitors trial progress and patient reactions pursuant to clinical trial protocols.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, we had dedicated R&D efforts to projects that improved manufacturing through innovation and technology to keep commercializing new products that meet patient demands. For more information, see "*—Product Candidates*."

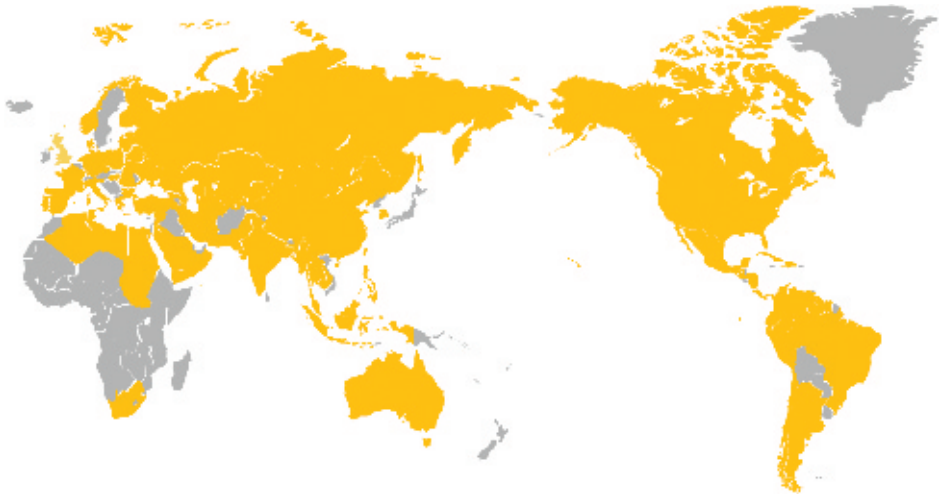
Intellectual Property

We seek to protect our technology through a combination of patent, copyright and trade secret laws in the PRC and other jurisdictions, as well as license agreements and other contractual protections. We also rely on a number of registered trademarks to protect our brand. In addition, we enter into confidentiality and non-disclosure agreements with our employees and major business partners. The agreements we enter into with our employees also provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment remain our property.

As of June 30, 2022, we had registered a total of 1,541 patents in the PRC. We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties in 2019, 2020, and 2021 and the six months ended June 30, 2022. See "*Risk Factors—Risks Relating to Our Business and Industry—If we are unable to protect our intellectual property rights, or if the scope of our intellectual property rights fails to sufficiently protect our proprietary know-how, our competitive strengths may be eroded*."

Sales, Marketing and Distribution

We market and sell our products through a combination of online and offline direct sales and distributors. As of June 30, 2022, we provided products through our sales and distribution network in 31 provinces, municipalities and autonomous regions in the PRC to approximately 2,700 hospitals with PCI capabilities, more than 9,000 medical institutions and nearly 200,000 pharmacies. At the same time, leveraging our extensive sales and distribution channels overseas, we offered products to more than 120 countries and regions globally. The graph below illustrates the coverage of our sales and distribution network.



We adopt specific sales and distribution channels on a territory-by-territory base, depending on industry custom, product type, and market needs, to effectively maintain our competitive strengths in existing markets and penetrate new markets. In the PRC, as is common in the healthcare industry, our in-house sales and marketing teams directly market and promote our products to hospitals and pharmacies, while sales to them are typically made through third-party distributors who purchase products from us and then resell to them. To a lesser extent, we also conduct direct sales activities of our products, in particular, innovative medical device products. Meanwhile, we also operate medical e-commerce platforms to directly sell our products to individual customers. See "*—Medical Care Solutions—Health services—Online pharmacies*." Globally, we also primarily engage distributors who purchase products from us and resell to hospitals and pharmacies. We believe this approach helps us to leverage local distributors' professional knowledge and capabilities to penetrate the local market.

According to Frost & Sullivan, the sales channels of medical devices and pharmaceuticals are generally department-specific. Thus, we have established sales and marketing teams targeting different markets such as coronary heart disease and structural heart diseases, and we conduct sales and marketing activities for our products accordingly. Each of our subsidiary companies dedicated to specialized areas manages its own sales and marketing team to promote and sell its products. Meanwhile, we have also established a collaborative mechanism among our sales and marketing teams across different product categories (such as medical device and pharmaceuticals) to promote cross-selling. We also promote communication between business segments targeting different departments, and are employed by different subsidiaries to share know-how, market insight and customer service experiences. Benefiting from such collaboration, we are able to increase our sales and marketing efficiency and enhance our brand awareness.

Sales and marketing

We sell and market our products through academic customer education and training services via programs, including product introduction, technical training and live case observation. We also establish research, clinical collaboration and training relationships with hospitals and doctors. We regularly meet with doctors and renowned medical professionals to discuss our products, conduct product demonstrations and provide related training. We believe that through such frequent communications, demonstrations, and training, we can maintain good working relationships with these doctors and renowned medical professionals, and help them gain familiarity with our products, which we believe will contribute to the market acceptance of our products. We actively participate in medical conferences and industry exhibitions and host meetings and seminars to introduce our products to doctors. We believe that such meetings and conferences are key opportunities for us to present our products and product candidates, and can increase our market recognition.

We have established a specialized team with international vision and educational background to conduct sales and marketing activities overseas. We focus our sales and marketing efforts on proprietary products that we believe are most suitable for overseas markets, based on factors such as underlying technology, market demand and customer acceptance. For such products, we have implemented regional management strategies and assigned regional sales personnel to attend to the specific needs and customs of the target markets and to communicate with distributors in that region on a regular basis in order to monitor their sales performance and inventory levels. The regional sales personnel are also responsible for establishing and maintaining collaborative connections with local key opinion leaders. We also plan to host various branding and marketing events in overseas markets to build up brand recognition and therefore promote product sales. We also enter into strategic collaboration with global partners with sales, marketing and distribution resources.

Distribution

Distribution in the PRC

Consistent with industry practice, we primarily sell our products to end customers through third party distributors in the PRC. As of June 30, 2022, our distributors covered 31 provinces, municipalities and autonomous regions in the PRC. We regularly communicate with our distributors to gather information on sales and inventory, such as information on sales quantity, product type and customer complaints. We also visit hospitals to obtain feedback on their experience of using our products.

We have a buyer-seller relationship with our PRC distributors. We typically enter into standard one-year-long distribution agreements with these distributors. Under the distribution agreements, we generally are not responsible for product sale, return or exchange once our products are sold to the distributors. The distribution agreement also specifies the relevant products to be distributed and the hospitals for which the distributor is responsible. Distributors are prohibited from selling our products outside their respective designated hospitals.

The continuing growth and success of our business will depend on our ability to develop, expand and optimize our distribution network. We select our distributors based on experience in the medical device industry, their sales channels and hospital coverage. Our distributors must hold necessary business licenses and permits to sell medical products in the region where they conduct activities. We provide technical training and conduct regular evaluation to assess our distributors' performance. Our training mainly covers product information and medical knowledge.

We regularly review our distributors' sales performance, including the comparison of their actual sales amount with their sales target, and by taking account of the feedback from their designated hospitals. We also retain the right to terminate our relationship with distributors who underperform on their sales target.

Global Distribution

We have built a specialized sales and marketing team well-versed in foreign trade involving medical devices to lead our product distribution overseas, and we have implemented regional management strategy to further promote overseas distribution. We form our sales and marketing strategies on a territory-by-territory basis with product type, industry norm, market demand and customer preference in consideration. In 2019, 2020, and 2021 and the six months ended June 30, 2022, we have collaborated with international distributors and sold our products to major markets such as Asia, Europe, the U.S. and Africa.

We generally require our overseas distributors to make full payment after the order acceptance is confirmed by us. We typically enter into standard one-year-long distribution agreement with these distributors. Our overseas distributors are authorized to sell our products only within a designated geographic area. We typically set a minimum purchase volume with our overseas distributors, depending upon various conditions at the target market such as patient number, brand awareness and market acceptance of our products. We will review the minimum purchase volume at the end of the contract term and adjust if necessary. Our oversea distributors bear costs for importing, storing and selling our products in the designated area.

Pricing

According to relevant laws and regulations in the PRC, all public hospitals and non-profit-making medical institutions controlled by government at a county level or above must implement the volume-based procurement system in respect of purchase of any pharmaceuticals which are contained in the NRDL and generally used for clinical purposes and purchased in relatively large amount, and in respect of purchase of any high-value medical consumables. The volume-based procurement involves bidding by manufacturers of these products. See "*Regulatory Environment*." We participate in such volume-based procurement regularly and have found that the successful bidding prices are the hospital procurement prices at which distributors sell the products to the hospitals.

We determine the bidding prices by considering our costs and expenses and the price of similar products in the past. If our products win the bid, such products would be qualified for future procurement by the hospitals in the provinces, and our winning bid prices would become the public prices of our products, which generally determine the maximum retail prices that our distributors may bid in the public tender processes organized by the hospitals.

After a volume-based procurement, our distributors distribute our products upon receiving purchase orders provided by the hospitals, which specify the brand, volume and types of the products. We set the prices at which we sell products to our distributors by considering factors such as successful bidding prices with hospitals and medical institutions, prices at which our competitors sell similar products to distributors, cost of our raw materials, our gross profit margins and the margins for our distributors.

For our products sold overseas, we determine prices through commercial negotiations with overseas distributors based on a number of factors, primarily including the specific market conditions of each overseas market, product specifications, the scale and potential of overseas customers, their purchase amounts and the pricing of multinational competitors in the same market.

Customers

Our customers primarily encompass distributors, and to a lesser extent, hospitals and pharmacies to which we directly provide products under our direct sales model. Customers of our self-operated online stores are mostly individual consumers. As we provide products and services across different segments, such as medical devices and services to our customers or end-users, we conduct joint and cross selling efforts among our products to increase efficiencies and effectiveness. See "—*Sales, Marketing and Distribution*."

Our business depends on well-established customer relationships. We have a dedicated after-sales services team responsible for collecting feedback, addressing complaints and inquiries, compiling customer profiles and collaborating with our R&D personnel on product design and improvement. We also collaborate closely with doctors and hospitals to gather their, and their patients', product feedback and improvement suggestions to develop new features that cater to evolving market demands.

Supply Chain

Our suppliers mainly include suppliers of raw materials, machinery and equipment, and testing or clinical trial related services. The primary raw materials we use in our production are metal materials, animal source materials, polymer materials and semi-finished components. We source our raw materials from suppliers in the PRC, the U.S., EU and Japan, among other countries and areas. As of June 30, 2022, we had engaged nearly one thousand suppliers.

We have formulated detailed quality standards for raw materials, covering both technical specifications and regulatory compliance requirements. We only procure raw materials from selected suppliers that can satisfy our stringent standards to ensure the consistently high quality and performance of our products. We include suppliers in our list of qualified suppliers only after they have gone through the processes stipulated in our evaluation and control protocol, which include documented qualification review, field review and sample inspection. Multiple departments throughout the product life cycle, such as supply chain, manufacturing, quality control, as well as R&D, participate in this initial review to

evaluate and jointly approve the qualifications of new suppliers. All raw materials supplied are subject to continuous inspections during our cooperation and are only admitted into our manufacturing facilities upon passing our strict inspections. In addition, our supply chain team re-evaluates all qualified suppliers annually in terms of, among others, qualification rate, quality complaint management, supply punctuality and after-sales service.

Manufacturing and Quality Control

We manufacture, assemble and test most of our products at our production facilities located on our self-owned properties. Our manufacturing facilities are well equipped with state-of-the-art equipment from reputable manufacturers and suppliers. We believe operating our own manufacturing facilities enables us to deliver high quality products in an efficient, timely and consistent manner in accordance with our own strict quality control measurements. Furthermore, we are able to enhance our know-how and technological capabilities from the development, validation, implementation and optimization of our manufacturing techniques.

Our quality assurance and quality control team coordinates with our production team to manage the manufacturing process. Our production team designs the production plan based on a clinical development plan, procures materials according to the production plan, and issues production instructions to the production lines. As of June 30, 2022, all of our manufacturing facilities were certified with ISO 13485, and are also subject to periodic inspections by regulatory agencies and certification entities.

Medical Devices

While the exact manufacturing method and process for each of our medical device products is unique, the manufacturing process generally occurs over similar stages. The typical manufacturing process for our medical device products includes:

- **Raw material quality inspection**. We examine the quality of the raw materials purchased in accordance with our internally established technical requirements and procurement specifications.

- **Molding**. We shape raw materials into semi-finished components and parts through specifically designed procedures such as laser cutting, physical kneading and heat processing. We inspect the dimensions of the semi-finished products and assess the molding results to ensure that they conform to our production specifics and quality control requirements.

- **Washing**. We carry out the initial washing of the semi-finished products before moving them into the cleanroom. Within the cleanroom, we wash the semi-finished products for a second time with an ultrasonic cleaner and then dry them.

- **Suturing and assembling (if applicable)**. For products requiring suturing, suturing must be carried out through our specifically designed process by experienced technicians as it requires significant technical know-how in assessing the appearance and tightness. For products requiring assembling, we combine individual parts or components into a completed product according to specified technical standards to ensure proper fitting. We then conduct a comprehensive quality inspection on the products.

- **Cleaning**. We clean the products to remove potential particles from the manufacturing process.

- **Coating (if applicable)**. For drug-coated products, we have the products going through a plasma treatment process to produce the required coating on the surfaces of the products.

- **Packaging**. We pre-package the finished products.

- **Sterilization**. We transport the packaged products to a third-party sterilization service provider for professional sterilization.

- **Finished product validation**. We proceed with the outer packaging process and conduct a comprehensive quality inspection on final products.

For our medical device products, we have established quality control systems based on: (1) domestic medical device laws and regulations in the PRC; (2) FDA medical device laws and regulations; (3) EU medical device laws and regulations; and (4) the relevant international quality authentication standard to monitor all aspects throughout the product life cycle, such as product design and development, raw material supply and procurement, product manufacturing and delivery and after-sales follow-ups, to ensure the quality management of our products.

Pharmaceuticals

The production processes of our pharmaceuticals vary significantly depending on factors including the types of products (API and FDF), and especially the form of FDF products (tablets, granules, powder, liquid pills and condensed pills). The following illustration demonstrates the typical manufacturing process for our API products.

- **Raw material quality inspection**. We examine the quality of the raw materials purchased in accordance with the internally established technical requirements and procurement specifications.

- **Active ingredients production.** We adopt two approaches for active ingredients production, namely chemical synthesis and biotechnologies.

- **Extraction.** Depending on the type and production methods of active ingredients, we separate APIs from byproducts generated from any previous production process using methods such as filtration, crystallization and distillation.

- **Dehydration.** We use dryers to produce dry powder of API, and vaporize the solvent from previous steps.

- **Packaging.** We pre-package the finished products.

- **Finished product validation.** We proceed with the outer packaging process and conduct a comprehensive quality inspection on final products.

We implement strict procedures for the receiving and releasing of the raw materials used in our production process, intermediate products, raw liquids and finished products. We also have standard process procedures in place to ensure that the finished products meet the process requirements for registration. Besides manufacturing conducted in our own plants, we also engage third-party contract development and manufacturing organizations ("**CDMOs**") to manufacture some of our products and clinical materials.

Inventory Management

Our inventory mainly includes raw materials, work-in-progress and finished products. We have established a digitalized inventory management system to monitor our warehousing process. Raw materials are separately stored in different regions of the warehouse according to their respective storage condition requirements, properties and usages. We examine our work-in-progress and finished products frequently to identify any that are damaged, expired or soon-to-be expired, which are disposed of or for which provisions are made pursuant to our protocols.

We determine the required inventory level for raw materials based on the average sales volume of the same periods in the past and the production volume of the current year, and evaluate and adjust the inventory level frequently with reference to factors such as procurement cycles, market conditions and our R&D plans. We also take into consideration factors beyond our control, including international relations and supply chains, and strategically enlarge our inventories when necessary.

Competition

We operate in a rapidly changing market, resulting from technological advances and scientific discoveries. While we believe our robust R&D capabilities provide us with competitive advantages, we face potential competition with major international and domestic cardiovascular medical device manufacturers, pharmaceutical companies and medical care solutions providers. As of the date of Prospectus, according to Frost & Sullivan, we were the only total-solution provider in the PRC covering the full life cycle of cardiovascular disease management with products and services covering medical devices, pharmaceuticals and medical care solutions. We compete primarily based on our products and services offerings, R&D capabilities, our sales, distribution and marketing force and brand recognition.

For more information relating to market competition, see "*Industry and Market Overview*"; for more information relating to our competitive strengths, see "*—Our Key Competitive Strengths*."

Environmental Matters, Social Responsibility and Workplace Safety

We are committed to operating our business in a manner that protects the environment, and providing our employees with a healthy and safe workplace. To ensure that our operations are in compliance with the applicable laws and regulations, we have implemented group-wide environmental, health and safety policies and standard operating procedures, mainly comprising of management systems and procedures relating to wastewater generation and treatment, management of process safety and hazardous substances, employee health and safety requirements, third-party safety management and emergency planning and response.

In particular, our environmental, health and safety protection measures include: (i) compliance with relevant pollutant emissions standards during our production process to reduce pollutant emissions of air and wastewater; (ii) implementation of safety guidelines with respect to employee health and safety, environmental protection and operational and manufacturing safety in laboratories and manufacturing facilities and closely monitored internal compliance with these guidelines; (iii) storage of hazardous substances in special warehouses, and contracts with qualified third parties for the periodic disposal of hazardous materials and waste; and (iv) conducting periodic environmental evaluations on exhaust gas detection and emissions, hazardous waste disposals, noise emissions, and waste water detection and emissions to make sure all operations are in compliance with the applicable laws and regulations.

In addition, we have implemented measures to identify and address potential risks relating to environment, health and work safety. These measures include continuous employee training to enhance our employees' awareness of environment, health and work safety issues and skills to comply with safety and operation standards, requirements that all our employees operating specialized equipment must have the requisite certifications, timely provision of protection equipment to our employees, periodic inspection of our operational facilities, special health examinations for employees who may have contact with hazardous materials, medical examinations for employees and establishment of procedures to appropriately handle work safety incidents. Upon identification of any risks related to environment, health and safety, we will conduct a cross-department investigation, compose a risk assessment report and emergency response plan, and make filings with the local governmental authority if required under local laws and regulations, and take all applicable measures to reduce the impact of such risks or incidents.

In respect of social responsibilities, we have entered into employment agreements with our employees in accordance with the applicable PRC laws and regulations. We hire employees based on their qualifications and experience and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics.

Employees

We believe that our professional workforce is the driving force of our long-term growth. As of June 30, 2022, we had 10,658 full-time employees. The following table sets forth the number of our employees by function as of the dates indicated:

	As of December 31,			As of June 30,
Department	**2019**	**2020**	**2021**	**2022**
Manufacturing	2,618	2,921	3,391	4,077
Sales, marketing, and consulting	2,675	2,962	3,501	3,471
Technology (including R&D)	2,744	2,654	3,063	2,020
Administration	613	555	658	808
Finance	268	296	328	282
Total	**8,918**	**9,388**	**10,941**	**10,658**

We are committed to establishing a competitive and fair remuneration mechanism. To effectively motivate our employees, we continually refine our remuneration and incentive policies. We conduct performance evaluation of our employees periodically to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus.

We continually improve our welfare system for the benefit of our employees. We offer employees additional benefits such as annual leave, stipends and health examinations, among other things. We also provide equity incentive plans. We provide regular and specialized training tailored to the needs of our employees in different departments at all levels. Through these trainings, we help our employees to stay up to date with industry developments, skills and technologies. We also organize workshops from time to time to discuss latest industry trends and key technology advancements.

Properties

We own and lease properties in the PRC for manufacturing, business and office purposes. As of June 30, 2022, we owned 47 major properties, with an aggregate gross floor area of approximately 218,807 square meters and leased 16 major properties in the PRC, with an aggregate gross floor area of approximately 51,868 square meters. The following table sets forth an overview of our key major properties as of June 30, 2022.

Location	GFA	Main Use Type	Leased/Owned
Beijing	9,898	Office/Production/Warehouse	Owned
Beijing	28,659	Office	Owned
Beijing	18,192	Office/Production/Warehouse	Owned
Shanghai	9,049	Office/Production/Warehouse	Owned
Zhoukou, Henan province	17,892	Office/Production/Warehouse	Owned
Zhoukou, Henan province	20,908	Office/Production/Warehouse	Owned
Taizhou, Zhejiang province	44,627	Office/Production/Warehouse	Owned
Taizhou, Zhejiang province	17,006	Office/Production/Warehouse	Owned
Changzhou, Jiangsu province	29,960	Office/Production/Warehouse	Owned
Shenzhen, Guangdong province	15,292	Production	Leased
Beijing	13,693	Office/Production/Warehouse	Leased

Licenses and Approvals

We are subject to regular inspections, examinations and audits by local regulators and are required to obtain various permits, licenses, approvals, and certifications from government authorities as required under the laws and regulations of jurisdictions where we sell and distribute our products. As of June 30, 2022, we have maintained 541 NMPA type II and type III licenses, 34 FDA approvals for medical devices, and 234 CE certificates. We renew all such permits and licenses from time to time to comply with the relevant laws and regulations.

Specifically, in the PRC, we are required to obtain registration certificates for our products from relevant regulatory authorities prior to commercialization. In addition, we are required to maintain a number of licenses, permits and approvals for our production and operations, such as the Medical Device Production Permit, Medical Device Export Certificate and the Internet Drug Information Service Qualification Certificate. As advised by our PRC Legal Advisors, in 2019, 2020, and 2021 and the six months ended June 30, 2022, we have duly obtained and maintained all material licenses, permits and certificates required by PRC laws and regulations for our operations, and such licenses, permits and certificates have remained in full effect.

Legal Proceedings

From time to time, we may become involved in legal and administrative proceedings and other disputes in the ordinary course of our business. In 2019, 2020, and 2021 and up to the date of this Prospectus, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Insurance

We have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices of our industry. We maintain all property risks insurance to protect the loss of fixed assets such as machinery, equipment and inventory due to events such as theft and natural disasters. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds. In 2019, 2020, and 2021 and the six months ended June 30, 2022, we did not make any material insurance claims in relation to our business.

Overview

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out: (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; and (ii) a summary of the major laws, regulations and policies to which we are subject.

Principal Regulatory Authorities

In addition to the supervision and management by authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management under the following authorities:

National Health Commission

National Health Commission of the People's Republic of China (the "**NHC**", a main national administrative body in charge of public health and family planning, is responsible for formulating national health policies, coordinating and deepening the reform of the medical and health systems, organizing the formulation of the national system for essential drugs, supervising and managing public health, medical services and health emergency response, and the management and services of family planning.

National Medical Product Administration

National Medical Product Administration of the People's Republic of China (the "**NMPA**", formerly known as China Food and Drug Administration (the "**CFDA**", a body supervised by the State Administration for Market Regulation (the "**SAMR**", is responsible for supervision and management of safety of drugs and medical devices, formulating policy planning for the relevant department and administration, drafting relevant laws and regulations, formulating relevant department regulations and supervising the relevant implementation. It is also responsible for registration and management of drugs and medical devices, establishing the system for relevant registration and management and performing stringent review and approval of drugs applied for marketing; management of quality of drugs and medical devices, formulating and supervising the implementation of regulations on quality management, formulating the regulations on quality management of production and supervising the relevant implementation within its authority, risk management of drugs and medical devices that have been launched in the market, organizing monitor, test, evaluation and handling of cases in relation to adverse reaction or events arising from drugs and medical devices, guiding the supervising and inspecting work on drugs and medical devices, exchanges and cooperation with other parties, guiding work of authorities responsible for supervision and management of drugs in provinces, autonomous regions and municipalities directly under the central government.

National Healthcare Security Administration

The National Healthcare Security Administration (the "**NHSA**"), is responsible for drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; administrating relevant healthcare fund; optimizing the national administration and settlement platform for medical treatment received in different places; establishing and adjusting the price and charging standard of drugs and medical services; drafting and supervising the implementation of the policy on bidding and purchasing of drugs and medical disposables; regulating and administrating medical services and medical expenditure covered by medical insurance.

Ministry of Commerce of the People's Republic of China

The Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") is the department in charge of the domestic and the international trade and international economic cooperation of the PRC, drafting strategies and policies on development of regulations and formulating relevant departmental regulations on domestic and the international trade and international economic cooperation, drafting laws and regulations and formulating relevant departmental regulations on domestic and international trade, foreign investment, overseas investment and economic cooperation with other countries, guiding the foreign investment in the PRC, formulating policies and plans of reform for foreign investment and organizing the relevant implementation, approving the establishment and changes of foreign investment enterprises in accordance with the laws. The MOFCOM is also responsible for handling filing and registration of foreign trade dealers engaging in import and export of goods or technologies. The Company is also subject to the MOFCOM's supervision and management for matters of overseas investment such as overseas acquisitions or investment and establishment of enterprises.

National Development and Reform Commission of the People's Republic of China

The National Development and Reform Commission of the People's Republic of China (the "**NDRC**") is an authority that formulates and implements economic and social development policies, carries out overall balances and guides the overall economic system reform from an all-rounded macro perspective. It is responsible for promoting the economic and social development, formulating and implementing the national strategic emerging industries development plan, coordinating high-stake investment projects. The Company is also subject to NDRC's supervision and management on overseas investment regarding to establishment of enterprises or acquisition of assets and shares outside China.

Principal Laws and Regulations Related to our Businesses in the PRC

Regulations Relating to Medical Devices

Classification of Medical Devices

Pursuant to the Regulations on Supervision and Administration of Medical Devices (《医疗器械监督管理条例》), which was promulgated by the State Council on January 4, 2000, became effective on April 1, 2000, and was latest amended on February 9, 2021 with effect from June 1, 2021, the NMPA shall be responsible for the supervision of medical devices of the PRC. The drug administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices are classified into three categories based on the degree of risk. The classification of specific medical devices is stipulated in the Classification Catalog of Medical Device (《医疗器械分类目录》), which was issued by the NMPA on August 31, 2017, became executive on August 1, 2018 and dynamically amended from time to time.

Class I medical devices shall refer to those devices with low risk, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices shall refer to those devices with moderate risk, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices shall refer to those devices with high risk, which are strictly controlled and administered through special measures to ensure their safety and effectiveness.

Registration and Filings of Medical Device Products

The Administrative Measures on the Registration and Record-filing of Medical Devices (《医疗器械注册与备案管理办法》) (the "**Medical Devices Registration and Record-filing Measures**"), as promulgated by the SAMR on August 26, 2021 and took into effect on October 1, 2021, provide that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration. Class I medical devices need to be filed with the local branches at the prefectural city level of the NMPA before they can be commercialized. Class II and Class III medical devices are examined by the provincial branches of the NMPA and the NMPA, respectively, and must apply for registration certificates from competent authorities for commercialization. Registration certificates for Class II and Class III medical devices have five-year terms and must be renewed by filing renewal applications with the NMPA or its provincial branches at least six months prior to the expiration of the certificate. In determining whether to grant renewal, the NMPA or its provincial branches focus on, among other things, whether the medical device conforms to the latest regulatory requirements. Registrants or record-filing parties of medical devices shall strengthen the quality management of the whole life cycle of medical devices and shall be responsible according to laws for the safety, effectiveness and quality controllability of medical devices in the whole process of development, production, business operation and use.

Clinical Evaluation and Clinical Trials of Medical Devices

According to the Medical Devices Registration and Record-filing Measures, when applying for registration or record-filing, the applicant shall carry out inspection in accordance with the technical requirements of the products and submit an inspection report. Only the one who has passed the inspection can carry out clinical trials or apply for registration or record-filing. Clinical evaluation shall be conducted for the registration or record-filing of medical devices. Clinical evaluation of medical devices refers to activities in which clinical data are analyzed and evaluated by adopting scientific and reasonable methods in order to confirm the safety and effectiveness of medical devices within the scope of application. Clinical evaluation materials shall be submitted for application for registration of medical devices. However, medical devices may be exempted from clinical evaluation under any of the following circumstances:

- the medical devices have clear and definite working mechanisms, finalized designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged;

- the safety and effectiveness of such medical devices can be proved through non-clinical evaluation.

Where clinical evaluation is exempted, clinical evaluation materials may not be submitted. The catalog of medical devices that are exempted from clinical evaluation shall be formulated, adjusted and published by the NMPA. According to the Catalog of Medical Devices Exempted from Clinical Evaluation (《免于临床评价医疗器械目录》) promulgated by the NMPA on September 16, 2021 and took effect on October 1, 2021, thousands of categories of medical devices are exempted from clinical evaluation.

Clinical evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove the safety and effectiveness of medical devices taking into account product characteristics, clinical risks, existing clinical data and other circumstances. In accordance with the provisions of the NMPA, clinical trials shall be carried out for medical devices for which the existing clinical literature materials and clinical data are insufficient to confirm their safety and effectiveness in the clinical evaluation of medical devices.

Clinical trials shall be conducted in accordance with the Norms on the Quality Management for the Clinical Trials of Medical Devices (《医疗器械临床试验质量管理规范》) (the "**Clinical Trial Norm**"), which was jointly issued by the NMPA and the NHC on March 1, 2016, and amended on March 24, 2022, with effective from May 1, 2022. The Clinical Trial Norm includes full procedures of clinical trial of medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant must complete the pre-clinical research of the medical device, including product design and quality test, animal testing and risk analysis, the results of which should support the clinical trial. The clinical trial must be conducted in two or more clinical trial organizations that are qualified to do such trials. Prior to commencement of a clinical trial, approval by the ethics committees of the relevant clinical trial organization should be obtained and the applicant, the clinical trial

organization and the researchers must enter into agreements in writing in respect of trial design, trial quality control, allocation of responsibilities during the trial, trial-related fees borne by the applicant and the principles of responses to emergencies that may occur during the trial.

On January 4, 2018, the NMPA issued the Guidelines for Clinical Trial Design of Medical Devices (《医疗器械临床试验设计指导原则》), with effect from the same date. The guidelines provide guidance for the design of a clinical trial in terms of setting the purpose of the trial, basic type of trial design, subjects, evaluation indicators, etc. Controlled clinical trials using marketed devices that are recognized for efficacy/safety or standard treatments can be conducted with a superiority test, an equivalence test, or a non-inferiority test, depending on the purpose of the trial.

Special Procedures for Examination and Approval of Innovative Medical Devices

On October 8, 2017, the Central Committee of the Communist Party of China (中国共产党中央委员会) and the General Office of the State Council (国务院办公厅) issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《关于深化审评审批制度改革鼓励药品医疗器械创新的意见》(the "**Opinions**"), which aims to encourage the innovation for medical devices. Pursuant to the Opinions, the priority review and approval will be applicable to innovative medical devices supported by the National Science and Technology Major Projects (国家科技重大专项) and the National Key R&D Program (国家重点研发计划支持项目), and the clinical trials of which having been conducted by the National Clinical Research Center (国家临床医学研究中心) and approved by the management department of the National Clinical Research Center.

Pursuant to the Special Procedures for Examination and Approval of Innovative Medical Devices (《创新医疗器械特别审查程序》) promulgated by the NMPA on November 2, 2018, which came into effect on December 1, 2018, special procedures shall be applicable to the examination and approval for medical devices in the following circumstances: (1) the applicant legally owns the invention patent of the core technology of the product through its technological innovation activities in the PRC, or legally obtained the invention patent or the right of use thereof through transfer in the PRC, and the interval between the date of application for the special examination and approval of innovative medical devices to the date of authorized publication should not exceed five years; or the patent administration department of the State Council has disclosed the application for the invention patent of the core technology and the Patent Search and Consultation Center of the National Intellectual Property Administration of the PRC (国家知识产权局专利检索谘询中心) has issued the patent search report setting out the novelty and innovation of the core technology solution of the product; (2) the applicant has developed the prototype product and completed the preliminary research under a true and controllable process that generated complete and traceable data; (3) the product has major working mechanism or mechanism of action which is the first of its kind in the PRC, has fundamental improvement in product performance or safety compared with similar products, is of an internationally leading standard in terms of techniques and has significant clinical value. The Center for Medical Device Evaluation of the NMPA (国家药品监督管理局医疗器械技术审评中心) should give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA will give priority to the product in their administrative approval.

Production of Medical Devices

The NMPA issued the Measures for the Supervision and Administration of Medical Device Production (《医疗器械生产监督管理办法》, the "**Measures**") on July 20, 2004 and further amended on July 30, 2014 and November 17, 2017. In order to engage in medical device production, the applicant shall have production premise, environmental conditions, production equipment and professional technicians commensurate with the medical devices produced by it, and it shall have qualified inspectors and the inspection equipment, management rules and after-sales service capability. Furthermore, in order to further strengthen the supervision and management of medical devices production, standardize medical device production activities and ensure the safety and effectiveness of medical devices, the Measures was amended by the SAMR on March 10, 2022, and effective on May 1, 2022. The 2022 version of the Measures stipulates that the provincial drug regulatory authority is responsible for the supervision and administration of the production of Class II and Class III medical devices, and the drug regulatory department at the city level divided into districts supervises and administrates the production of Class I medical devices under the guidance of the provincial drug regulatory authority.

To establish an enterprise producing Class I medical devices, the applicant shall undergo the formalities for the recordation of Class I medical devices at the local drug administration at the level of a districted city, while the applicant shall file an application for production licensing with the local drug administration of the province, autonomous region, or municipality directly under the central government of the PRC for the production of Class II or Class III medical devices. A Medical Device Production License (医疗器械生产许可证) shall be valid for five years and may be renewed pursuant to the relevant regulations.

The Good Manufacturing Practice Rules for Medical Devices (《医疗器械生产质量管理规范》), as promulgated by the NMPA on December 29, 2014 and effective on March 1, 2015, provide basic principles for quality control systems for medical devices manufacturing, and these rules are applicable to the entire process of design and development, production, sales and post-sale services of medical devices.

Pursuant to the Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《关于印发<医疗器械生产质量管理规范现场检查指导原则>等4个指导原则的通知》) promulgated by the NMPA with effect from September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit, including change production permit, the inspection team will, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed,""Failed" and "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities will examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

Operation of Medical Devices

According to the Regulations on Supervision and Administration of Medical Devices and the Measures for Supervision and Administration of the Operation of Medical Devices (《医疗器械经营监督管理办法》) promulgated by the NMPA on July 30, 2014, which became effective on October 1, 2014, and was amended and implemented on November 17, 2017, and further amended by the SAMR on March 10, 2022, and effective on May 1, 2022, an enterprise engaging in the operations of Class I medical devices is not required to obtain approval or file a record. An enterprise engaging in the operations of Class II medical devices is required to file a record with the drug administration departments of the city with districts where it is located. An enterprise engaging in the operations of Class III medical devices shall obtain operation permit from the drug administration departments of the city with districts where it is located.

No operation permit or record filing is required for the registrant, record holder or manufacturer of medical devices to sell its medical devices at its domicile or production sites, while it is required for it to store and sell medical devices in other places.

Pursuant to the Measures for the Administration and Supervision of Online Sales of Medical Devices (《医疗器械网络销售监督管理办法》) promulgated by the CFDA on December 20, 2017, with effective from March 1, 2018, an enterprise engaged in online sales of medical devices shall carry out online sales of medical devices via its own website or a third-party platform providing online trading service for medical devices. An enterprise carrying out online sales of medical devices via its own website shall obtain the Qualification Certificate for Medicine Information Services on the Internet (互联网药品信息服务资格证书) in accordance with the laws and have office space adaptive to its scales and data backup, failure recovery and other technical conditions.

According to the Rules for the Unique Device Identification System for Medical Devices (《医疗器械唯一标识系统规则》) promulgated by the NMPA on August 23, 2019, and became effective on October 1, 2019, registrants/record-filing applicants shall be responsible for creating and maintaining the unique device identification (the "**UDI**") for medical devices, attaching the UDI data carrier for medical devices on their products or packaging and uploading relevant data and strengthen the whole process management of products by virtue of the UDI for medical devices.

Export Registration

Pursuant to the Administrative Provisions on the Export and Sales Certificate of Medical Device Products (《医疗器械产品出口销售证明管理规定》) promulgated by the NMPA, which took effect on September 1, 2015, where the registration certificate and the production permit certificate for medical device products have been obtained or the filing for medical device products and the production filing have been completed in the PRC, the provincial food and drug administration departments at the places where enterprises are located may issue the Export and Sales Certificate for Medical Device Products (医疗器械产品出口销售证明) to the relevant production enterprise.

Medical Device Recalls

Pursuant to the Administrative Measures for Medical Device Recalls (《医疗器械召回管理办法》) promulgated on January 25, 2017, which came into effect on May 1, 2017, in light of the severity of harm, medical device recalls are divided into: (1) Level I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (2) Level II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (3) Level III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices. In terms of Level I recall, the recall notice shall be published on the NMPA website and major media of the central government. In terms of Level II and Level III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities.

Regulations Relating to Drugs

Research and Development of New Drugs

Pursuant to the Drug Administration Law of the PRC (《中华人民共和国药品管理法》, last amended on August 26, 2019 and effective on December 1, 2019), and the Implementing Regulations of the Drug Administration Law of the PRC (《中华人民共和国药品管理法实施条例》, last amended on March 2, 2019 and effective on the same day), the dossier on a new drug research and development, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the related data, documents and the samples, shall, in accordance with the regulations of NMPA be truthfully submitted to the said department for approval before clinical trial is conducted. The NMPA shall, within 60 working days from the date on which the application for such clinical trial is accepted, decide on whether to approve it and then notify the clinical trial applicant. In the case of failure to notify the applicant within the prescribed time limit, it shall be deemed as approved. When a new drug has gone through the clinical trial and passed the evaluation, a drug registration certificate shall be issued upon approval by NMPA. The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (the "**GLP**") (《药物非临床研究质量管理规范》, effective on September 1, 2017) and Good Clinical Practice (the "**GCP**") (《药物临床试验质量管理规范》, effective on July 1, 2020). If certain actions in the preclinical trial research and clinical research conducted for a clinical application trial, and/or in the application procedures for registration of medicines, are in violation of the relevant rules and regulations, the CFDA(now known as NMPA)is authorized to handle such cases pursuant to the Measures regarding Noncompliance with Relevant Rules of Research and Application for Registration of Medicines (《药品研究和申报注册违规处理办法(试行)》) promulgated on and effective from September 1, 1999. On July 22, 2015, the CFDA issued Notice No. 117 (CFDA notice in relation to self-review of clinical trials data) (《国家食品药品监督管理总局关于开展药物临床试验数据自查核查工作的公告》), which required the current applicants in respect of the existing 1,622 drug manufacturing or drug import applications to the CFDA to reassess the clinical trials data in respect of each application. On April 23, 2020, the NMPA and NHC further revised the Good Clinical Practice of Pharmaceutical Products (《药物临床试验质量管理规范》) which became effective on July 1, 2020, in order to further improve the quality of clinical trials and encourage innovation of pharmaceutical products.

Drug Registration

Examination and Approval of New Drug Application

On January 22, 2020, the SAMR promulgated the Revised Administrative Measures for Drug Registration which became effective on July 1, 2020 (the "**Drug Registration Measures (2020)**") (《药品注册管理办法(2020)》). According to the Drug Registration Measures (2020), drug registration is regulated according to the classification into Chinese medicine, chemical medicine and biological products. The NMPA shall establish a system to expedite drug registration, and support drug innovation guided by clinical value. Where an application for drug registration satisfies the criteria, the applicant may apply for breakthrough therapy drug, conditional approval, prioritized/special review and approval. Drug registration inspection for overseas-manufactured drug shall be implemented by port pharmaceutical inspection agencies organized by the National Institutes for Food and Drug Control (the "**NIFDC**"), and for application for registration of overseas-manufactured drug, where an applicant applies for drug registration inspection prior to acceptance of the application for drug registration, it shall request for random sampling pursuant to the provisions, and deliver the samples, materials required for inspection and standard substances to the NIFDC.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化学药品注册分类改革工作方案》) (the "**Reform Plan**"), which outlined the reclassifications of drug applications under the Registration Measures. Under the Reform Plan, Category 1 drugs refer to new drugs that have not been marketed anywhere in the world. Improved new drugs that are not marketed anywhere in the world fall into Category 2. Generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China. Category 1 drugs and Category 2 drugs can be registered through the application procedures for new drugs, Category 3 drugs and Category 4 drugs can be registered through the application procedures for generic drugs, and Category 5 drugs can be registered through the application procedures for importing drugs.

According to the Special Examination and Approval of Registration of New Drugs (《新药注册特殊审批管理规定》), (the "**Special Examination and Approval Provisions**"), which was promulgated and implemented since January 7, 2009 by the CFDA, the NMPA conducts special examination and approval for new drug registration applications when: (1) the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing home and abroad; (3) the new drugs are for treating AIDS, malignant tumors and orphan diseases, etc., and have obvious advantages in clinic treatment; or (4) the new drugs are for treating diseases with no effective methods of treatment.

The Special Examination and Approval Provisions provide that the applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (1) or (2). The provisions provide that for drug candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

Administrative Protection and Monitoring Periods for New Drugs

According to the Registration Measures, the Implementing Regulations of the Drug Administration Law (《药品管理法实施条例》) and the Reform Plan, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for Category 1 new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not accept other applications for new drugs containing the same active ingredient. This renders an actual five-year exclusivity protection for Category 1 new drugs. The only exception is that the NMPA will continue to handle any application if, prior to the commencement of the monitoring period, the NMPA has already approved the applicant's clinical trial for a similar new drug. If such application conforms to the relevant provisions, the NMPA may approve such applicant to manufacture or import the similar new drug during the remainder of the monitoring period.

Registration of Generic Drugs

According to the Registration Measures, the applicants which apply for registration of generic drugs shall be manufacturer of the same drugs. The applicant's drugs shall also be within the manufacturing scope specified in the Pharmaceutical Manufacturing Permit. Furthermore, clinical trials are required to be conducted in accordance with the Registration Measures. According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《关于化学药生物等效性试验实行备案管理的公告》) promulgated by the CFDA on December 1, 2015, the management of bioequivalence trials of chemical drug has been changed from examination and approval to record-filing. With reference to the technical review opinions, the NMPA will either grant a drug registration number or issue a disapproval notice.

Pursuant to the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the General Office of the State Council (《国务院办公厅关于开展仿制药质量和疗效一致性评价的意见》) promulgated on February 6, 2016 and the Opinions of Relevant Matters Concerning Implementing the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the CFDA (《关于落实<国务院办公厅关于开展仿制药质量和疗效一致性评价的意见>的有关事项的公告》),promulgated on May 25, 2016, generic drugs approved for marketing before the implementation of the new registration classification of chemical drugs, including domestic generic drugs, imported generic drugs and the indigenous varieties of the original developed drugs, shall carry out consistency evaluation. In principle, the consistency evaluation should be completed before the end of 2018 for the oral solid preparations of generic chemicals approved for sale before October 1, 2007 listed in the National Essential Drug List (2012 version) (《国家基本药物目录 (2012年版)》). For any other generic drugs approved for marketing before the implementation of the new classification of registration of chemical drugs, after a drug produced by a pharmaceutical enterprise passes the consistency evaluation, other pharmaceutical enterprises shall complete the consistency evaluation for their identical drugs within three years in principle; no registration will be granted in case of failure to do so as required within the prescribed time limit.

Pursuant to the Circular on Relevant Matters Concerning Consistency Evaluation for Quality and Curative Effect of Generic Drugs (《关于仿制药质量和疗效一致性评价有关事项的公告》) further promulgated by NMPA on December 28, 2018, the time limit for evaluation of the varieties included in the National Essential Drug List (2018 version) (《国家基本药物目录 (2018年版)》) will no longer be set uniformly. For generic drugs, including essential drug varieties, approved for listing before the implementation of new registration and classification of chemical drugs, after the first variety has passed the consistency evaluation, the same variety of other drug manufacturers should complete the consistency evaluation within three years in principle. If it is not completed within the time limit, the enterprise may apply to the local provincial drug regulatory authority for an extension of the evaluation if it is deemed to be clinically necessary and in short supply in the market. If the registration is not completed within the prescribed time limit, it shall not be re-registered.

Regulations on Drug Manufacturing

Pursuant to the Drug Administration Law of the PRC and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license (药品生产许可证) from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. Pursuant to the Regulations of Implementation of the Drug Administration Law of the PRC and the Measures on the Supervision and Administration of the Manufacture of Drugs (《药品生产监督管理办法》, effective on August 5, 2004,amended on November 17, 2017, with effective from the same day and amended on January 22, 2020, with effective from July 1, 2020), the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and type of the enterprise specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department.

The Good Manufacturing Practice for Drugs (2010 revised edition) (《药品生产质量管理规范(2010年修订)》, effective on March 1, 2011), comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and manner of handling customer complaints.

On January 22, 2020, the SAMR promulgated the newly revised Administrative Measures on Supervision of Drug Manufacturing (the "**Revised Administrative Measures of Drug Manufacturing**") (《药品生产监督管理办法 (2020)》), which took effect on July 1, 2020. The Revised Administrative Measures of Drug Manufacturing further implement the drug marketing authorization holder system as stipulated in the Drug Administration Law of the PRC. Drug marketing authorization holder entrusting others to manufacture preparations shall enter into an outsourcing agreement and a quality agreement with a qualified drug manufacturing enterprise and submit the relevant agreements together with the actual manufacturing site application materials to the competent drug administrative authority to apply for a drug manufacturing license. The Revised Administrative Measures of Drug Manufacturing no longer require the application for Good Manufacturing Practice (the "**GMP**") certificate for drug manufacturing enterprises, but the competent drug administrative authorities shall, based on regulatory needs, conduct compliance inspection of drug manufacturing quality control examination before drug marketing procedure.

Regulations on Drug Distribution

The Measures for the Supervision and Administration of Drug Distribution (《药品流通监督管理办法》), which was promulgated by the CFDA on January 31, 2007 and came into effect on May 1, 2007, detailed provisions are imposed on aspects such as the purchase, sale, transportation and storage of medicines.

The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate (药品经营许可证) in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant an Operation Certificate in respect of the retail pharmacy store.

Under the Measures for the Administration of Pharmaceutical Operation Certificate (《药品经营许可证管理办法》) promulgated on February 4, 2004 and became effective from April 1, 2004 and amended on November 17, 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration.

Export of Drugs

According to the Approval by NMPA on Certain Issues of Pharmaceutical Products Export (《国家药品监督管理局关于药品出口有关问题的批复》), promulgated and effective on September 20, 1999, an enterprise to obtain the right to operate import and export business and the qualification shall be approved by relevant foreign trade authority. The export of pharmaceutical products shall mainly comply with the requirements of the importing country, so long as there is no special requirement by the importation country, the NMPA support the export in principle based on the national policy of encouraging exports. However, under the Pharmaceutical Administration Law, the export licenses issued by the relevant NMPA are required for the export of narcotics and psychotropic substances falling within the restricted scope prescribed by the State.

Drug recall

According to the Measures on Drug Recall (《药品召回管理办法》) effective from December 10, 2007, a drug manufacturer should establish and improve its recall system by collecting relevant information about drug safety and making an investigation and evaluation with respect to any drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in PRC, such manufacturer must start the drug recall procedures. Where a drug is recalled, the drug operating units and users should assist such manufacturer to satisfy its recall obligations by communicating the drug recall information and any feedback, controlling and recovering such drugs according to the recall plan.

Other Related Regulations on Medical Devices and Drugs

Volume-based Procurement

Purchase of Medical Devices

According to the Notice of Ministry of Health on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《卫生部关于进一步加强医疗器械集中采购管理的通知》) issued on June 21, 2007, all not-for-profit medical institutions under all levels of government and state-owned enterprises from different industries shall participate in the volume-based procurement of medical devices.

According to the Administrative Norms on Centralized Procurement of High-value Medical Consumables (for Trial Implementation) (《高值医用耗材集中采购工作规范(试行)》) issued on December 17, 2012, high-value medical consumables are defined as medical consumables directly used on human body, with strict requirement on safety and strong social response, in great demand clinically, and relatively highly-priced. The online volume-based procurement works of high-value medical consumables (the "**Volume-based Procurement**", 带量采购) will be led by government and conducted by each province (region and municipality). Medical institutions and medical consumables production and operation enterprises shall make procurement through the Volume-based Procurement platform established by each province (region and municipality). The administrative authorities in charge of the Volume-based Procurement in each province (region and municipality) shall be responsible for formulating and preparing a Volume-based Procurement list of high-value medical devices within its administrative region. High-value medical consumables listed on the Volume-based Procurement list may be procured by way of public tenders, invitational tenders or by other means stipulated by PRC laws and regulations. After the procurement prices are determined, public medical institutions within relevant regions shall make procurement strictly at bidding prices.

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《关于印发<治理高值医用耗材改革方案>的通知》), according to which, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. The medical insurance payment standards on high-value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high-value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices accordingly.

Purchase of Drugs

According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《关于印发医疗机构药品集中招标采购试点工作若干规定的通知》) promulgated and became effective on July 7, 2000, and the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (《关于进一步规范医疗机构药品集中采购工作的意见》) promulgated and took into effect on January 17, 2009, any non-profit-making medical institutions established and/or controlled by any government at a county level or above

must implement the centralized tender system in respect of purchase of any drugs which are contained in the National Reimbursement Drug List (the "**NRDL**", 国家基本医疗保险药品目录) and are generally used for clinical purposes and purchased in relatively large amount. Now the NRDL is formulated and adjusted in accordance with the Interim Measures for the Administration of Use of Drugs Covered by the Basic Medical Insurance (《基本医疗保险用药管理暂行办法》) promulgated by the NHSA on July 30, 2020, with effective from September 1, 2020.

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《国务院办公厅关于完善公立医院药品集中采购工作的指导意见》) promulgated and came into effect on February 9, 2015, the volume-based procurement work of public hospitals will be improved through the classification purchase of drugs. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a provincial volume-based procurement platform.

According to the Circular of the General Office of the State Council on Issuing the Pilot Program for Conducting Centralized Drug Procurement and Use by the State (《国务院办公厅关于印发国家组织药品集中采购和使用试点方案的通知》) promulgated on January 1, 2019, and the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《关于国家组织药品集中采购和使用试点扩大区域范围的实施意见》) promulgated on September 25, 2019, volume-based procurement modes shall be adopted correspondingly in light of the quantity of selected manufacturers of each drug: (i) if there are three or more manufacturers selected, the mode of procurement through tender bidding shall be adopted; (ii) if there are two manufacturers selected, the mode of procurement through bargaining shall be adopted, and; (iii) if there is only one manufacturer selected, the mode of procurement through negotiation shall be adopted.

Two-invoice System

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化医疗卫生体制改革2016年重点工作任务》) issued by the General Office of the State Council on April 21, 2016, the "**two-invoice system**" (两票制) will be fully implemented in the PRC. According to the Circular on Issuing the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) 《印发<关于在公立医疗机构药品采购中推行"两票制"的实施意见(试行)>的通知》) (the "**Circular**"), which was effective from December 26, 2016, the two-invoice system means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the hospital, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the hospital. According to the Circular, the two-invoice system will be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《关于印发<治理高值医用耗材改革方案>的通知》), according to which, local governments are encouraged to adopt the two-invoice system combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales.

As of the date of Prospectus, some provinces and municipal cities in China, had promulgated local rules to require public medical institutions in their respective administrative regions to implement the two-invoice system in the procurement process of medical consumables, such as the Two-invoice System Implementation Opinions on the Procurement of Medical Consumables in Public Medical Institutions in Anhui Province (Trial) (《安徽省公立医疗机构医用耗材采购"两票制"实施意见 (试行)》) promulgated on November 20, 2017, the Notice from the Office of Fujian Province Medical Security Management Committee on the Province-wide Sharing of the Results of Medical Equipment (Medical Consumables) Open Procurement Implementation (《福建省医疗保障管理委员会办公室关于开展医疗器械(医用耗材)阳光采购结果全省共享工作的通知》) promulgated on July 23, 2018, and the Notice on Further Promoting the "Two Invoice System" for Medicines and Medical Consumables (《关于进一步推进药品和医用耗材"两票制"的通知》) in Shaanxi promulgated on July 23, 2018. According to such local rules, if the manufacturers or distributors of medical consumables fail to implement the two-invoice system, they may lose the qualification to participate in the procurement or distribution of medical consumables, and they may also be included in the bad credit record for medical consumables procurement.

Utilization of Human Genetic Resources

On May 28, 2019, the State Council promulgated the Administrative Regulations on Human Genetic Resources of the PRC (《中华人民共和国人类遗传资源管理条例》) which came into effect on July 1, 2019. In accordance with the provisions therein, the State shall support the rational utilization of human genetic resources to carry out scientific research, develop the bio-medical industry, improve diagnosis and treatment technologies, enhance the bio-safety guarantee capability of the country, and enhance the level of people's health guarantee. The international cooperation in scientific research carried out by utilization of China's human genetic resources shall meet several conditions stipulated in the provisions, and the two cooperative parties shall jointly submit an application, which shall be approved by the administrative department of science and technology under the State Council. Where clinical institutions, in order to obtain the marketing licenses of relevant drugs and medical devices in China, makes use of China's human genetic resources to carry out international cooperation in clinical trials by utilization of China's human genetic resources by the clinical institutions, not involving the export of human genetic resource materials, approval is not needed. However, the two parties shall, before conducting clinical trials, submit the types, quantities and uses of the human genetic resources to be used to the administrative department of science and technology under the State Council for filing.

Management of Scientific Data

On March 17, 2018, the General Office of the State Council promulgated the Circular on Issuing the Measures for the Management of Scientific Data (《国务院办公厅关于印发<科学数据管理办法>的通知》), which came into effect on the same day. All entities and individuals shall abide by the relevant national laws and regulations as well as departmental rules in relation to collecting, producing, using and managing scientific data, and may not use scientific data to engage in any activity that endangers the national security, social public interests and others' legitimate rights and interests. Moreover, legal entities shall establish a storage system for scientific data, and be equipped with necessary facilities for data storage, management, service and security, to guarantee the completeness and security of scientific data. And legal entities shall conduct hierarchical classification for scientific data, specify the security classification and security deadline, opening conditions, opening objects and review procedures relating to scientific data, announce the opening catalog of scientific data as required, and make such data accessible and shared to the public by means of online download, offline sharing or customized services.

Censorship of Advertisements

Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《药品、医疗器械、保健食品、特殊医学用途配方食品广告审查管理暂行办法》) promulgated by the SAMR on December 24, 2019, which came into effect on March 1, 2020, an enterprise qualified for engaging in the production or operation of medical devices or drugs shall apply for the publication of any medical device or drug advertisement with the market regulation, drug administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and obtain an approval of such advertisement of medical device or drug. The validity term of such advertisement approval shall be consistent with that of the registration certificate or record-filing certificate or the production permit of the product, whichever is the shortest. Where no validity term is set forth in the registration certificate, record-filing certificate or the production permit of the product, the advertisement approval shall be valid for two years. The content of the medical device advertisements shall be based on the registration certificate or the recordation proof. A medical device advertisement involving the name, scope of application, mechanism of action, or structure and composition of the medical device must not exceed the scope of the registration certificate or the recordation proof. The contents of a drug advertisement shall be subject to the instructions approved by the medical products administration under the State Council. If a drug advertisement involves the name, indications, main functions, pharmacological action, or other content of the drug concerned, it shall not go beyond the scope of the instructions.

Regulations Relating to Medical Care Solutions

Medical Services

According to the Administrative Regulations on Medical Institutions (《医疗机构管理条例》) promulgated by the State Council on February 26, 1994, and amended on February 6, 2016, medical institutions must be registered for practice, and obtain the License for Practicing of Medical Institutions (医疗机构执业许可证). The License for Practicing of Medical Institutions shall not be forged, altered, sold, transferred or lent. Medical institutions shall not employ persons other than health technical personnel to engage in medical and health technical work.

Pursuant to the Opinions of the General Office of the State Council on Promoting the Development of "Internet Healthcare" (《国务院办公厅关于促进"互联网+医疗健康"发展的意见》) promulgated on April 25, 2018, medical institutions shall be allowed to develop Internet hospitals. Medical institutions may use "Internet hospital" as their second name and on the basis of their physical hospitals, apply Internet technology to provide safe and appropriate medical services. Medical institutions shall be allowed to undertake the online re-diagnosis of some common and chronic diseases. Doctors should be allowed to write online prescriptions for some common and chronic diseases after they have examined patients' medical records.

On July 17, 2018, the NHC and the National Administration of Traditional Chinese Medicine jointly issued the Notice on Printing and Distributing the Administrative Measures for Internet Diagnosis and Treatment (Trial) (《关于印发互联网诊疗管理办法(试行)等3个文件的通知》), including the Measures for the Management of Internet Diagnosis and Treatment (Trial) (《互联网诊疗管理办法(试行)》), the Measures for the Management of Internet Hospitals (Trial) (《互联网医院管理办法(试行)》) and the Standards for the Management of Telemedicine Services (Trial) (《远程医疗服务管理规范(试行)》),which have been issued to further standardize Internet diagnosis and treatment.

Pursuant to the Circular of the State Health and Family Planning Commission on Printing and Distributing the Basic Standards and Management Norms of Medical Laboratory (trial) (《国家卫生计生委关于印发医学检验实验室基本标准和管理规范(试行)的通知》) promulgated on July 20, 2016, the medical laboratory is a medical institution set up separately. It is an independent legal entity and bears corresponding legal responsibilities independently. It is set up and approved by the health and family planning administrative departments at the municipal level divided into districts and above.

Management of Health Data

On June 10, 2021, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the PRC Data Security Law (《中华人民共和国数据安全法》), which took effect on September 1, 2021. Those conducting data handling activities shall, in accordance with laws and regulations, establish and perfect a data security management system across the entire workflow, organize and conduct data security education and training, and adopt the corresponding technical measures and other necessary measures to ensure data security. Any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain them by other illegal means.

Pursuant to the PRC Personal Information Protection Law (《中华人民共和国个人信息保护法》) issued by the SCNPC on August 20, 2021, and took effective on November 1, 2021, collection of personal information shall be limited to the minimum scope necessary for achieving the purpose of processing and shall not be excessive. Personal information processors shall not disclose any personal information processed by them, except with specific consent obtained from the individual.

Laws and Regulations in Relation to Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the PRC Company Law (《中华人民共和国公司法》) (the "**Company Law**"), which was last amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

Foreign Investment Law of the People's Republic of China (《中华人民共和国外商投资法》) was promulgated by the National People's Congress (the "**NPC**") on March 15, 2019 and became effective on January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中华人民共和国外商投资法实施条例》), which came into effect on January 1, 2020. On December 30, 2019, the MOFCOM issued the Measures for the Reporting of Foreign Investment Information (《外商投资信息报告办法》), which came into effect on January 1, 2020. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Investment activities in the PRC by foreign investors and foreign-invested enterprises shall comply with the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投资准入特别管理措施(负面清单)(2021年版)》) (the "**Negative List 2021**") which was promulgated by the NDRC and the MOFCOM on December 27, 2021 and became effective on January 1, 2022, and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓励外商投资产业目录(2020年版)》) (the "**Encouraging Catalog 2020**") which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and became effective on January 27, 2021. Pursuant to the Encouraging Catalog 2020 and the Negative List 2021, foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative List 2021 are permitted foreign invested projects.

Regulations on Overseas Investment

The Measures for Overseas Investment Management (《境外投资管理办法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration.

Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企业境外投资管理办法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be compiled with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投资敏感行业目录(2018年版)》), which was promulgated by the NDRC on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

Regulations Relating to Overseas Issuance of Securities/Listing

The Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges (《境内外证券交易所互联互通存托凭证业务监管规定》) released by CSRC on February 11, 2022, which became effective on the same date, and Interim Measures on Listing and Trading of the Depositary Receipt under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges 《深圳证券交易所与境外证券交易所互联互通存托凭证上市交易暂行办法》stipulated by Shenzhen Stock Exchange and implemented on March 25, 2022. Where a domestic listed company issues depositary receipts overseas with its newly-increased shares as the underlying securities, or uses its non-newly-increased shares as the underlying securities to list depositary receipts overseas, it shall comply with the Securities Law, relevant laws and regulations on overseas issuance and listing of domestic enterprises and the provisions of the CSRC. Global Depositary Receipts issued under the stock connect scheme shall be regulated by the CSRC, the PBOC, the SAFE and other relevant authorities.

Conditions for GDR Offerings and Restrictions on Offer Price

According to the DR Provisions, a domestic listed company may not offer depositary receipts overseas if:

- the application documents for the offering contain any misrepresentations, misleading statements or have major omissions;

- the rights and interests of the listed company are severely impaired by its controlling shareholder or de facto controller, and such impairment has not been relieved;

- the listed company or its subsidiaries have illegally provided any external guarantees, and such guarantee has not been discharged;

- incumbent board directors or senior executives of the listed company have received administrative penalties from the CSRC in the last 36 months or have been reprimanded publicly by domestic stock exchanges in the last 12 months;

- the listed company or its incumbent board directors and senior executives are under on-going investigations by judicial authorities for suspected criminal offenses, or under on-going investigations by the CSRC for suspected violations of laws or regulations;

- qualified opinion, adverse opinion, or disclaimer of opinion on the listed company's financial reports for the last year and the last accounting period are given by the auditors, unless the major consequences of the issues indicated by aforesaid opinions have been completely relieved or unless the current offering involves material asset restructuring; or

- other circumstances that impose severe damages to the legitimate rights and interests of the investors or public interests.

For depositary receipts offered overseas by a domestic listed company representing newly-issued shares, the offer price following pro-rata conversion shall, in principle, not be lower than 90% of the average closing price of the underlying shares over the 20 trading days preceding the pricing benchmark date (being the first day of the offering period of the depositary receipts).

Upper Limit of Equity Holding

Pursuant to the DR Provisions, the proportion of equity interests held by any single foreign investor in a single domestic listed company shall not exceed 10% of the total number of shares of the company, and the aggregate interests held by all foreign investors in the A shares of a single domestic listed company shall not exceed 30% of the total number of shares of the company, except for foreign investors' strategic investments in the domestic listed company in accordance with applicable laws, which are not subject to these restrictions.

Redemption Limitation

Pursuant to the DR Provisions, the depositary receipts offered overseas by a domestic listed company may be redeemed for, or generated from, domestic underlying A shares. The depositary receipts may not be redeemed for domestic underlying shares within the 120 days following the date of listing of the depositary receipts. The depositary receipts subscribed by the controlling shareholders, the de facto controller of the domestic listed company and the enterprises controlled by them may not be transferred within the 36 months following the date of listing of the depositary receipts.

Cross-Border Fund Regulations

Pursuant to the Measures for the Administration of Cross-Border Funds of Depositary Receipts (For Trial Implementation) (《存托凭证跨境资金管理办法(试行)》), promulgated by the PBOC and the SAFE and effective from May 25 2019, the PBOC and its branches, the SAFE and its branches and administrative offices shall supervise, administer and inspect the accounts, fund receipts/payments and conversion involved in

the issuance and transactions of depository receipts according to the law. A domestic enterprise offering depositary receipts overseas representing newly-issued securities shall complete the registration procedures, open and use the relevant accounts, and pay, receive and transfer relevant funds in accordance with the Notice on Further Improving Policies on Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (《中国人民银行关于进一步完善人民币跨境业务政策促进贸易投资便利化的通知》) and the Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing (《国家外汇管理局关于境外上市外汇管理有关问题的通知》).

Environmental Regulations

Pursuant to the Law of Environmental Impact Assessment of the PRC (《中华人民共和国环境影响评价法》, effective on September 1, 2003 and amended on July 2, 2016, and December 29, 2018 respectively), Regulations on Environmental Protection Management for Construction Projects (《建设项目环境保护管理条例》, effective on November 29, 1998 and amended on July 16, 2017), where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

Safety Management Supervision

Pursuant to the Law on Work Safety of the PRC (《中华人民共和国安全生产法》, effective on November 1, 2002 and last amended on June 10, 2021 and became effective on September 1, 2021), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Regulations on Employment

The Labor Contract Law of the PRC (《中华人民共和国劳动合同法》, effective on January 1, 2008 and amended on December 28, 2012 with effect from July 1, 2013) and the Regulations on Implementation of the Labor Contract Law of the PRC (《中华人民共和国劳动合同法实施条例》, Order No. 535 of the State Council, effective on September 18, 2008) provide for the establishment of labor relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. In the event that no written labor contract is signed at the time when a labor relationship is established, such contract shall be signed within one month as of the date when the employing enterprise employs the employee.

Pursuant to Social Insurance Law of the PRC (《中华人民共和国社会保险法》, effective on July 1, 2011, and amended on December 29, 2018), Interim Regulations on Collection and Payment of Social Insurance Premiums (《社会保险费征缴暂行条例》, effective on January 22, 1999 and amended on March 24, 2019), Trial Measures for Enterprise Staff Maternity Insurance (《企业职工生育保险试行办法》, effective on January 1, 1995), Regulations on Work-Related Injury Insurance (《工伤保险条例》, effective on January 1, 2004 and amended on December 20, 2010), and Regulations on Management of Housing Provident Fund (《住房公积金管理条例》, effective on April 3, 1999 and amended on March 24, 2002, March 24, 2019, respectively), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

Regulations on Intellectual Property

Patent

The SCNPC enacted the Patent Law of the PRC (《中华人民共和国专利法》) in March 12,1984 and last amended on October 17, 2020. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中华人民共和国商标法》) which was enacted on August 23, 1982 and last amended on April 23, 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中华人民共和国商标法实施条例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a "first-to-file" principle

with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Copyright and Software Registration

The SCNPC promulgated the Copyright Law (《著作权法》) in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilization and promote the development and prosperity of socialist cultural and scientific pursuit.

The Regulation on Computers Software Protection (《计算机软件保护条例》), which was promulgated by the State Council on June 4, 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《计算机软件著作权登记办法》), which was promulgated by the National Copyright Administration on February 20, 2002 and took effect on the same day, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**") is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names(《互联网域名管理办法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, domain names are registered on a "first-come, first-served" basis. The domain names registered or used by an

organization or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中华人民共和国企业所得税法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019, a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes has no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中华人民共和国增值税暂行条例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中华人民共和国增值税暂行条例实施细则》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《关于全面推开营业税改征增值税试点的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (《关于调整增值税税率的通知》), promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《关于深化增值税改革有关政策的公告》promulgated on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; the currently applicable VAT rate of 10% shall be adjusted to 9%.

Other Overseas Laws and Regulations Relevant to Our Business

The US Food and Drug Administration ("**FDA**") is an agency within the Department of Health and Human Services of the United States and consists of thirteen Headquarter (HQ) Offices and nine Center-level organizations. In the United States, the FDA regulates the conduct of clinical trials of drug products in human subjects and their regulatory applications such as the form and content. It also regulates the development, approval, manufacture, safety, labeling, storage, record keeping, and marketing of drug products. The FDA has similar authority and requirements with respect to the clinical testing of biological products and medical devices.

The FDA regulates medical devices sold in the United States to assure their safety and effectiveness. Medical devices range from simple tongue depressors and hospital gowns to complex programmable pacemakers and robotic surgical systems. The Medical Device Product Classification database of the FSA lists over 6,000 types of medical devices regulated by FDA's Center for Medical Devices and Radiological Health ("**CDRH**") and the classification assigned to each type. Depending on the device classification, along with other factors, federal regulations (such as the Code of Federal Regulations, Title 21) define requirements that must be fulfilled for CDRH to approve or clear devices sold in the United States.

Medical devices can be commercialized in the European market only if they meet the requirements as stipulated in Regulation (EU) no.2017/745 ("**MDR**") and obtain CE (*Conformité Européenne*) Mark (including countries which has signed Mutual Recognition Agreement with EU). MDR aims to ensure the smooth functioning of the internal market as regards medical devices, taking as a base a high level of protection of health for patients and users, and taking into account the small- and medium-sized enterprises that are active in this sector. At the same time, this Regulation sets high standards of quality and safety for medical devices in order to meet common safety concerns as regards such products.

The related party transactions are disclosed in accordance with the PRC Accounting Standards for Business Enterprises No. 36—Disclosure of Related Parties issued by the MOF and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15—General Rules on Financial Reporting issued by the CSRC. Pursuant to such standards, related parties are, broadly, parties under common control or one party controlling the other party or capable of exercise of significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As presented in the Auditor's Report as of and for the years ended December 31, 2019, 2020, and 2021 and the Review Report as of and for the six months ended June 30, 2022, we entered into transactions with our related parties in the ordinary course of our business from time to time, pursuant to which: (i) we purchased goods and services from certain related parties; (ii) we provided goods and services to certain related parties; (iii) we leased properties and equipment to or from certain related parties; (iv) we provided guarantees to certain related parties as to their borrowings; (v) we lent funds to a related party; and (vi) we paid compensation to key management personnel who are related parties of the Company, among other things.

For further details on our related party transactions, see note X to the Auditor's Report for the three years ended December 31, 2019, 2020, and 2021 and note VII to the Review Report for the six months ended June 30, 2022 in F-pages to this Prospectus as of and for the years ended December 31, 2019, 2020 and 2021. These related party transactions were conducted on an arm's length basis and on normal commercial terms between the relevant parties. We are expected to continue entering into contracts for related party transactions of the foregoing nature as part of our ordinary business from time to time.

Set out below is certain information in relation to our Company's Board of Directors, Supervisory Committee and senior management, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other PRC laws and regulations as of the date of this Prospectus. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other PRC laws and regulations as in effect on the date of this Prospectus.

Overview

Our Company is principally governed by the general meeting of its shareholders (the "**general meeting**"), the Board of Directors, the Supervisory Committee and senior management. The Articles of Association which will take effect upon the the First Day of Trading were approved at the annual general meeting for the year of 2021 on May 17, 2022. For details on the shareholders' general meeting, see "*Description of Share Capital—Description of A Shares—Shareholders' General Meetings*."

Certain details on the Board of Directors, the Supervisory Committee and senior management of the Company are set out below.

Board of Directors

The Board of Directors is responsible for the general management of the Company and is accountable to the general meeting. Board meetings include routine board meetings and extraordinary board meetings. A routine board meeting is required to be called semi-annually. An extraordinary board meeting may be called upon demand.

The Board of Directors has the following functions and powers:

- to convene general meetings and report to general meetings;
- to implement resolutions of general meetings;
- to determine on the Company's business plans and investment plans;
- to formulate the annual financial budgets and final accounting plans of the Company;
- to draw up the profit distribution plans and the loss make-up plan of the Company;
- to formulate proposals in respect of any increase or reduction of registered capital, the issuance of bonds or other securities and the listing of the Company;
- to formulate plans for material acquisitions, share buy-backs or any merger, division, dissolution or change in corporate form of the Company;
- to decide on the Company's acquisition of its shares (i) for employee stock purchase plans or incentive schemes, (ii) to convert convertible corporate bonds issued by the Company to its shares, and (iii) necessary to safeguard the value of the Company and the rights of the shareholders;

- to decide on the Company's external investment, acquisition and sale of assets, asset pledge, external guarantees, entrusted wealth management and related party transactions, among other things, as prescribed in the scope authorized by the shareholders' general meeting;

- to decide on the establishment of the internal management structure of the Company;

- to appoint or dismiss the general manager, the secretary to the Board of Directors of the Company or other senior management members, and to appoint or dismiss senior vice president(s), vice president(s) and the person in charge of finance matters of the Company in accordance with the nominations by the general manager, and to determine their remunerations, rewards and penalties;

- to set up the basic management regime of the Company;

- to formulate the proposals for any amendment to the Articles of Association;

- to manage information disclosure of the Company;

- to propose to the general meeting the appointment or replacement of the accounting firms which provide auditing services to the Company;

- to receive reports from the general manager and review his or her work; and

- to exercise other functions and powers as stipulated by the Articles of Association.

In addition, in the disposal of fixed assets (which shall include the acts of transferring certain assets-related rights and interests, but excluding the acts of using fixed assets as collaterals), where the expected value of the fixed assets to be disposed of, combined with the value derived from the fixed assets already disposed of in the four months immediately preceding the disposal proposal, exceed 33% of the value of the Company's fixed assets as shown in the balance sheet that has been deliberated at the most recent general meeting, the Board of Directors may not, without the prior approval of the general meeting, dispose of or agree to the disposal of such fixed assets.

In order to pass resolutions, no less than a majority of the Board members must be participating in the meeting (whether in person, by phone or video conference). Once a quorum is met, the Board of Directors can pass resolutions with the majority of the votes cast (*i.e.*, simple majority) for ordinary resolutions (such as to convene general meetings and report to general meetings and to manage information disclosure of the Company), and two thirds of the votes cast for special resolutions (such as to determine on the Company's business plans and investment plans and to formulate plans for material acquisitions, share buy-backs or any merger, division, dissolution or change in corporate form of the Company).

All members of the Board of Directors have to be elected, and may only be removed, by a shareholders' resolution. The Board of Directors currently consists of seven Directors, including three independent Directors. A Director serves a term of three years and may seek re-election upon expiry of the said term, except that Independent Directors cannot serve more than two terms consecutively.

Members of the Board of Directors

The Board of Directors currently consists of seven Directors, including three independent Directors. Other than disclosed under "*Related Party Transactions*," none of the members of the Board of Directors have any significant business connection with any member of the Group.

The membership of the Board of Directors is as set out below:

Name	Year of birth	Current positions	Since
PU Zhongjie	1963	Chairman of the Board, technology head	2007
WANG Qihong . . .	1965	Vice chairman of the Board	2021
XU Yang	1967	Director	2014
PU Fei	1989	Director	2020
GAN Liang.	1967	Independent Director	2020
WANG Lihua	1963	Independent Director	2020
QU Xin	1963	Independent Director	2021

The business address of the office of the Board of Directors is the registered address of the Company: No. 37 Chaoqian Road, Changping District, Beijing, the PRC 102200. The biographies of the members of the Board of Directors of the Company are set out below.

Mr. PU Zhongjie, a Chinese citizen with US permanent residency, is chairman of the Board and technology head of our Company. Currently, he is also chairman of the board of Lepu Biopharma Co., Ltd., founder and director of the National Heart Disease Implant Interventional Device and Equipment Engineering Technology Innovation Center, vice chairman of the Beijing Pharmaceutical Industry Association, executive director of the China Society for Drug Regulation, vice president of the National Association of Health Industry and Enterprise Management, chairman of the Zhongguancun Changping Great Health Alliance, and director of the Chinese Society of Biotechnology. Previously, he served as senior engineer of Central Iron & Steel Research Institute, research assistant of Florida International University in the US, deputy general manager of WP Medical Technologies, Inc., and general manager of the Company. He holds a doctor's degree and a master's degree.

Mr. WANG Qihong, a Chinese citizen, is vice chairman of the Board of our Company. Currently, he is also head and deputy secretary of the party committee of 725th Research Institute of China Shipbuilding Industry Corporation Limited, and chairman of the board of Luoyang Shuangrui Technology Industry Holding Group Co., Ltd., Luoyang Shuangrui Special Equipment Co., Ltd., Qingdao Shuangrui Water Environmental Engineering Co., Ltd. and Xiamen Shuangrui Materials Research Institute Co., Ltd. Previously, he served as deputy head and head of the science and technology department, and deputy chief engineer and deputy director of 725th Research Institute of China Shipbuilding Industry Corporation Limited. He holds a master's degree and a title of research fellow.

Mr. XU Yang, a Chinese citizen, is a Director of our Company. Currently, he is also senior partner of Beijing Chongguang Law Firm, a supervisor of Lepu Biopharma Co., Ltd., an independent director of Tangshan Port Group Co., Ltd. and Tibet Tianlu Co., Ltd. Previously, he was a lawyer of Zhong Xin Law Firm, Gongcheng Law Firm, East Associates Law Firm and Beijing Sihai Tongcheng Law Firm. Furthermore, he served as an independent director of Beijing Sevenstar Electronics Co., Ltd. and Sinotrans Air Transportation Development Co., Ltd. He holds a master's degree, and he is an attorney-at-law admitted to the PRC bar.

Ms. PU Fei, a US citizen, is a Director of our Company. Currently, she is also director of the international business department of the Company. Previously, she co-founded Ningbo Future Power Education Co., Ltd., and served as a material R&D engineer at the 3M Company in the US and an intern analyst at the investment bank department of Credit Suisse (Hong Kong) Limited. She holds a master's degree in applied physics from Harvard University and bachelor's degree in materials science and business management from Massachusetts Institute of Technology.

Mr. GAN Liang, a Chinese citizen, is an independent Director of our Company. Currently, he is also a founding partner of Ningbo Jundu Private Equity Fund Management Co., Ltd., a supervisor of Hainan Juncheng Investment Co., Ltd., a supervisor of Ningbo Jundu Rico Investment Co., Ltd., and a supervisor of Beijing Jundu Jinghong Enterprise Management Consulting Co., Ltd. Previously, he served as a managing director of CITIC Securities Co., Ltd. (中信证券股份有限公司), and a senior partner of Innovation Growth Fund of Dinghui Investment Management Co., Ltd., a director of Jining Haifu Electronic Technology Co., Ltd., and a director of Bowei Technology Co., Ltd. He holds a master's degree in business administration from China Europe International Business School in the PRC and was the first batch of sponsor representatives in the PRC. He is also a Certified Public Accountant (CPA).

Mr. WANG Lihua, a Chinese citizen, is an independent Director of our Company. Currently, he is also chief partner and secretary of the party committee of Beijing Tianyuan Law Firm, vice chairman of the Beijing Intellectual Property Law Research Association, an independent director of CMBC Capital Holdings Limited, and an arbitrator of Shenzhen Court of International Arbitration and Beijing Arbitration Commission. Previously, he served as director of the research and graduate office of the law department of Peking University, a member of the party committee and an assistant to the department head of the law department of Peking University, director of Beijing Tianyuan Law Firm, head of the disciplinary committee, director, executive director and vice chairman of Beijing Lawyers Association, and a member of the stock issuance review committee of the CSRC. He holds a master's degree in law, and he is an attorney-at-law admitted to the PRC bar.

Ms. QU Xin, a Chinese citizen, is an independent Director of our Company. Currently, she is also head of the finance department of the China Enterprise Reform and Development Research Association, an independent director of Beijing Timeloit Technology Co., Ltd., and an independent director of Zhihui Hutong Science and Technology Co., Ltd. Previously, she served as deputy head of the general office of the finance department of China New Building Materials Co., Ltd., deputy manager of the planning and finance department of China New Building Materials (Group) Co., Ltd., general manager of the finance department of China National Building Materials Group Co., Ltd., a director of Triumph Technology Co., Ltd., and an independent director of Beijing Mabworks Biotech Co., Ltd. She holds a bachelor's degree, and a title of senior accountant, and she is a Certified Public Accountant (CPA).

Convictions/proceedings

In the last five years, none of the members of the Board of Directors have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Committees of the Board of Directors

Certain responsibilities of the Board of Directors are delegated to specialized committees to assist the Board with carrying out its functions and to ensure independent oversight of internal controls and risk management. The four principal specialized committees (the Development Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee) play an essential role in supporting the Board of Directors in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Company. All the specialized committees are accountable to, and submit working reports to, the Board of Directors, which shall consider the opinions of the specialized committees before making any decisions on matters related to the duties of the specialized committees.

Development Strategy Committee

The Development Strategy Committee is mainly responsible for studying and predicting the long-term development strategies of the Company and determining the development strategic plan of the Company. The specific duties of the Development Strategy Committee include: (i) studying the Company's long-term development strategy and giving suggestions on the same; (ii) studying and giving suggestions on the Company's major investment financing plans which are subject to the approval of the Board of Directors as stipulated in the Articles of Association; (iii) studying and giving suggestions on other major issues affecting the development of the Company; (iv) checking the implementation of the above matters; and (v) other duties granted by the Board of Directors. The Development Strategy Committee, chaired by Mr. PU Zhongjie, consists of Mr. GAN Liang and Mr. WANG Qihong.

Audit Committee

The Audit Committee assists the Board of Directors with, among other matters: (i) monitoring and evaluating the work of the Company's external auditor, and proposing the appointment or replacement of the accounting firms; (ii) guiding internal audit work; (iii) coordinating the communications of the internal audit department with the Company's external auditor; (iv) reviewing and commenting on the financial statements of the Company; (v) evaluating the effectiveness of the Company's internal controls, and reviewing all external guarantees of the Company; (vi) other matters authorized by the Board of Directors and other matters involving relevant laws and regulations. The Audit Committee, chaired by Ms. QU Xin, consists of Mr. WANG Lihua and Ms. PU Fei.

Nomination Committee

The Nomination Committee assists the Board of Directors with, among other matters: (i) giving suggestions to the Board of Directors on the size and composition of the Board based on the Company's business activities, asset scale and shareholding structure; (ii) reviewing and opining on the election standards and procedures of the Directors and senior management personnel; (iii) searching broadly for eligible candidates for Directors and senior management; (iv) reviewing and opining on the qualification criteria of candidates for Directors and senior management; (v) reviewing and opining on the senior management personnel to be appointed by the Board of Directors; and (vi) other matters authorized by the Board of Directors. The Nomination Committee, chaired by Mr. GAN Liang, consists of Mr. PU Zhongjie, Mr. WANG Lihua, Mr. WANG Qihong and Ms. QU Xin.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee assists the Board of Directors with, among other matters: (i) studying and opining on the evaluation standards of Directors and senior management; (ii) formulating remuneration plans or schemes for Directors and senior management based on the main scope, responsibilities and importance of management positions and with reference to remuneration levels of relevant positions at other relevant corporations; the remuneration plans or schemes mainly include but are not limited to the performance appraisal standard, procedure and the main appraisal system, the main plan and system for rewards and penalties; (iii) reviewing the performance of the Directors and senior managers and conducting annual performance appraisals; (iv) supervising the implementation of the remuneration system for Directors and senior management; and (v) other matters authorized by the Board of Directors. The Remuneration and Appraisal Committee, chaired by Mr. WANG Lihua, consists of Mr. WANG Qihong, Mr. XU Yang, Mr. GAN Liang and Ms. QU Xin.

Supervisory Committee

The Supervisory Committee is responsible for overseeing the Company's general management and is accountable to the general meeting. The Supervisory Committee has the following functions and powers in accordance with PRC law:

- to produce written opinions, explaining whether the Board's procedures for preparing and reviewing periodic reports comply with the laws, administrative regulations, the requirements of the CSRC, the Shenzhen Stock Exchange and the stock exchange on which the GDRs are listed, and whether the content of the reports can truly, accurately and completely reflect the actual situation of the listed company;

- to inspect the financials of the Company;

- to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

- to demand rectification by Directors and senior management members when the acts of such persons are prejudicial to the Company's interest;

- to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board of Directors fails to perform such duties as specified by the Company Law;

- to make proposals to be considered at the general meeting;

- to negotiate with Directors and senior management members on behalf of the Company or initiate legal proceedings against Directors and senior management members in accordance with Article 151 of the Company Law;

- to verify financial materials such as financial reports, operational reports and profit distribution plans that the Board intends to submit to the general meeting, and engage on behalf of the Company certified public accountants and independent auditors to help review them if any doubt is found; and

- to conduct investigations in relation to any operational abnormality of the Company, and, if necessary, engage accounting firms, law firms or other professional agencies to assist with such investigations at the expense of the Company.

The term of office of each Supervisor shall be three years per session. Upon expiry of the term, a Supervisor may be reappointed upon re-election. The chairman of the Supervisory Committee shall be elected and removed by the Supervisory Committee.

Members of the Supervisory Committee

The Company's Supervisory Committee currently consists of three Supervisors, including the chairman of the Supervisory Committee. The membership of the Supervisory Committee of the Company is as set out below:

Name	Year of birth	Current positions	Since
WANG Xinglin . . .	1962	Chairman of the Supervisory Committee	2020
WANG Jun	1975	Supervisor	2020
YANG Ming	1966	Employee Supervisor	2017

The business address of the office of the Supervisory Committee is the registered address of the Company: No. 37 Chaoqian Road, Changping District, Beijing, the PRC 102200. The biographies of the members of the Supervisory Committee of the Company are set out below.

Mr. WANG Xinglin, a Chinese citizen, is the chairman of the Supervisory Committee of our Company. Currently, he is chairman of the supervisory committee of Lepu Scientech Medical Technology (Shanghai) Co., Ltd. Previously, he served as an accountant, senior accountant, deputy director and director of the finance department and deputy chief accountant of Xi'an Shipbuilding Industry Co., Ltd., deputy general manager, general manager and vice chairman of the board of China Shipping Industry Finance Co., Ltd., and deputy chief accountant and head of the finance department of China Shipbuilding Industry Group Co., Ltd. He holds a bachelor's degree and a title of senior accountant.

Mr. WANG Jun, a Chinese citizen, is a Supervisor of our Company. Currently, he is also office manager and deputy general counsel of 725th Research Institute of China Shipbuilding Industry Corporation Limited, a director of Luoyang Shuangrui Technology Industry Holding Group Co., Ltd., a supervisor of CSIC Shuangrui Technology Holdings Co., Ltd. and a supervisor of Xiamen Shuangrui Materials Research Institute Co., Ltd. Previously, he served as legal counsel, deputy office manager of 725th Research Institute of China Shipbuilding Industry Corporation Limited. He holds a bachelor's degree and a title of senior economist.

Mr. YANG Ming, a Chinese citizen, is an employee Supervisor of our Company. Currently, he is also deputy technical director of the Company. Previously, he served as manager of the technical quality department, manager of the marketing department and manager of the clinical registration department of the Company. He holds a bachelor's degree.

Convictions/proceedings

In the last five years, none of the members of the Supervisory Committee have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Senior Management

The senior management is responsible for day-to-day and operational activities of the Company and the Group and is accountable to the Board of Directors. The senior management consists of general manager, senior deputy general managers, deputy general managers, chief financial officer and secretary to the Board. The general manager, senior deputy general manager and deputy general managers shall be appointed and removed by the Board of Directors.

The general manager is mainly responsible for managing the Company's production, operation and R&D, organizing the implementation of resolutions of the Board and annual operating plans, formulating detailed rules and regulations of the Company, and determining the remuneration, welfare, reward and punishment policies and plans of the Company's employees (excluding senior management), among other things. The Secretary to the Board is mainly responsible for ensuring that the Company has a complete set of constitutional documents and records, that the Company prepares and submits the reports and documents required by competent authorities according to the laws, and that the register of shareholders of the Company is properly created and the persons entitled to obtain the relevant records and documents of the Company obtain such records and documents promptly, unless otherwise stipulated by laws, administrative regulations, company shares or the listing rules of the stock exchange where the GDRs are listed.

Members of the Senior Management

The senior management members, by function, of the Company are as set out below:

Name	Year of birth	Current positions	Since
ZHANG Zhibin . . .	1976	General Manager	2021
WEI Zhanjiang	1972	Senior Deputy General Manager	2003
ZHANG Xia.	1968	Senior Deputy General Manager	2013
WANG Yong	1973	Senior Deputy General Manager, Chief Financial Officer	2007
ZHANG Bingfeng. .	1980	Deputy General Manager	2015
FENG Xiaoying . . .	1974	Deputy General Manager	2021
ZHENG Guorui . . .	1982	Deputy General Manager	2021
QIANG Yu	1981	Deputy General Manager	2021
JIANG Weina	1979	Secretary to the Board	2021

The business address of the senior management is the registered address of the Company: No. 37 Chaoqian Road, Changping District, Beijing, the PRC 102200. The biographies of the senior management members of the Company are set out below.

Mr. ZHANG Zhibin, a Chinese citizen, is general manager of our Company. Previously, he served as manager of the Northwestern/Beijing region of sales department, marketing director and deputy general manager of the Company, and general manager of Shanghai Shape Memory Alloy Materials Co., Ltd. He holds a master's degree.

Mr. WEI Zhanjiang, a Chinese citizen, is a senior deputy general manager of our Company. Currently, he is also the representative of the 12th Beijing Congress of the Communist Party of China. Previously, he served at 725th Research Institute of China Shipbuilding Industry Corporation Limited. He holds a master's degree and a title of researcher-level senior engineer.

Ms. ZHANG Xia, a Chinese citizen, is a senior deputy general manager of our Company. Previously, she served as deputy director of the non-metallic materials research office, director of the science and technology department and deputy chief engineer of 725th Research Institute of China Shipbuilding Industry Corporation Limited. She holds a master's degree and a title of researcher-level senior engineer.

Ms. WANG Yong, a Chinese citizen, is a senior deputy general manager and chief financial officer of our Company. Currently, she is also a supervisor of Sichuan Rekind Medtec., Inc. Previously, she served as senior manager of the audit department of the Beijing branch of PricewaterhouseCoopers Zhongtian Accounting Firm. She holds a bachelor's degree.

Mr. ZHANG Bingfeng, a Chinese citizen, is a deputy general manager of our Company. Previously, he served as senior investment manager of China OperVestors, Inc., and manager of the investment development department of the Company. He holds a master's degree.

Ms. FENG Xiaoying, a Chinese citizen, is a deputy general manager of our Company. Previously, she served as sales director of Shenzhen Langou Pharmaceutical Co., Ltd., sales director of the first retail division of the Company, and assistant to general manager of the Company. She holds a bachelor's degree and a title of senior engineer.

Mr. ZHENG Guorui, a Chinese citizen, is a deputy general manager of our Company. Previously, he served as sales manager of Wuhan Grand Pharmaceutical Co., Ltd., sales manager and marketing director of Lepu pharmaceuticals, nationwide sales director and assistant to the general manager of the Company. He holds a bachelor's degree.

Mr. QIANG Yu, a Chinese citizen, is a deputy general manager of our Company. Previously, he served as officer and senior officer of Ucar Inc., chief technology officer of Luckin Coffee, and assistant to general manager of the Company. He holds a bachelor's degree.

Ms. JIANG Weina, a Chinese citizen, secretary to the Board of our Company. Previously, she served as a foreign physician in the general surgery department of Hautepierre Hospital in Strasbourg, France, a physician in the general surgery department of Shanghai Ruijin Hospital, chief analyst of the pharmaceutical industry of Guosen Securities Co., Ltd., and vice president and secretary to the board of directors of Meinian Health Industry Holdings Co., Ltd. She holds a master's degree in medicine from Shanghai Jiao Tong University in the PRC and a specialized training certificate (*Attestation de formation spécialisée*) from Louis Pasteur University in France, as well as the practicing physician qualification in surgery.

Convictions/proceedings

In the last five years, none of the members of the senior management have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Compensation

At the annual shareholders' meeting of 2021 on May 17, 2022, the shareholders of our Company reviewed and approved the proposal on the allowances paid to the Company's Directors and Supervisors. Accordingly, the standard for such allowances is set at, on an annual basis and before any tax, RMB300,000 for each Director, RMB300,000 for the chairman of the Supervisory Committee, and RMB250,000 for each Supervisor (excluding any employee supervisor).

With respect to compensation to senior management, our Company conducts a comprehensive assessment of the performance and ascertain the annual basic salary for each member.

The following table sets forth some details of the pre-tax remuneration and pension, retirement and other similar benefits received from the Company by each of the Company's current Directors, Supervisors and senior management members in 2021:

Name	Pre-tax remuneration and pension, retirement and other similar benefits received from the Company in 2021
	(RMB in thousands)
PU Zhongjie	—
WANG Qihong	—
XU Yang	300.0
PU Fei	500.0
GAN Liang	300.0
WANG Lihua	300.0
QU Xin	233.8
WANG Xinglin	300.0
WANG Jun	—
YANG Ming	900.0
ZHANG Zhibin	2,100.0
WEI Zhanjiang	1,800.0
ZHANG Xia	1,800.0
WANG Yong	1,800.0
ZHANG Bingfeng	1,600.0
FENG Xiaoying	1,300.0
ZHENG Guorui	1,300.0
QIANG Yu	1,500.0
JIANG Weina	750.0

Ownership of Shares

The following table sets forth the number of shares held by our Directors, Supervisors and members of senior management as of the date of this Prospectus (and, unless stated otherwise, as of the First Day of Trading):

		Owned Shares	
Name	Current positions	A Shares held	% of voting rights
PU Zhongjie	Chairman, technology head	228,074,749	12.6386%
ZHANG Zhibin	General Manager	217,500	0.0121%
WEI Zhanjiang	Senior Deputy General Manager	193,600	0.0107%
WANG Yong	Senior Deputy General Manager, Chief Financial Officer	191,700	0.0106%
FENG Xiaoying	Deputy General Manager	7,400	0.0004%
ZHENG Guorui	Deputy General Manager	30,000	0.0017%

As far as the Company is aware, as at the date of this Prospectus, none of the Directors, Supervisors or members of senior management of the Company intend to subscribe in the Offering.

Incentive Restricted Shares Plan

On May 5, 2022, the Board of Directors approved a proposal of an incentive restricted shares plan for members of the senior management of the Company and selected employees of the Company and its subsidiaries (the "**Proposed IRS Plan**"), which is still subject to the approval by the general meeting of the shareholders. Under the Proposed IRS Plan, tentatively 810 persons are expected to be granted restricted shares of up to 20,000,000 A Shares in aggregate at a grant price of RMB10.74 per share. The following table sets forth the number of restricted shares to be granted to our current senior management based on the proposed plan:

Name	Current positions	Number of restricted shares to be granted (proposed)	% of the total number of restricted shares (proposed)	% of the Company's total share capital as of May 5, 2022
ZHANG Zhibin . . .	General Manager	500,000	2.5%	0.0277%
WEI Zhanjiang	Senior Deputy General Manager	350,000	1.75%	0.0194%
ZHANG Xia.	Senior Deputy General Manager	350,000	1.75%	0.0194%
WANG Yong	Senior Deputy General Manager, Chief Financial Officer	350,000	1.75%	0.0194%
ZHANG Bingfeng. .	Deputy General Manager	300,000	1.5%	0.0166%
FENG Xiaoying . . .	Deputy General Manager	300,000	1.5%	0.0166%
ZHENG Guorui . . .	Deputy General Manager	300,000	1.5%	0.0166%
QIANG Yu	Deputy General Manager	300,000	1.5%	0.0166%
JIANG Weina	Secretary to the Board	300,000	1.5%	0.0166%

For further information, See "*Description of Share Capital—Capital Structure—Own Shares*."

Permitted Other Activities of the Directors, Supervisors and Members of the Senior Management

According to PRC laws, members of the senior management of the Company shall not assume a position other than a director or supervisor of the Company's corporate controlling shareholders.

Corporate Governance

As of the date of this Prospectus, the Company is in compliance with the corporate governance requirements applicable to it as a PRC public company listed on the Shenzhen Stock Exchange in all material aspects.

Potential Conflicts of Interest

According to our Articles of Association, our Directors, Supervisors and members of the senior management must abide by the principle of good faith when performing their duties, and shall not put themselves in a situation where their own interests may conflict with their obligations. There are no potential conflicts of interest between any duties owed by the Directors, Supervisors or members of senior management to the Company and their private interests and/or other duties. There are no interests, including conflicting interests that are material to the Offering.

As of September 9, 2022 (the "**Latest Practicable Date**"), our Company had issued a total of 1,804,590,109 A Shares with a par value of RMB1.00 per A Share. No shareholder has different voting rights attached to the A Shares to any other shareholder. The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

The Administrative Measures for the Disclosure of Information of Listed Companies of the PRC require that an annual report and a semi-annual report of a listed company shall include, among other things, information about the top ten shareholders and shareholders holding 5% or more of the shares.

Shareholders Holding 3% or More

The table below sets out the information known to us with respect to the principal shareholders as well as the beneficial ownership of our Company's A Shares as of the Latest Practicable Date (i) on an actual basis, and (ii) on an adjusted basis to give effect to the Offering assuming the sale of all Firm GDRs and (a) the Upsize Option is not exercised, and (b) the Upsize Option is exercised in full. Based on the information available to us, the table below describes the individual shareholdings of those shareholders that hold prior to, and are expected to hold upon completion of, the Offering, directly or indirectly, 3% or more of our Company's voting rights. Each A Share carries one vote at a shareholders' general meeting of our Company and, as such, the number of A Shares held by shareholders set forth in the table below is equal to the number of voting rights held by the respective shareholder. You should also read "*Related Party Transactions*" and "*Board of Directors, Supervisory Committee and Senior Management*."

	Prior to the Offering[1]		Upon Completion of the Offering			
			No exercise of the Upsize Option[2]		Full exercise of the Upsize Option[3]	
Shareholder	A Shares held	% of voting rights	A Shares held	% of voting rights	A Shares held	% of voting rights
725th Research Institute of China State Shipbuilding Corporation Limited[4]	244,063,788	13.52%	244,063,788	13.09%	244,063,788	12.89%
Pu, Zhongjie[5]	228,074,749	12.64%	228,074,749	12.23%	228,074,749	12.05%
WP Medical Technologies, Inc[6]	123,968,600	6.87%	123,968,600	6.65%	123,968,600	6.55%
Hong Kong Exchanges and Clearing Limited[7]	82,042,156	4.55%	82,042,156	4.40%	82,042,156	4.33%
Houde Yimin (Beijing) Investment Management Co., Ltd.[8]	67,750,000	3.75%	67,750,000	3.63%	67,750,000	3.58%
Other shareholders	1,058,690,816	58.67%	1,118,242,246	59.99%	1,147,112,796	60.60%
Total	**1,804,590,109**	**100.0%**	**1,864,141,539**	**100.0%**	**1,893,012,089**	**100.0%**

(1) Based on the Company's issued share capital of 1,804,590,109 A Shares with a nominal value of RMB1.00 as of the Latest Practicable Date

(2) Based on the Company's issued share capital of 1,864,141,539 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Firm GDRs (and no exercise of the Upsize Option)

(3) Based on the Company's issued share capital of 1,893,012,089 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Offer GDRs (i.e. assuming exercise in full of the Upsize Option)

(4) 725th Research Institute of China State Shipbuilding Corporation Limited, a subsidiary to China Shipbuilding Industry Corporation (CSIC), is a comprehensive institution engaged in the research, development and application of shipbuilding materials.

(5) Mr. PU Zhongjie is currently the chairman of the Board and technology head of our Company. See "*Board of Directors, Supervisory Committee and Senior Management—Board of Directors—Members of the Board of Directors.*"

(6) WP Medical Technologies, Inc. was established on November 16, 1998 and incorporated in Florida, the US.

(7) The nominal holder of shares held by non-registered shareholders who hold A shares of the Company through the Northbound Trading under Shenzhen-Hong Kong Stock Connect

(8) Houde Yimin (Beijing) Investment Management Co., Ltd. was established on August 17, 2009, with a registered capital of RMB50 million.

Top Ten Shareholders

The table below identifies the top ten beneficial owners of our Company's A Shares and the percentage of their respective shareholding (exclusive of A Shares held by persons acting in concert, if any), based on the A Shares outstanding as of June 30, 2022. No shareholder has different voting rights attached to the A Shares to any other shareholder.

Name of Shareholder	Percentage
	(%)
725th Research Institute of China State Shipbuilding Corporation Limited	13.52
PU Zhongjie[(1)]	12.64
WP Medical Technologies, Inc.[(1)]	6.87
Hong Kong Securities Clearing Company Limited	5.54
Houde Yimin (Beijing) Investment Management Co., Ltd.[(1)]	3.75
Houde Yimin (Ningbo) Investment Management Co., Ltd.[(1)]	1.99
Bank Of China Limited—Huabao CSI medical trading open-end index securities investment fund	0.84
XIONG Qingchuan	0.78
Monetary Authority of Macao—Proprietary funds	0.62
WANG Yunyou	0.56

(1) As of June 30, 2022, Mr. PU Zhongjie, WP Medical Technologies, Inc., Houde Yimin (Beijing) Investment Management Co., Ltd. and Houde Yimin (Ningbo) Investment Management Co., Ltd. were persons acting in concert within the meaning of PRC law.

As of the date of this Prospectus, Mr. PU Zhongjie and his persons acting in concert within the meaning of PRC law (comprising WP Medical Technologies, Inc., Houde Yimin (Beijing) Investment Management Co., Ltd. and Houde Yimin (Ningbo) Investment Management Co., Ltd.) held in aggregate 25.25% of the total A Shares of the Company; Mr. PU Zhongjie is the actual controlling person of our Company.

Underwriting

For information relating to the underwriting of the Offer GDRs by the Managers, such as the composition of the underwriting syndicate, the maximum number of GDRs which have been underwritten as well as the percentage of voting rights and the time frame in which the Managers are likely to hold the underwritten Offer GDRs, see "*Offering and Sale—Underwriting*."

Set out below is certain information in relation to our Company's share capital, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other laws and regulations as will be applicable to the Company on the First Day of Trading. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other laws and regulations as in effect on the date of this Prospectus.

General Corporate Information

Our Company's name is Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司). Our Company was converted into a joint stock company with limited liabilities in accordance with the PRC Company Law, the PRC Securities Law and other applicable regulations on January 14, 2008 and has conducted business since then in conformity with our Articles of Association and the aforementioned laws and regulations.

Our Company was registered with Market Supervision Administration of Changping District of Beijing on June 11, 1999, with an enterprise registration number of 110000410140103. Our registered office is No. 37 Chaoqian Road, Changping Tech. Zone, Beijing, 102200 the PRC. The scope of our business primarily includes production and sales of medical devices and accessories, R&D of medical devices and accessories, provision of technology consulting services, import and export of medical devices and accessories, and import and export of technology, among other things.

For an overview of the participations held by our Company, see "*Presentation of Financial and Other Information*."

Capital Structure

Issued Share Capital

As of the Latest Practicable Date, our Company's issued share capital amounts to RMB1,804,590,109.00, divided into 1,804,590,109 A Shares, which are fully paid and listed on the Shenzhen Stock Exchange with the stock name and code of 乐普医疗 (300003.SZ). Each A Share has a par value of RMB1.00, and the A Shares have been issued by our Company in registered form. The A Shares are fully paid-up and non-assessable.

Changes in Share Capital

The table below sets out our Company's share capital as of December 31, 2019, 2020 and 2021 and June 30, 2022 as well as the Latest Practicable Date:

Date	Number of A Shares	Share Capital Value
		(RMB)
December 31, 2019	1,781,652,921	1,781,652,921.00
December 31, 2020	1,804,581,117	1,804,581,117.00
December 31, 2021	1,804,587,310	1,804,587,310.00
June 30, 2022	1,804,589,657	1,804,589,657.00
Latest Practicable Date	1,804,590,109	1,804,590,109.00

Pursuant to special resolutions dated May 17, 2022, the shareholders of our Company approved the issuance of no more than 180,458,875 new A Shares by our Company to the Depositary in connection with the Offering.

GDRs

Each GDR represents an interest in five A Shares.

Based on a resolution of the Board of Directors on April 25, 2022 and a resolution of the Shareholders on May 17, 2022 (pursuant to which matters in connection with the Capital Increase (as defined herein) were delegated to the Chairman and/or his authorized representatives), the Company's share capital shall be increased in the amount of up to RMB180,458,875.00 by the issuance of up to 180,458,875 fully-paid A shares (the "**New A Shares**") at a nominal value of RMB1.00 each, corresponding to the underlying interests of up to 36,091,775 GDRs (the "**Capital Increase**"). The Capital Increase is expected to be completed on or around September 20, 2022.

Based on a share capital of 1,804,590,109 A Shares as of the Latest Practicable Date and assuming the issuance and sale of all Firm GDRs (representing 59,551,430 underlying A Shares, assuming no exercise of the Upsize Option), the share capital of the Company will be RMB1,864,141,539.00 and consisting of 1,864,141,539 A Shares. In this case, the 59,551,430 New A Shares (corresponding to the underlying interests of 11,910,286 GDRs) will represent approximately 3.19% of the share capital of the Company upon completion of the Offering. Based on a share capital of 1,804,590,109 A Shares as of the Latest Practicable Date and assuming the issuance and sale of all Offer GDRs (representing 88,421,980 underlying A Shares, assuming the exercise of the Upsize Option in full), the share capital of the Company will be RMB1,893,012,089.00 and consisting of 1,893,012,089 A Shares. In this case, the 88,421,980 New A Shares (corresponding to the underlying interests of 17,684,396 GDRs) will represent approximately 4.67% of the share capital of the Company upon completion of the Offering. The Company expects that the GDRs will be listed in accordance with the Standard for Depository Receipts of SIX Exchange Regulation and that trading in the GDRs will commence on SIX Swiss Exchange on or around September 21, 2022.

Other Classes of Shares

As of the date of this Prospectus, our Company has not issued any other classes of shares including preference shares.

Own Shares

On November 2, 2021, the Board of Directors of our Company considered and approved the A Share repurchase plan (the "**Repurchase Plan**"). Under the Repurchase Plan, our Company may use no less than RMB300 million and up to RMB500 million of our own funds to repurchase A Shares of our Company at the repurchase price that shall not exceed RMB35 per share (inclusive), subject to adjustment in certain cases such as dividend distribution, through centralized price bidding for the purpose of the implementation of our equity incentive scheme. Approval by the general meeting of the shareholders is not required for this Repurchase Plan. The period of the repurchase shall not exceed 12 months from the date of approval by the Board. As of the Latest Practicable Date, we had repurchased 18,273,500 A shares, representing 1.0126% of our share capital, at the cost of RMB355.8 million (exclusive of trading fees).

In addition, we repurchased 12,402,781 A Shares from December 2018 to December 2019 using approximately RMB254.3 million (inclusive of trading fees). Such A Shares are expected to be canceled by end of 2022.

As of the date of this Prospectus, except as disclosed above, neither our Company nor any of its subsidiaries holds any own shares.

Cross-shareholdings

As of the date of this Prospectus, our Company does not have any cross-shareholdings exceeding 5% of the holdings of capital or voting rights on both sides.

Authorized Capital and Conditional Capital

The Company's Articles of Association do not allow any authorized capital or conditional capital.

Outstanding Bonds, Conversion and Option Rights

For details on our outstanding bonds, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Contingencies—Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of the Six Month Historical Financial Information—Indebtedness.*"

To further optimize the debt structure, broaden financing channels and satisfy funding needs of our Company, on March 30, 2021, we completed the public issuance of convertible bond of RMB1,638 million to the then shareholders of our Company and public investors (the "**Convertible Bond**"). On April 19, 2021, the Convertible Bond was listed on Shenzhen Stock Exchange (bond code: 123108).

Some further details of the Convertible Bond are set out as follows:

Interest rate	First year: 0.30%; second year: 0.50%; third year: 1.00%; fourth year: 1.50%; and fifth year: 1.80%
Maturity date	March 29, 2026
Conversion period	October 8, 2021 to March 29, 2026
Initial conversion price	RMB29.73 per A Share and not lower than (i) the average trading price of the A Shares of the twenty trading days before the date of the Convertible Bonds offering document and (ii) the average trading price of the trading day before conversion date. Such conversion price shall be adjusted in the event of issuance of bonus shares, increase of share capital, issuance of new shares and distribution of cash dividend

Conversion shares	A Shares
Redemption at maturity	Unless otherwise converted, the Convertible Bond will be redeemed by the Issuer at 107.80% of its principal amount together with accrued and unpaid interest thereon within the fifth day after the maturity date
Redemption at the option of the issuer	During the conversion period, the issuer has the right to redeem part or all of the Convertible Bond at its principal amount together with accrued and unpaid interest if either situation occurred: (i) during the conversion period, if for at least fifteen trading day in thirty consecutive trading days, the closing price of the A Shares is not lower to the 130% of the conversion price, or (ii) when the total outstanding amount of the unconverted Convertible Bond is less than RMB30,000,000
Use of proceeds	RMB1,150,000,000 shall be used in the R&D of coronary and peripheral intervention medical devices, and RMB488,000,000 shall be used for supplementing working capital and debt repayment
Voting	A holder of the Convertible Bonds will be entitled to attend and vote at meetings of bondholders
Guarantee	No guarantee

As of the Latest Practicable Date, 8,992 A Shares had been converted from the Convertible Bond.

As of the date of this Prospectus, except as disclosed above, our Company has no outstanding bonds or debt instruments convertible into or option rights in our Company's securities.

Description of A Shares

Shareholders of our Company shall enjoy rights and bear obligations according to the class and quantity of their shares. Holders of the same class of shares shall enjoy the same rights and bear the same obligations.

Form of A Shares

The A Shares are ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each. They have been issued by our Company in registered form and are fully paid-up.

The A Shares rank *pari passu* in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company.

The Company maintains a centralized registration of Shareholders with the CSDC. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

There is no provision in the Articles of Association deviating from statutory provisions under PRC laws.

Transfer of A Shares

Our A Shares have been listed on the Shenzhen Stock Exchange since October 30, 2009. A Shares can only be subscribed by, and traded between legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi.

Voting Rights

A shareholder (including its proxy) shall vote based on the number of its voting shares, with one A Share representing one vote. A Shares held by us (if any) do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' general meeting. However, when voting to elect our Directors or Supervisors, each A Share shall have number of votes equal to the number of proposed Directors or Supervisors to be elected, and a shareholder may cast all its votes towards one or more candidates.

When material issues affecting the interests of minority shareholders are considered at a shareholders' general meeting, the votes of minority shareholders shall be counted separately. The results of such separate votes shall be disclosed publicly in a timely manner following such shareholders' general meeting.

When related-party transactions are considered at a shareholders' general meeting, related shareholder(s) shall not vote, and the voting shares held by such shareholder(s) shall not be counted in the total number of valid voting shares. The announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting of non-related shareholders.

Shareholders' General Meetings

Pursuant to our Articles of Association, an annual shareholders' general meeting shall be held within six months after the end of each fiscal year, and an extraordinary shareholders' general meeting shall be held within two months upon the occurrence of incidents warranting such extraordinary shareholders' general meeting as described in our Articles of Associations.

The following persons may also request our Board of Directors to convene an extraordinary shareholders' general meeting: (i) any of our independent Directors, (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 10% or more of our A Shares. If a request from persons holding in aggregate 10% or more of our A Shares is declined by our Board of Directors, such persons may request our Supervisory Committee to convene the extraordinary shareholders' general meeting, failing of which such persons (if having held 10% or more of our A Shares for consecutive 90 days or more) may convene the extraordinary shareholders' general meeting on their own. However, holders of the GDRs may not request an extraordinary shareholders' general meeting. See "*Terms and Conditions of the Global Depositary Receipts*."

A notice for an annual shareholders' general meeting shall be published at least 20 days prior to the date of the meeting, and a notice for an extraordinary shareholders' general meeting shall be published at least 15 days prior to the date of the meeting.

Our shareholders may attend shareholders' general meetings in person or by proxy. Our Articles of Association do not provide for a quorum for our shareholders' general meeting.

The following matters must be approved by an ordinary resolution at a shareholders' general meeting, which shall be passed by no less than half of the votes present at the meeting:

- work reports of the Board of Directors and the Supervisory Committee;
- plans of profit distribution and loss recovery;
- appointment and dismissal of the members of the Board of Directors and the Supervisory Committee, remuneration and payment methods thereof;
- our annual reports;
- profit distribution plans and loss recovery plans of the Company for deliberation and approval;
- resolutions on the Company's engagement and removal of an accounting firm;
- any related transactions with shareholders and any of their related persons;
- resolutions on the issue of bonds of the Company;
- guarantees under certain circumstances for deliberation and approval; and
- other matters other than those requiring approval by special resolutions in accordance with laws, administrative regulations or the Articles of Association.

The following matters must be approved by an extraordinary resolution at a shareholders' general meeting, which shall be passed by no less than two thirds of the votes present at the meeting:

- increase or reduction of the registered capital of the Company or issue of shares of any class, stock warrants or other similar securities;
- issuance of corporate bonds;
- division, spin-off, merger, dissolution, liquidation or change in the form of the Company;
- amendments to the Articles of Association;
- share incentive scheme;

- any purchase or disposal of material assets or giving of material guarantee, in each case within one year in an aggregate amount exceeding 30% of the latest audited total assets of the Company; and

- other matters as required by laws, administrative regulations or the Articles of Association, or deemed by an ordinary resolution to be of a material impact to our Company and required to be approved by an extraordinary resolution.

The following persons may make proposals to be included in the agenda of our shareholders' general meetings: (i) our Board of Directors; (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 3% or more of our A Shares. However, holders of our GDRs are not entitled to introduce proposals to the agenda of our shareholders' general meetings. See "*Terms and Conditions of the Global Depositary Receipts*."

Rights to Dividends

We distribute dividends primarily in the form of cash, but may also distribute dividends in the form of stock or a combination of cash and stock. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that the Board may deem relevant.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and

- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

Subject to the aforesaid allocations and restrictions, the remaining profit for the relevant year/period (on an after tax basis) may be distributed as dividends to our shareholders in accordance with their shareholding percentage. As set forth in our Articles of Association, if we record a positive annual distributable profit and a positive accumulated undistributed profit during the year, we shall distribute cash dividends, and the accumulated profits for distribution in the financial year shall be no less than 25% of the distributable profit realized for that year. If the Company's year end asset liability ratio exceeds 60% or net cash flows generated from operating activities is negative for the year, we may choose not to distribute cash dividends.

See also "*Dividends and Dividend Policy*" and "*Tax Considerations—PRC Tax Considerations—Taxation on Dividends*."

Other Rights of Shareholders

In addition to the aforesaid voting rights, rights relating to the shareholder's general meetings and rights to dividends, our shareholders shall enjoy the following rights:

- to supervise, and make recommendations or inquiries on, our operations;
- to transfer, gift or pledge their A Shares in accordance with laws, administrative regulations and our Articles of Association;
- to inspect our Articles of Association, shareholders' register, corporate bond stubs, minutes of shareholders' general meetings, resolutions of our Board of Directors, resolutions of our Supervisory Committee, and financial and accounting reports;
- upon the dissolution or liquidation of our Company, to participate in the distribution of the residual assets of our Company in proportion to the number of A Shares they hold;
- to require our Company to buy back their A Shares if they voted against a resolution passed at a shareholders' general meeting concerning the merger or division of our Company; and
- to enjoy other rights provided by laws, administrative regulations, departmental rules or our Articles of Association.

Our shareholders do not have any pre-emptive rights with respect to our A Shares. Holders of GDRs are not entitled to certain rights available to the holders of our A Shares described above, such as inspection rights, rights to request a share buy-back or rights to bring shareholder actions against us. Rights of the GDR holders will be based on the terms and conditions of the Deposit Agreement. For a detailed description of the rights attached to our GDRs, see "*Terms and Conditions of the Global Depositary Receipts*."

Provisions Regarding Redemption of Shares

We may, in the following circumstances only, buy back our issued A Shares pursuant to laws, administrative regulations, departmental rules and our Articles of Association:

(i) to reduce the registered capital of our Company;

(ii) to merge with another company that holds A Shares in our Company;

(iii) to grant to employees as employee stock ownership plan or equity incentive plan;

(iv) from shareholders who voted against a resolution passed at a shareholders' general meeting on the merger or division of our Company and request our Company to buy back their A Shares;

(v) for the purposes of converting convertible corporate bonds we issued; and

(vi) to safeguard our Company's value and our shareholders' rights and interests as we deem necessary.

Buyback of our A Shares in circumstances (i) and (ii) set out above shall be approved by a resolution of a shareholders' general meeting; buyback of our A Shares in circumstances (iii), (v) and (vi) set out above shall be approved by a resolution of our Board of Directors with more than two thirds of the directors present at the Board meeting.

Where we buy back our issued A Shares, we shall (a) in circumstance (i) set out above, cancel the relevant A Shares within ten days from the date of the buyback; (b) in circumstances (ii) and (iv) set out above, we shall transfer or cancel the relevant A Shares within six months from the date of the buyback; and (c) in circumstances (iii), (v) and (vi) set out above, hold in aggregate no more than 10% of our total outstanding share capital and shall transfer or cancel the relevant A Shares within three years from the date of the buyback.

We may buy back our issued A Shares by any of the following ways:

- through public transactions on stock exchanges;
- through tender offers;
- by agreement without involving a stock exchange; and
- through other means as approved by the CSRC.

However, where we buy back our A Shares in circumstances (iii), (v) or (vi) set out above, we shall do so through public transactions.

Restrictions on Free Transferability of Shares

Subject to the following restrictions and save as otherwise specified by the PRC laws, administrative regulations, and relevant provisions of the securities regulatory authorities at the places where our equity securities are listed, our A Shares may be transferred freely and without any liens:

- we shall not accept our own Shares as the subject matter of a pledge;
- our Directors, Supervisors and senior management officers shall report to us their shareholdings and any changes thereto, and shall not transfer more than 25% of the Shares they hold each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date that the Shares are listed or within the six-month period following any termination of their service/employment with our Company; and
- if a Director, Supervisor, senior management officer, or a shareholder holding 5% or more of our Shares sells any Shares within six months after buying the same, or buys any Shares within six months after selling the same, the profit realized therefrom shall belong to the Company and the Board shall recover such earnings. However, this six-month restriction shall not apply to any sale of Shares by a securities firm holding 5% or more of the Company's Shares as a result of it having underwritten and purchased Shares not sold pursuant to an offering, or to other circumstances as prescribed by the CSRC.

Rules Relating to Mandatory Takeover Bids and/or Squeeze-out and Sell-out in Relation to Shares

Pursuant to the Measures for the Administration of Acquisition of Listed Companies promulgated by the CSRC and last amended in March 2020 (the "**PRC Takeover Rules**"), any person (the "**offeror**") who holds, controls or beneficially owns 30% or more of the shares in a company listed in the PRC (including our Company) and who wishes to further acquire additional shares in the listed company must (unless a waiver is granted by the CSRC or an exemption is available) do so through a tender offer to all other shareholders of the listed company to purchase:

- all or a specified percentage of their shares in the listed company, if the offeror is a direct shareholder of the listed company; or

- all their shares, if the offeror indirectly controls or holds the beneficial ownership of its existing shares through investments, agreements or other arrangements.

The offeror shall notify the target company, publish a takeover alert, and prepare and publish a tender offer report.

Pursuant to the PRC Takeover Rules, shares proposed to be purchased through a tender offer shall be no less than 5% of the outstanding shares of the listed company. The offeror shall treat all shareholders of the listed company equally, and the offer price shall be no less than the highest price the offeror has paid for the acquisition of the shares in the same listed company during the six months prior to its publication of the takeover alert. Unless there is a competing tender offer to acquire the same listed company, the offer period shall be no less than 30 days and no more than 60 days, during which the offeror may not cancel the tender offer. The Offeror may not, after the publication of the takeover alert and up to the expiry of the offer period, sell any shares in the listed company, or purchase any shares in the listed company through any other means. Any competing tender offer to acquire the same listed company must be made prior to the 15th day prior to the end of the offer period. Unless there is a competing tender offer to acquire the same listed company, the offeror may not change the terms of the tender offer during the last 15 days of the offer period.

If an offeror cancels the proposed tender after the publication of a takeover alert and prior to the publication of the tender offer report, such offeror may not acquire the same listed company within the 12 months thereafter.

Any shareholder may indicate its acceptance of the tender offer during the offer period, which may be withdrawn up to the third trading day prior to the end of the offer period. The shareholder who has indicated its acceptance of the tender offer may not transfer its shares unless such indication is withdrawn.

Major Shareholder Transactions

Pursuant to Several Provisions on the Stock-selling by Shareholders, Directors, Supervisors and Senior Management of Listed Companies promulgated by CSRC and effective in May 2017 and the Notice on Promulgation of the Implementing Rules of the Shenzhen Stock Exchange for the Sale of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies promulgated by Shenzhen Stock Exchange and effective in May 2017, a major shareholder of a listed company who plans to sell stocks through call auction on a stock exchange shall, 15 trading days prior to the initial sale, report to the relevant stock exchange and disclose the stock-selling plan in advance, which shall be recorded by the stock exchange. Within the time interval of stock-selling disclosed in advance, a major shareholder shall disclose the progress of stock-selling in accordance with the provisions of the relevant stock exchange. After the completion of the implementation of the stock-selling plan, a major shareholder shall, within two trading days, report to the relevant stock exchange and release an announcement; within the time interval disclosed in advance, where stock-selling is not implemented or the stock-selling plan has not been completely implemented, the major shareholder shall, within two trading days upon expiration of the time interval of stock-selling, report to the relevant stock exchange and release an announcement. The total stocks sold by a major shareholder of a listed company through call auction on a stock exchange within three months shall not exceed 1% of the total stocks of the company.

Where stocks are sold through transfer by agreement, leading to the loss of the transferor's status as a major shareholder of a listed company, the transferor and the transferee of the stocks shall continue to abide by restrictions hereof within six months after the stock-selling.

Where a major shareholder or a specific shareholder sells shares by way of bulk trading, the total of shares sold in any consecutive 90 natural days shall not exceed 2% of the total shares of the relevant company. The transferees involved in the aforesaid trading shall not transfer the shares transferred to them within six months after the transfer.

Management Transactions

According to PRC laws and regulations, where there is any change in shareholding of the Company by a Director, Supervisor, or senior management member of the Company, he or she shall, within two trading days upon occurrence of the change, report to the Company and make an announcement on the website of the Shenzhen Stock Exchange. Such announcement shall include: (1) the number of shares in the Company held at the end of the previous year; (2) the date, number, and transaction price of each change in shareholding since the end of the previous year to the relevant change; (3) the number of shares held before the relevant change; (4) the date, number, and transaction price of shares involved in the relevant change; (5) the number of shares held after the relevant change; and (6) other matters required to be disclosed by the Shenzhen Stock Exchange.

See also "*SIX Swiss Exchange—Directive on Disclosure of Management Transactions*."

Foreign Investment and Exchange Control Regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, the Islamic Republic of Iran, Yemen, Libya, Sudan, the Republic of South Sudan, Burundi, the Democratic Republic of Congo, Somalia, Guinea-Bissau, Syria, Myanmar (Burma), Zimbabwe, Belarus, Guinea, the Democratic People's Republic of Korea (North Korea), the Central African Republic, the Republic of Mali, Venezuela, Nicaragua, persons and organizations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban, and certain measures in connection with the prevention of circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

The following terms and conditions, subject to completion and amendment and excepting sentences in italics, will apply to the global depositary receipts and will be endorsed on each global depositary receipt certificate.

The Global Depositary Receipts (i) offered and sold outside the United States (the "**Regulation S GDRs**") and (ii) offered and sold in the United States (the "**Rule 144A GDRs**" and together with the Regulation S GDRs, the "**GDRs**"), are issued in respect of the A shares, each having a par value of RMB1.00 (the "**Shares**") of Lepu Medical Technology (Beijing) Co., Ltd., a joint stock company established under the laws of the People's Republic of China with limited liability (the "**Company**"), with one GDR issued in respect of five Shares, pursuant to and subject to the deposit agreement dated September 15 2022, and made between the Company and Deutsche Bank Trust Company Americas, with its principal office at 1 Columbus Circle, New York, NY 10019, US, as depositary (the "**Depositary**") (such agreement, as amended from time to time, being hereinafter referred to as the "**Deposit Agreement**").

Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed Industrial and Commercial Bank of China Limited, as Custodian (as defined below) to receive and hold on its behalf, as nominee, the Shares and any certificates issued in respect of such Shares (the "**Deposited Shares**") and all and any rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by such Holder are issued. In these terms and conditions (the "**Conditions**"), references to the "**Depositary**" are to Deutsche Bank Trust Company Americas, and/or any other Depositary which may from time to time be appointed under the Deposit Agreement, references to the "**Custodian**" are to Industrial and Commercial Bank of China Limited, or any other Custodian from time to time appointed under the Deposit Agreement and references to the "**Main Office**" mean, in relation to the Custodian, its office at No. 55 Fuxingmennei Street, Xicheng District, Beijing, 100140, PRC (or such other office as from time to time may be designated by the Custodian or Custodians with the approval of the Depositary).

References in these Conditions to the "**Holder**" of any GDR shall mean the person registered as holder of any GDR on the books of the Depositary maintained for such purpose (the "**Register**"). References in these Conditions to "**Beneficial Owner**" of any GDR shall mean any person who is the beneficial owner of GDRs as determined in accordance with Rule 13d-3 and Rule 13d-5 under the Exchange Act. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificate in respect of the GDRs (each a "**GDR Certificate**"). Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary and at the Main Office of the Custodian. Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner, to have notice of and be subject to all of the applicable provisions of the Deposit Agreement, and shall become bound by these Conditions and the Deposit Agreement upon becoming a Holder or Beneficial Owner of GDRs. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. **Holders and Beneficial Owners of GDRs are not parties to the Deposit Agreement which specifically disallows application of the Contracts (Rights of Third Parties) Act 1999 (except as set out in Clauses 9.1 and 13.4 of the**

Deposit Agreement) and thus, under English Law, have no contractual rights against, or obligations to, the Company or the Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and were the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he or she is the Holder relate.

*GDRs will initially take the form of global GDRs evidenced by one or more Master GDR Certificates (each a "**Master GDR Certificate**") registered (i) in the case of the Regulation S GDRs, in the name of BT Globenet Nominees Limited, as nominee of Deutsche Bank AG, London Branch, as common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") and for the account of accountholders in Euroclear or Clearstream and (ii) in the case of Rule 144A GDRs, in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") for the account of accountholders in DTC.*

If at any time DTC, Euroclear or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the GDRs, the Company and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available GDR Certificates in definitive registered form.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. Each GDR will contain a legend to the foregoing effect.

For a description of the restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions—Transfer Restrictions" and "Offering and Sale."

1. DEPOSIT OF SHARES AND OTHER SECURITIES

(a) After the initial deposit of Shares in connection with the initial offering, unless otherwise agreed by the Depositary and the Company and permitted by applicable law, only the following may be deposited under the Deposit Agreement in respect of such GDR:

(i) Shares issued as a dividend or free distribution on Deposited Shares pursuant to Condition 5;

(ii) Shares subscribed for or acquired by Holders and Beneficial Owners from the Company through the exercise of rights distributed by the Company to such persons in respect of Deposited Shares pursuant to Condition 7;

(iii) securities issued by the Company to the Holders and Beneficial Owners in respect of Deposited Shares as a result of any sub-division, consolidation or other reclassification of Deposited Shares or otherwise pursuant to Condition 10. References in these Conditions to "Deposited Shares" or "Shares" shall include any such securities, where the context permits; and

(iv) (to the extent permitted by applicable law and regulation) any other Shares in issue from time to time.

For so long as the Shares are held in dematerialised form and registered with the China Securities Depository and Clearing Co., Ltd., which acts as the book-entry securities registry system for securities of publicly traded companies in the PRC (the "**CSDC**"), "Shares" to be delivered or deposited with the Custodian shall mean the delivery or deposit of Shares to the account maintained by the Custodian at the CSDC in the name of the Depositary.

(b) The Depositary will issue GDRs in respect of Shares accepted for deposit under this Condition. Under the Deposit Agreement, the Company must inform the Depositary if any Shares issued by it which may be deposited under this Condition do not, by reason of the date of issue or otherwise, rank *pari passu* in all respects with the other Deposited Shares. Subject to the provisions of Conditions 5, 7 and 10, if the Depositary accepts such Shares for deposit it will arrange for the issue of temporary GDRs in respect of such Shares which will form a different class of GDRs from the other GDRs until such time as the Shares which they represent become fully fungible with the other Deposited Shares.

(c) The Depositary will refuse to accept Shares for deposit whenever it is notified in writing by the Company that the Company has restricted the transfer of such Shares to comply with ownership restrictions under applicable PRC law or that such deposit would result in any violation of any applicable PRC laws or governmental or stock exchange regulations. The Depositary may also refuse to accept Shares for deposit in certain other circumstances as set out in the Deposit Agreement.

(d) Notwithstanding anything else contained in the Deposit Agreement to the contrary, the Depositary shall not be required to accept for deposit or maintain on deposit with the Custodian (a) any fractional Deposited Property, or (b) any number of Shares or Deposited Property which, upon application of the ratio of Regulation S GDRs to Deposited Property with respect to such Regulation S GDRs, or, upon application of the ratio of Rule 144A GDRs to Deposited Property with respect to such Rule 144A GDRs, would give rise to fractional GDRs.

(e) No Shares shall be accepted for deposit unless accompanied by certifications and agreements and other evidence, if and to the extent required by the Depositary, that is satisfactory to the Depositary and the Custodian in their discretion that all conditions to the making and acceptance (as the case may be) of such deposit and the issuance of GDRs against such deposit have been satisfied under the laws and regulations of the PRC and any necessary registration, filing, notification, permit, license and approval has been made with or granted by any state authority in the PRC (which may include an opinion of counsel reasonably satisfactory to the Depositary provided at the cost of the person seeking to deposit Shares). The Company shall notify the Depositary of any threshold or limit that restricts the number of GDRs that can be issued or the number of Shares that can be deposited into a Facility, in each case as required pursuant to the Constitutive Documents (as defined below) or any applicable law, directive, regulation or permit (each such threshold or limit, a "**GDR Cap**") and shall instruct the Depositary not to accept for deposit hereunder any Shares if such deposit would result in a GDR Cap being exceeded, specifying in such instruction the maximum amount of Shares as may be accepted for deposit under the applicable GDR Cap. The Company shall notify the Depositary on an ongoing basis of any change in a GDR Cap, including as a result of any change in the number of outstanding Shares and/or in the memorandum and Articles of Association of the Company, as may be amended from time to time (the "**Constitutive Documents**") or any applicable law, directive, regulation or permit in relation to such GDR Cap.

(f) Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement (a) any Shares or other Deposited Property required to be registered pursuant to the provisions of the Securities Act, unless a registration statement under the Securities Act is in effect as to such Shares or other Deposited Property, (b) any Shares or Deposited Property the deposit of which would violate any provisions of the Constitutive Documents, or (c) any Shares or Deposited Property which, if accepted for deposit under the Deposit Agreement, exceed the maximum amount as may be accepted for deposit under a GDR Cap, as communicated to the Depositary by the Company in writing under Condition 1(e) above; provided that neither the Company nor the Depositary nor any of their affiliates shall have any liability to any Holder or Beneficial Owner in the event that the Depositary shall fail to comply with the requirements of these sub-clauses (a), (b) and (c). For purposes of the foregoing sentence, the Depositary shall be entitled to rely upon representations and warranties made or deemed made pursuant to the Deposit Agreement and the written instructions of the Company and shall not be required to make any further investigation. The Depositary will (i) comply with written instructions of the Company (received by the Depositary reasonably in advance), including any instructions regarding any GDR Cap, not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws of any jurisdiction and/or any other applicable law or regulation (including but not limited to any anti-money laundering and "know your customer" requirements) and/or (ii) after prior consultation with the Company, take such steps as the Depositary deems are necessary or desirable to remedy the consequences of any applicable thresholds or limits being exceeded (including any GDR Cap) and to comply with any such law, directive or regulation, including without limitation, causing *pro rata* cancellation of GDRs and withdrawal of Shares or other Deposited Property or selling or otherwise disposing of Shares underlying the GDRs to the extent necessary or desirable to so comply with any such law, directive, or regulation or permit (including, but not limited to, any GDR Cap). The Depositary shall have no liability for any actions taken or not taken in accordance with this Condition 1(f).

(g) Holders and Beneficial Owners shall make all necessary notifications or filings and shall obtain, maintain, extend or renew all necessary approvals to, with or from state authorities in the PRC, and shall take all such other actions, as may be required to remain at all times in compliance with applicable rules and regulations of the PRC.

(h) In its capacity as Depositary, the Depositary shall not (and shall not instruct the Custodian to) sell, convey, assign, lend or create any security interest over Shares or other Deposited Property held hereunder or GDRs.

(i) Each person depositing Shares pursuant to the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, non-assessable, and legally obtained by such person, (ii) all pre-emptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do and has fulfilled all requirements of applicable law or regulation with respect to the Shares or the deposit thereof against the issuance of GDRs, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit have not been stripped of any rights or entitlements, (vi) in the case of Shares to be represented by Regulation S GDRs, the Shares presented for deposit are not "restricted securities" (within the meaning of Rule 144), except in the case of a deposit of Shares by affiliates of the Company contemplated by the terms of Clause 3.2(b)(ii)(b) of the Deposit Agreement, and the Regulation S GDRs delivered upon issuance will not be "restricted securities" (within the meaning of Rule 144), (vii) such Shares are not subject to any unfulfilled requirements of applicable law or regulation, and (viii) except with respect to any deposit by an affiliate permitted in the Deposit Agreement, such person is not and shall not become at any time while such person holds GDRs or any beneficial interest therein, an affiliate of the Company. Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof. Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreement shall be deemed thereby to acknowledge that the GDR Certificates, the GDRs evidenced thereby and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, transfer or surrender and withdrawal of the Shares or the GDR Certificates or any beneficial interest therein.

(j) On and subject to these Conditions and the terms and conditions set out in the Deposit Agreement and to the extent permitted by applicable law, the Depositary will accept for deposit any Shares so deposited hereunder pursuant to this Condition 1 upon: (i) delivery to the Custodian of Shares accompanied by such instruments and other documents, if any, as are required for the transfer of the relevant Shares to the Depositary or its nominees in each case by book-entry transfer to the Custodian accompanied by any appropriate instrument or instruments of transfer or endorsement, as set out in Clause 3.2(a) of the Deposit Agreement; (ii) physical or electronic delivery to the Depositary of the applicable deposit certification; (iii)

delivery of evidence satisfactory to the Depositary, acting reasonably, that all conditions to such deposit have been satisfied by the person depositing such Shares under PRC law and regulations; (iv) delivery of evidence satisfactory to the Depositary, acting reasonably, that any necessary approval for such deposit has been granted by any appropriate governmental agency in the PRC and in accordance with the Constitutive Documents; (v) payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreement and fees, costs, expenses and other charges of the Depositary as set forth in Clause 13 of the Deposit Agreement and Condition 16 hereof; (vi) delivery of a duly executed notice containing instructions for delivery of a GDR Certificate at the specified office of the Depositary or for crediting interests in a Master GDR to the account of a specified participant in DTC, Clearstream, Luxembourg or Euroclear, as the case may be; and (vii) compliance with such reasonable regulations, if any, as the Depositary and the Company may establish consistent with the provisions of the Deposit Agreement.

In the case of a deposit by a person other than the Company or an affiliate of the Company, the relevant Regulation S or Rule 144A deposit certificate to be provided pursuant to the Deposit Agreement certifies, among other things, that the person providing such certificate is not an "affiliate" of the Company, and either (i) in the case of the Regulation S GDRs, has acquired, or has agreed to acquire and will have acquired, the Shares to be deposited in an "offshore transaction" (as defined in Regulation S) and will comply with the restrictions on transfer applicable to Regulation S GDRs set forth under "Selling and Transfer Restrictions." or (ii) in the case of the Rule 144A GDRs, is a "Qualified Institutional Buyer" (as defined in Rule 144A), and will comply with the restrictions on transfer applicable to Rule 144A GDRs set forth under "Selling and Transfer Restrictions."

2. WITHDRAWAL OF DEPOSITED PROPERTY

(a) Subject as set out in this Condition 2, any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may reasonably require at the specified office of the Depositary or any Agent accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder and only if permitted by applicable law from time to time) at the specified office from time to time of the Depositary or any Agent to, or to the order in writing of, the person or persons designated in such order and a duly executed and completed certificate substantially in the form set out in Schedule 3, Part C, to the Deposit Agreement (or an electronic certification through the applicable clearing system in lieu of such executed certification) by or on behalf of each person who will be the Beneficial Owner of the Deposited Property to be delivered in respect of the Regulation S GDRs and Schedule 4, Part C, to the Deposit Agreement (or an electronic certification through the applicable clearing system in lieu of such executed certification) by or on behalf of each person who will be the Beneficial Owner of the Deposited Property to be delivered in respect of the Rule 144A GDRs (the certificates in Part C of Schedule 3 and Part C of Schedule 4 may be modified in a manner not inconsistent with the provisions of the Deposit Agreement as may be reasonably required by the Depositary in order for the Depositary to perform its duties under the Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any

securities exchange, market or automated quotation system upon which the GDRs issued hereunder may be listed or to conform with any usage with respect thereto or any book-entry system by which GDRs issued hereunder may be transferred, or to indicate any special limitations or restrictions to which any particular GDRs are subject by reason of the date of issuance of the underlying Deposited Property or otherwise);

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement; and

(iii) the surrender (if appropriate) of GDR Certificates in definitive registered form to which the Deposited Property being withdrawn is attributable.

(b) GDR Certificates for withdrawn Deposited Shares will contain such legends, and withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws.

The Company's board of directors may in certain circumstances refuse to register the transfer of Deposited Shares from the name of the Depositary or its nominee.

(c) Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (a) of this Condition, the Depositary will direct the Custodian by facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its specified office to, or to the order in writing of, the person or persons designated in the accompanying order:

(i) a certificate for the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid;

provided that the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(iii) will direct the Custodian to deliver the certificates for, or other instruments of title to, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraph (c)(i) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its Agent and is attributable to such Deposited Shares); and/or

(iv) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied by such instruments of transfer in blank or to the person or persons specified in such order and such other documents, if any, as are required by law for the transfer thereto),

in each case to the specified office from time to time of the Depositary or, if any, any Agent as designated by the surrendering Holder in such accompanying order as aforesaid.

(d) Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

(e) Subject as set out above, upon request by any Holder in accordance with this Condition 2 for withdrawal of Deposited Property and upon compliance therewith, the Depositary shall make (and forthwith notify the Custodian and the Company of) such arrangements for delivery or collection thereof as soon as practicable to, or to the order in writing of, the person or persons specified in the order for withdrawal, provided that the Depositary shall not (except on the instruction of the Company) make arrangements for such delivery or collection at any time the Register is closed. For the avoidance of doubt, in the absence of any such notification from the Company, the Depositary is not under any obligation to refuse delivery for any reason and the Depositary shall not be liable for any loss, damage or other consequences arising from any such delivery. The Depositary shall only be obliged to deliver Shares or other Deposited Property to the extent that Shares or such other Deposited Property are then held by the Custodian or the Depositary or by their respective agents pursuant to the provisions of these Conditions.

Neither the Depositary nor the Custodian shall deliver Shares, by physical delivery, book entry or otherwise (other than to the Company or its agent as contemplated by Condition 1), or otherwise permit Shares to be withdrawn from the relevant GDR facility, except upon the receipt and cancellation of GDRs or as set out in Condition 1(j). Notwithstanding the foregoing, each Holder or Beneficial Owner of GDRs acknowledges that at any time the Company maintains an unrestricted depositary receipt facility with respect to the Shares in the United States, each of the Depositary and the Custodian may agree that, neither the Custodian nor the Depositary will make any actual delivery of Shares to any Holder or Beneficial Owner at an address within the United States.

(f) The Depositary may refuse to deliver Deposited Property generally, or in one or more localities, if such refusal is deemed necessary or desirable by the Depositary, in good faith, at any time or from time to time because of any requirement of law or of any government or governmental authority, body or commission, or under any provision of these Conditions or for any other reason, and will ensure that the Deposited Property comprises at least one Share until such time as all the GDRs are cancelled.

(g) No surrender of GDR Certificates for the purpose of withdrawal of Deposited Property shall be accepted unless accompanied by evidence satisfactory to the Depositary that all necessary filings applicable to the Holder(s) or Beneficial Owner(s) of the GDRs surrendered (if any) have been made and approvals have been obtained (or in each case, have been properly waived) under the laws of the PRC.

(h) The Depositary shall refuse to accept the surrender of GDR Certificates for the purpose of withdrawal of Deposited Property within the 120 days following the date of listing of the depositary receipts or such other period as is deemed necessary by the Depositary to comply with the requirements of the Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges published by the CSRC on 11 February 2022 (the "**DR Provisions**").

(i) Notwithstanding anything to the contrary in the Deposit Agreement or the Conditions, the Depositary shall not knowingly accept any Rule 144A GDRs for cancellation and withdrawal of the Deposited Property represented thereby if the recipient thereof has instructed the deposit of such Deposited Property into any unrestricted depositary receipt facility, unless the Depositary shall have received an opinion of counsel satisfactory to it stating that the Deposited Property so withdrawn are not at such time "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

3. TRANSFER AND OWNERSHIP; RESTRICTIONS ON OR SUSPENSION OF TRANSFER

The GDRs are in registered form. Title to the GDRs passes by registration in the Register and, accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary may refuse to accept for transfer any GDR in accordance with this Condition 3 and will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in either (i) a violation of applicable laws, or (ii) a person being required by the Constitutive Documents or applicable law to make an offer to acquire all of the outstanding Shares or GDRs of the Company, in which case the Depositary shall notify the Company as soon as reasonably practicable and the Company reserves the right to instruct the relevant Holder(s) and Beneficial Owner(s) to deliver their GDRs for cancellation and withdrawal of the Deposited Property, so as to permit the Company to deal directly with them as holders of Shares, and the Holders and Beneficial Owners agree to comply with such instructions. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary, the Custodian, each Agent and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The registration of transfer of GDRs may be refused during any period when the transfer books of the Depositary, the Company or a Registrar are closed, or if any such action is deemed necessary or advisable by the Company or the Depositary, in good faith, at any time or from time to time because of any requirement of the Constitutive Documents, applicable law, any government or governmental body or commission or any securities exchange on which the GDRs or Shares are listed, or under any provision of the Deposit Agreement, these Conditions or the provisions of, or governing, the Deposited Property, or any meeting of shareholders of the Company or for any other reason.

The Company or the Depositary may also restrict certain transfers, close the Depositary's books to deposits, or take such steps as are necessary or desirable where such transfer or deposit might result in exceeding certain limits applicable to the Shares or in certain other instances, as set out in Conditions 28(d) and 1(h), respectively.

The Depositary will refuse to accept Shares for deposit to be represented by Rule 144A GDRs, if it has been notified by the Company in writing that the Deposited Shares or any depositary receipts corresponding to Shares are listed on a US national securities exchange or quoted on a US automated inter-dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A under the Securities Act.

For a description of further restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions."

4. CASH DISTRIBUTIONS

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property in a currency other than United States dollars, the Depositary, its Agent or Custodian shall as soon as practicable convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 24, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11, provided that:

(i) if the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(ii) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16(a)(iv) or (v), as the case may be.

5. DISTRIBUTIONS OF SHARES

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend in, or free distribution or bonus issue of, Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such dividend or distribution by an increase in the number of GDRs evidenced by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, owing to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall sell such Shares so received (either by public or private sale and otherwise at its discretion, subject to applicable laws and regulations) and distribute the resulting net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. DISTRIBUTIONS OTHER THAN IN CASH OR SHARES

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; provided that, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof in such manner as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale of the securities or property so received, or any part thereof (either by public or private sale and otherwise at its discretion, subject to applicable laws and regulations), and shall (in the case of a sale) distribute the resulting net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. RIGHTS ISSUES

(a) If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders in accordance with Condition 24 of such offer or invitation specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specify details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

(i) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and, to the extent that it is so satisfied, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in United States dollars or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and in the case of Shares so subscribed or acquired to distribute them to the Holders entitled thereto by an increase in the numbers of GDRs evidenced by the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(ii) if, at its discretion, the Depositary shall be satisfied that it is lawful and reasonably practicable and to the extent that it is so satisfied, the Depositary shall distribute such securities or other assets by way of rights or the rights themselves to the Holders entitled thereto in proportion to the number of Deposited Shares represented by the GDRs held by them respectively in such manner as the Depositary may at its discretion determine; or

(iii) if and in so far as the Depositary is not satisfied that any such arrangement and distribution to all or any Holders is lawful and reasonably practicable (including, without limitation, owing to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or is so satisfied that it is unlawful, the Depositary will, provided that Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to applicable laws and regulations and the Depositary shall, to the extent reasonably practicable, consult the Company in relation to the manner and terms of any such sale prior to such sale) and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto, except to the extent prohibited by applicable law.

(b) If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in (i), (ii) or (iii) above the Depositary shall permit the rights to lapse. In the absence of its own wilful default, bad faith or gross negligence the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to Holders or owners of GDRs in general or to any Holder or owner of GDRs in particular.

(c) The Company has agreed in the Deposit Agreement that it will, unless prohibited by any applicable law or regulation, give its consent to, and, if requested, use its reasonable endeavours (subject to the next paragraph) to facilitate any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 5, 6, 7 or 10.

(d) If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 5, 6, 7 or 10 or the securities to which such rights relate, in order for the Depositary to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities represented by such rights, the Depositary will not offer such rights or distribute such securities or other property to Holders or sell such rights unless and until the Company procures at the Company's expense, the receipt by the Depositary of an opinion from counsel satisfactory to the Depositary that the necessary registration has been effected or that the offer and sale of such rights, securities or property to Holders or beneficial owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and neither the Depositary nor the Company shall be liable for any losses, damages or expenses resulting from any failure to do so.

8. CONVERSION OF FOREIGN CURRENCY

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or financial institution, by sale or in any other manner that it may determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary, with the assistance of the Company, shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may consider desirable. If at any time the Depositary shall determine that in its judgment any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency (without liability to any person for interest thereon) for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may in its absolute discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance on non-interest bearing accounts for the account of, the Holders entitled thereto and notify the Holders accordingly.

9. DISTRIBUTION OF ANY PAYMENTS

(a) Any distribution of cash under Conditions 5, 6, 7 or 10 will be made by the Depositary to those Holders who are Holders of record on the record date established by the Depositary for that purpose (which shall be the same date as the corresponding record date set by the Company or as near as practicable to any record date set by the Company) for that purpose and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 24, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDR, according to usual practice between the Depositary and DTC, Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or Euroclear Bank S.A./N.V. ("**Euroclear**"), as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law in respect of such GDR or the relevant Deposited Property.

(b) Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holder on the record date established by the Depositary for that purpose (which shall be the same date as the corresponding record dates set by the Company or as near as practicable thereto), subject to any laws or regulations applicable thereto. If any distribution of cash or other property made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of 12 years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company, which remains unclaimed for such period as aforesaid, when the Depositary shall retain the same) return the same to the Company for its own use and benefit.

10. CAPITAL REORGANISATION

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital or upon any takeovers reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders in accordance with Condition 24 and, at its discretion, may treat such event as a distribution and comply with the relevant provisions of Conditions 5, 6, and 9 with respect thereto or may execute and deliver additional GDRs in respect of Shares or may call for the surrender of outstanding GDRs to be exchanged for new GDRs which reflect the effect of such change or to be stamped in the appropriate manner so as to indicate the new number of Shares and/or the new securities evidenced by such outstanding GDRs or may adopt more than one of these courses of action.

11. TAXATION AND APPLICABLE LAWS

(a) Payments to Holders of dividends or other distributions or payments made to Holders on or in respect of the Deposited Shares will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates. In making such deductions, the Company shall have no obligation to any Holder to apply a rate under any treaty or other arrangement in effect between the PRC and the country within which the Beneficial Owner of GDRs is resident.

(b) If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the PRC in order for the Depositary to receive from the Company Shares or other rights, securities, property and cash to be deposited under the Conditions or in order for Shares, other securities or other property and cash to be distributed or otherwise dealt with under Conditions 5, 6, or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company, to the extent permitted by applicable law, shall apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such law. In this connection, the Company has undertaken in the Deposit Agreement, to the extent reasonably practicable and does not involve unreasonable expense to the Company, to take such action as may be required in obtaining or filing the same. The Depositary

shall not distribute the GDRs, Shares, other securities or other property or cash to be deposited under the Conditions or make any offer of any such rights or sell any securities represented by any such rights with respect to which it has been informed in writing that such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain (but shall, where assistance is reasonably requested by the Company and such assistance does not require the Depositary to take any action in a capacity other than its capacity as Depositary, at the expense of the Company, make reasonable endeavours to assist the Company to obtain) any such authorisation, consent, registration or permit or to file any such report except in circumstances where the same may only be obtained or filed by the Depositary, at the expense of the Company, without, in the opinion of the Depositary, unreasonable burden.

(c) **IN PERFORMING ITS OBLIGATIONS UNDER THE DEPOSIT AGREEMENT AND THESE CONDITIONS, THE DEPOSITARY IS ACTING AS AGENT ON BEHALF OF THE COMPANY. BY VIRTUE OF ITS OWNERSHIP OF ANY GDR OR DEPOSIT OF ANY DEPOSITED PROPERTY, EACH HOLDER AND BENEFICIAL OWNER SHALL BE DEEMED TO ACCEPT (BY VIRTUE OF HIS OR HER OWNERSHIP OR DEPOSIT, AS THE CASE MAY BE) THAT, IF ANY PRESENT OR FUTURE TAX OR OTHER GOVERNMENTAL CHARGE SHALL BECOME PAYABLE BY THE DEPOSITARY OR THE CUSTODIAN WITH RESPECT TO ANY GDR OR ANY DEPOSITED PROPERTY, SUCH TAX OR OTHER GOVERNMENTAL CHARGE SHALL BE PAYABLE BY THE HOLDERS AND BENEFICIAL OWNERS TO THE DEPOSITARY AND SUCH HOLDERS AND BENEFICIAL OWNERS SHALL BE DEEMED LIABLE THEREFOR AND COVENANT TO PAY THE DEPOSITARY AN AMOUNT EQUAL TO ANY SUCH LIABILITY SUFFERED OR INCURRED BY THE DEPOSITARY. THE DEPOSITARY SHALL NOT INCUR ANY LIABILITY FOR ANY TAX CONSEQUENCES THAT MAY BE INCURRED BY HOLDERS AND BENEFICIAL OWNERS ON ACCOUNT OF THEIR OWNERSHIP OF THE GDRS, INCLUDING WITHOUT LIMITATION, TAX CONSEQUENCES RESULTING FROM THE COMPANY BEING TREATED AS A "PASSIVE FOREIGN INVESTMENT COMPANY" (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME, AND THE REGULATIONS ISSUED THEREUNDER) OR OTHERWISE. BY VIRTUE OF ITS OWNERSHIP OF ANY GDR OR DEPOSIT OF ANY DEPOSITED PROPERTY, EACH HOLDER AND BENEFICIAL OWNER SHALL BE DEEMED TO AGREE TO INDEMNIFY THE DEPOSITARY, THE COMPANY, THE CUSTODIAN AND ANY OF THEIR RESPECTIVE DIRECTORS, EMPLOYEES, AGENTS AND AFFILIATES AGAINST, AND HOLD EACH OF THEM HARMLESS FROM, ANY CLAIMS BY ANY GOVERNMENTAL AUTHORITY WITH RESPECT TO TAXES, ADDITIONS TO TAX, PENALTIES OR INTEREST ARISING OUT OF ANY REFUND OF TAXES, REDUCED RATE OF WITHHOLDING AT SOURCE OR OTHER TAX BENEFIT OBTAINED. THE DEPOSITARY IS UNDER NO OBLIGATION TO PROVIDE THE HOLDERS AND BENEFICIAL OWNERS WITH ANY INFORMATION ABOUT THE TAX STATUS OF THE COMPANY. NONE OF THE DEPOSITARY, THE CUSTODIAN OR THE COMPANY SHALL BE**

LIABLE FOR THE FAILURE BY ANY HOLDER OR BENEFICIAL OWNER TO OBTAIN THE BENEFITS OF CREDITS ON THE BASIS OF NON U.S. TAX PAID AGAINST SUCH HOLDER'S OR BENEFICIAL OWNER'S INCOME TAX LIABILITY.

(d) Unless otherwise required by law, all payments to the Depositary under Condition 11(c) shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of, any present or future taxes, levies, imports, duties, fees, assessments or other charges of whatever nature, imposed by the PRC or by any department, agency or other political subdivision or taxing authority thereof or therein and all interest, penalties or similar liabilities with respect thereto ("**Taxes**"). If any Taxes are required by law to be deducted or withheld in connection with any such payment, the payor will increase the amount paid so that the full amount of such payment is received and retained by the Depositary as if no such deduction or withholding had been made. In addition, the relevant payor agrees to indemnify and hold the Depositary harmless against any Taxes which it is required to pay in respect of any amount paid by the payor under Condition 11(c).

12. VOTING RIGHTS

The Depositary will exercise the voting rights attached to Deposited Shares only in accordance with this Condition 12 and the Deposit Agreement.

(a) The Company will notify the Depositary of any meeting at which the holders of Shares or other Deposited Properties are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Property, and the Depositary shall fix the record date in respect of such meeting or solicitation of consent or proxy. As soon as practicable after receipt from the Company of such notice, the Depositary shall, if requested by the Company in writing and at the Company's expense and provided no U.S. legal prohibitions, Swiss legal prohibitions (including, without limitation, the listing rules and other rules and regulations applicable to issuers with securities listed on SIX Swiss Exchange Ltd ("**SIX Swiss Exchange**") in accordance with its Standard for Depository Receipts) or PRC legal prohibitions against such action exist, mail by regular, ordinary mail delivery (or by electronic mail or as otherwise may be agreed between the Company and the Depositary in writing from time to time) or otherwise, distribute to Holders as of the record date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business in New York on a specified record date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Constitutive Documents and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarised in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Property represented by such Holder's GDRs, and (c) a brief statement as to the manner in which such voting instructions may be given. Voting instructions may be given only in respect of a number of GDRs representing an integral number of Shares or other Deposited Property. The Company may, in accordance with Condition 28(b), instruct the Depositary by notice in writing as to the suspension of voting rights, if any, pertaining to the Shares or other Deposited Property relating to a Holder's GDRs, and the Depositary shall not vote nor cause the Custodian to vote (and the Holder shall be deemed to have instructed the Depositary not to vote) any Shares or Deposited Property in relation to which such an instruction

is received. Subject to the foregoing, upon the timely receipt from a Holder of GDRs as of the record date of voting instructions in the manner specified by the Depositary, the Depositary shall use its reasonable endeavours, insofar as practicable and permitted under applicable law, the provisions of these Conditions, the Constitutive Documents and the provisions of the Deposited Property, to vote or cause the Custodian to vote the Shares and/or other Deposited Property (in person or by proxy) represented by such Holder's GDRs in accordance with such instructions.

(b) Neither the Depositary nor the Custodian shall, under any circumstances, exercise any discretion as to voting, vote any number of Shares other than an integral number thereof or vote Shares in a manner that would be inconsistent with any applicable law, and neither the Depositary nor the Custodian shall vote or attempt to exercise the right to vote or in any way make use of for purposes of establishing a quorum or otherwise the Shares or other Deposited Property represented by GDRs except pursuant to and in accordance with instructions from Holders. Moreover, neither the Depositary nor the Custodian shall, on behalf of, or at the initiative of, a Holder of a GDR, introduce proposals for the agenda of the Company's shareholders meeting, request that a meeting of holders of Shares be called or nominate candidates for the Company's board of directors without first receiving written consent from the Company to do so. Notwithstanding the timely receipt from a Holder of GDRs as of the GDR record date of voting instructions, if such voting instructions fail to specify the manner in which the Depositary is to vote the Deposited Property represented by such Holder's GDRs, the Depositary will deem such Holder to have instructed the Depositary not to vote the Deposited Property with respect to the items for which the Holder has failed to specify the manner in which the Depositary is to vote. Deposited Property represented by GDRs for which no specific voting instructions are received by the Depositary from the Holder shall not be voted.

The Company agrees to provide timely notice to the Depositary which will enable the timely notification of Holders as to any change in its Constitutive Documents resulting in limitations on the ability of the Depositary to vote a particular GDR according to the voting instructions received in regard to such GDR.

(c) Notwithstanding anything else contained in the Deposit Agreement, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Property if the taking of such action would violate U.S. legal prohibitions, Swiss legal prohibitions (including, without limitation, the listing rules and other rules and regulations applicable to issuers with securities listed on SIX Swiss Exchange in accordance with its Standard for Depository Receipts) or PRC legal prohibitions. The Company agrees that it shall not, except to the extent necessary (upon the advice of PRC legal counsel of reputable standing) to comply with applicable law in the PRC, establish internal procedures that would prevent the Depositary from complying with, or that are inconsistent with, the terms and conditions of Clause 7 of the Deposit Agreement.

(d) By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of Clause 7 of the Deposit Agreement as it may be amended from time to time in order to comply with applicable law.

13. DOCUMENTS TO BE FURNISHED, RECOVERY OF TAXES, DUTIES AND OTHER CHARGES

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may, for the account of the Holder, discharge the same out of the proceeds of sale on any stock exchange on which the shares may from time to time be listed and subject to PRC law and regulations, of an appropriate number of Deposited Shares (being an integral multiple of the number of Shares in respect of which a single GDR is issued) or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 24.

14. LIABILITY

(a) In acting hereunder, the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the owners of GDRs.

(b) None of the Depositary, the Custodian, the Company, nor any of their respective affiliates, agents, officers, directors or employees nor any Agent shall be obliged to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or these Conditions or shall incur any liability to any other of them or to any Holder or Beneficial Owner of a GDR or any other person (i) if, by reason of any provision of any present or future law or regulation of the United States, or any state thereof, Switzerland, the PRC or any other country or of any relevant governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of the interpretation or application of any such present or future law or regulation or any change therein or by reason of act of God or war or any other circumstances beyond its control (including without limitation, nationalisation, expropriation, currency restrictions, work stoppages, strikes, civil unrest, revolutions, rebellions, explosions and computer failure) or, in the case of the Depositary, the Custodian, any Agent or any of their respective affiliates, agents, officers, directors or employees or any Agent, by reason of any provision, present or future, of the Constitutive Documents, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, the Conditions or in the Constitutive Documents or provisions of or governing Deposited Property; (iii) for any action or inaction in reliance upon the advice or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorised representative thereof, or any other person believed by it in good faith to be competent to give such advice or information; (iv) for any consequential or punitive damages for any breach of the terms of the Deposit Agreement or these Conditions; or (v) for the inability by a Holder or Beneficial Owner of a GDR to benefit from any distribution, offering, right or other benefit which is made available

to holders of Deposited Property but is not, under the terms of the Deposit Agreement, made available to Holders of GDRs. None of them shall incur any liability to any Holder, owner of a GDR or person with an interest in a GDR for any non-performance or delay in performance, caused by reason of any exercise of, or failure to exercise any voting rights attached to the Deposited Shares or any failure to carry out any instructions to vote any of the Deposited Shares. Any such party may rely on (without further enquiry), and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic). The Depositary and its agents (including, without limitation, any Agent) shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that, in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without gross negligence, bad faith or wilful default while it acted as Depositary.

(c) None of the Depositary, the Custodian nor any Agent shall be liable (except for its own wilful default, bad faith or gross negligence or that of its agents, officers, directors or employees) to the Company or any Holder or owner of a GDR or any other person, by reason of having accepted as valid or not having rejected any document relating to Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

(d) The Depositary and each of its Agents (and any holding, subsidiary or associated company of the Depositary), may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commission and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or Beneficial Owners of GDRs or a person with an interest in a GDR, or any other person for any profit arising therefrom.

(e) The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 22 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own wilful default, bad faith or gross negligence or that of its officers, directors or employees or agents) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable. In the absence of its own wilful default, bad faith or gross negligence (or that of its officers, directors or employees or agents) the Depositary will not be responsible for any failure to determine that it may be lawful or practicable to make rights available to Holders in general or to any Holder in particular pursuant to Condition 7.

(f) The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property or for any tax consequences that may result from the ownership of GDRs, Shares or Deposited Property, for the creditworthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from the Company, or for any action or non action by it in reliance upon the opinion, advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder or any other person believed by it in good faith to be competent to give such advice or information.

(g) Neither the Company nor the Depositary shall, subject to all applicable laws, have any responsibility whatsoever to the other party hereto, any Holder or any owner of GDRs or a person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

(h) In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 23, be obliged to have regard to the consequence thereof for the Holders or Beneficial Owners of GDRs or any other person.

(i) Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

(j) Subject only to the provisions of Conditions 1(e) and 2(h), the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable law as the same may be amended from time to time.

(k) Notwithstanding any other provision of the Deposit Agreement, the Constitutive Documents and applicable law, each Holder and Beneficial Owner agrees to be bound by and subject to applicable provisions of PRC laws, the Constitutive Documents and the requirements of any markets or exchanges upon which the Shares or GDRs are listed or traded, or pursuant to any requirements of any electronic book-entry system by which the Shares or GDRs may be transferred, to the same extent as if such Holder and Beneficial Owner held Shares directly.

(l) The Depositary, the Custodian and their respective affiliates and agents (including, without limitation, any Agent) may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfer thereof. Any such advice, opinion, certificate or information may be sent or obtained by letter or facsimile transmission, and none of the Depositary, the Custodian and their respective affiliates and agents (including, without limitation, any Agent) shall be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter or facsimile transmission, whether or not liability in relation thereto is limited by reference to a monetary cap, methodology or otherwise, although (without the Depositary's actual knowledge) the same shall contain some error or shall not be authenticated.

(m) The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by any member of the board of directors of the Company or by a person reasonably believed to have been duly authorised by the board of directors of the Company or such other certificate from persons specified in Condition 14(j) which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence of or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

(n) Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with the performance or non-performance of or the exercise or attempted exercise of, or the failure to exercise, any of its powers or discretions under the Deposit Agreement, except to the extent that such loss or damage arises from its own wilful default, bad faith or gross negligence or that of its officers, directors or employees.

(o) No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity or security against such risk of liability is not assured to it.

(p) Subject to applicable law, the Depositary may, in the performance of its obligations hereunder instead of acting personally, employ and pay an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance satisfactory to it (such opinion to be obtained at the expense of the Company where agreed in the Deposit Agreement), to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Subject to applicable law, the Depositary shall not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent, provided that it has exercised reasonable care in the selection of any such agent.

(q) The Depositary may, subject to applicable law, having given prior notification to the Company, delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of these Conditions or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by these Conditions and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interest of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate, arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Clause, which includes the power to sub-delegate, shall provide that the delegate or sub-delegate, as the case may be, shall be required to provide the services delegated or sub-delegated in substantially the same manner as such services are required to be provided under the Deposit Agreement and the delegate or the sub-delegate, as the case may be, shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice to the Company and the Depositary.

(r) The Depositary shall be at liberty to hold or to deposit these Conditions and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute and the Depositary shall not (in the case of deposit with itself, in the absence of wilful default, bad faith or gross negligence) be responsible for any losses, liabilities or expenses incurred in connection with any such deposit.

(s) No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or these Conditions.

(t) The Depositary shall not be liable to any person if incorrect, false or misleading information derives from an inspection of the Register. For the avoidance of doubt, the Depositary has no obligation to inspect the Register.

(u) Subject to applicable law, the Depositary shall under no circumstances have any liability arising from the Deposit Agreement or the Conditions or from any obligations which relate to the Deposit Agreement or the Conditions (including, but not limited to, obligations in tort), whether as a matter of contract, tort, negligence or otherwise, for any indirect, special, punitive or consequential loss or damage, loss

of profit, reputation or goodwill, or trading loss incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought. For the purposes of this Condition 14(r):

(i) "consequential loss or damage" means loss or damage of a kind or extent which was not reasonably foreseeable at the time these Conditions were entered into as a serious possibility in the event of the breach of obligation in question; and

(ii) "special loss or damage" means loss or damage of a kind or extent which arises from circumstances special to the person suffering the loss and not from the ordinary course of things, whether or not those circumstances were known to the Depositary either at the time these Conditions were entered into or later.

Without limitation of the foregoing, none of the Depositary and the Company, nor any of their respective controlling persons, directors, officers, affiliates, employees or agents (including, without limitation, any Agent), shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the GDRs, which in the opinion of the Depositary or the Company, as the case may be, may involve it in expense or liability, unless indemnity and/or security and/or prefunding satisfactory to it against all expenses (including fees and disbursements of counsel) and liabilities be furnished as often as may be required (and the Custodian shall not be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

(v) Each Holder, where relevant, acting also on behalf of a Beneficial Owner or owner of GDRs, by subscribing or acquiring a GDR and any time thereafter so long as it is a Holder, Beneficial Owner or owner of GDRs, mandates, authorises and empowers the Depositary to disclose, or make available for further processing, any information entrusted to it and concerning the relevant Holder, Beneficial Owner or owner of GDRs in the context of these Conditions or the Deposit Agreement, the disclosure or making available of which is restricted under applicable data protection legislation ("**Confidential Holder Information**"), including, without limitation, information on (i) the relevant Holder, Beneficial Owner or owner of GDRs (including, without limitation, registered office or residence, business sector, financial data, representatives, beneficial ownership and ownership structure as well as other information obtained for customer identification and on-boarding purposes) and (ii) the transactions with the Holder, Beneficial Owner or owner of GDRs (including, without limitation, Deposited Property, GDRs and these Conditions, transaction positions, fees, taxes, corporate actions, events of default or similar data or information) to the Company, any person whose financial statements are consolidated with those of the Depositary's ultimate holding company, the Custodian, any securities clearing and settlement system, in particular DTC, Euroclear and Clearstream, or SWIFT (Society for Worldwide Interbank Financial Telecommunication), a bank or other payment services provider or other agent used by any of the foregoing for the receipt or payment of money, Agents used for making distributions to the Holders or proxy distribution agents ("**Disclosure Addressees**" and each a "**Disclosure Addressee**"), be such Disclosure Addressees incorporated or

established inside or outside the European Union, for the purpose of and to the extent this is reasonably necessary for assisting or enabling the Depositary to perform its obligations under the Deposit Agreement and the Conditions ("**Disclosure Purposes**").

(w) In case a new delegation, sub-delegation or granting of a power to sub-delegate or a new employment of an agent or an amendment or extension of an existing delegation, sub-delegation, power to sub-delegate or agent employment relationship (including the appointment of a successor Custodian in accordance with Clause 3.1 of the Deposit Agreement and Condition 19) or the appointment of a successor depositary in accordance with Clause 14 of the Deposit Agreement and Condition 21 is envisaged which involves, or introduces or widens the possibility of, disclosure or making available of Confidential Holder Information to the relevant delegate, sub-delegate, potential sub-delegate, agent or successor depositary that is not a Disclosure Addressee, the Depositary shall give at least 15 Business Days prior notice thereof in accordance with Condition 24 to the Holders. If the Company does not consent to the disclosure of Confidential Information within 10 Business Days of receipt of such written request, the Company shall be deemed to have given its consent to the disclosure of Confidential Information. In such case the relevant delegate, sub-delegate, potential sub-delegate, agent or successor depositary shall be deemed to be a Disclosure Addressee and the Depositary shall be deemed to be mandated, authorised and empowered by the Holders, Beneficial Owners and owners of GDRs to disclose Confidential Holder Information to such new Disclosure Addressee for the Disclosure Purposes. Holders, Beneficial Owners and owners of GDRs disagreeing with the disclosure or making available of Confidential Holder Information to a new Disclosure Addressee shall be given the possibility at any time before lapsing of such notice period to dispose of their holding, ownership or interest in a GDR and thereby to cease being a Holder, Beneficial Owner or owner of GDRs preventing disclosure and making available of Confidential Holder Information to a new Disclosure Addressee. A disagreeing Holder or a Holder acting on behalf of a disagreeing Beneficial Owner or owners of GDRs shall in particular be entitled at any time before the lapsing of such notice period to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 2 and upon compliance with Condition 2, payment by the Holder of the charge specified in Condition 16(a)(i) for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement. For the avoidance of doubt, each Holder, where relevant, acting also on behalf of a Beneficial Owner or owner of GDRs, by subscribing or acquiring a GDR and any time thereafter so long as it is a Holder, Beneficial Owner or owner of GDRs, as appropriate, hereby waives to the extent necessary any confidentiality obligations that the Depositary may have vis-a-vis the relevant Holder, Beneficial Owner or owner of GDRs for the purpose of allowing the above-mentioned disclosures of Confidential Holder Information by the Depositary and authorises the Depositary to transmit any Confidential Holder Information as may be necessary to the Disclosure Addressees for the Disclosure Purposes.

(x) Each Holder by subscribing or acquiring a GDR and any time thereafter so long as it is a Holder represents and warrants that it is and will be duly authorised and has obtained and, where relevant, will obtain respective prior consent and waiver declarations from any Beneficial Owner or owner of GDRs and will for such purpose promptly as of receipt of notices given by the Depositary to the Holders inform these Beneficial Owners and owners of GDRs of the content of any such notices as foreseen in this Condition 14(u) so as to permit the disclosure of Confidential Holder Information by the Depositary and its employees, agents, delegates, sub-delegates or other representatives to the Disclosure Addressees for the Disclosure Purposes or to permit such Beneficial Owners and owners of GDRs to dispose of such GDRs before the lapsing of the relevant notice period if they disagree with a disclosure of Confidential Holder Information relating to them to a new Disclosure Addressee.

(y) The transmission of Confidential Holder Information via or transmission or making available of Confidential Holder Information to a communication medium belonging to any of the Disclosure Addressees (as and to the extent permitted hereunder) may entail all Confidential Holder Information being processed by, including stored in the central data banks of a Disclosure Addressee for the Disclosure Purposes. Such data banks may be located in Europe, in the United States of America (in particular, without limitation, in New York) or anywhere in the world. To the extent Confidential Holder Information consists of personal data of a Holder, Beneficial Owner or owner of GDRs who is an individual and such data are processed under the responsibility of the Depositary, such individual is hereby being informed that its data will only be processed by the Depositary for the purpose of performing its obligations under the Deposit Agreement and the Conditions and that such individual has a right of access to and rectification of its personal data in the premises of the Depositary upon its reasonable request.

15. ISSUE AND DELIVERY OF REPLACEMENT GDRS AND EXCHANGE OF GDRS

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the holder) at the specified office of any Agent.

16. DEPOSITARY'S FEES, COSTS AND EXPENSES

(a) The Depositary shall be entitled to charge the following fees to the Holders, the Beneficial Owners and the persons depositing Shares or surrendering GDRs for cancellation:

(i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the initial offering or any subsequent offering of Shares, offered in the form of GDRs by the Company) or the cancellation of GDRs upon the withdrawal of Deposited Property: up to USD0.05 per GDR issued or cancelled (except for issuances and cancellations covered by paragraph (a)(vii) below);

(ii) for the issue of GDR Certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR Certificates: a sum per GDR Certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(iii) for issuing GDR Certificates in definitive registered form (other than pursuant to paragraph (a)(ii) above): a sum per GDR Certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;

(iv) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): up to USD0.05 per GDR for each such issue of rights, dividend or distribution;

(v) for receiving and paying any cash dividend on or in respect of the Deposited Property: a fee of up to USD0.05 per GDR for each such dividend;

(vi) for the operation and maintenance costs associated with the administration of the GDRs: an annual fee of USD0.05 per GDR (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);

(vii) for receiving and paying any cash distribution (other than cash dividends) and/or cash proceeds, including proceeds from the sale of rights, securities and other entitlements: up to USD0.05 per GDR for each such distribution; and

(viii) for the issue of GDRs pursuant to a change for any reason in the number of Shares represented by each GDR, regardless of whether or not there has been a deposit of Shares to the Custodian or the Depositary for such issuance: a fee of up to USD0.05 per GDR (or portion thereof).

(b) In addition, Holders, Beneficial Owners, persons depositing Shares for deposit and persons surrendering GDRs for cancellation and for the purpose of withdrawing Deposited Property shall be responsible for the following charges:

(i) taxes (including applicable interest and penalties thereon) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Property in the Share Register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing Shares or Holders and Beneficial Owners of GDRs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency; and

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory and transfer requirements applicable to Shares, Deposited Property, GDRs and GDR Certificates.

(c) Any other charges and expenses of the Depositary under the Deposit Agreement will be paid by the Company upon agreement between the Depositary and the Company. All fees and charges so payable may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of fees and charges payable by Holders or Beneficial Owners, only in the manner contemplated by Condition 23. The Depositary will provide, without charge, a copy of its latest fee schedule to anyone upon request. The charges and expenses of the Custodian are for the sole account of the Depositary.

17. AGENTS

The Depositary shall be entitled to appoint one or more agents (the "**Agents**") for the purpose, inter alia, of making distributions to the Holders.

18. LISTING

The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, a listing for the GDRs and admission for trading on SIX Swiss Exchange. For that purpose the Company will pay all fees and sign and deliver all undertakings required by the SIX Exchange Regulation AG and SIX Swiss Exchange in connection therewith. If a GDR listing and trading on SIX Swiss Exchange are not obtained and maintained or it becomes unreasonably burdensome or impracticable for it to do so, and such listing is suspended, the Company has undertaken in the Deposit Agreement to use all reasonable endeavours to obtain and maintain a listing of the GDRs on an internationally recognised stock exchange in Europe.

19. THE CUSTODIAN

The Depositary has, pursuant to the Deposit Agreement, separately agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property other than cash for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement, which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian. The Custodian shall be responsible solely to the Depositary; provided that, if at any time the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. Whenever the Depositary in its discretion determines that it is in the best interest of the Holders to do so, it may, if practicable, terminate the appointment of the Custodian and, in the event of the termination of the appointment of the Custodian, the Depositary shall promptly appoint a successor Custodian (with notice of such appointment to the Company as soon as reasonably

practicable), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change as soon as reasonably practicable following such change taking effect in accordance with Condition 24. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as herein specified; provided that, in the case of such temporary deposit in another place, the Company shall have consented to such deposit and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if, and to the extent that, the obtaining of such insurance is reasonably practicable and the premiums payable are, in the opinion of the Depositary, of a reasonable amount.

20. SHARE REGISTER

(a) The Company agrees that it shall: (i) take any and all action reasonably necessary to ensure the accuracy and completeness of all information set forth in the Share Register in respect of the Shares; (ii) upon having received reasonable notice, provide to the Depositary, the Custodian or their respective agents access to the Share Register and during ordinary business hours in the PRC, in such manner and upon such terms and conditions as the Depositary, acting reasonably may deem appropriate, to permit the Depositary, the Custodian or their respective agents to regularly (and in any event not less than monthly) reconcile the number of Deposited Shares registered in the name of the Depositary, the Custodian or their respective nominees, as applicable, pursuant to the terms of the Deposit Agreement and, in connection therewith, to provide the Depositary, the Custodian or their respective agents, upon request, with a duplicate extract from the Share Register duly certified by the Company (or some other evidence of verification which the Depositary, in its reasonable discretion, deems sufficient); (iii) promptly (and, in any event, within seven (7) Business Days in the PRC of the Company's receipt of such documentation as may be required by applicable law and regulation, or as soon as practicable thereafter) effect the re-registration of ownership of Deposited Shares in the Share Register in connection with any deposit or withdrawal of Shares under the Deposit Agreement; (iv) permit the Depositary or the Custodian to register any Shares held hereunder in the name of the Depositary, the Custodian or their respective nominees (which may, but need not be, a non-resident of the PRC).

(b) In connection with the Deposit Agreement, the Company agrees that it shall be solely liable for the unavailability of Deposited Shares or for the failure of the Depositary to make any distribution of cash or other distributions with respect thereto as a result of any one or more of the following: (i) any act or failure to act of the Company, its affiliates or its agents, (other than such act or failure to act on the part of the Company arising in connection with any act or failure to act of the Depositary, its affiliates or its agents (including the Custodian), or their respective directors or employees), or their respective directors or employees, (ii) any provision of any present or future Constitutive Documents or any other instrument of the Company governing the Deposited Shares, or (iii) any provision of any securities issued or distributed by the Company or any offering or distribution thereof.

(c) The Depositary agrees for the benefit of Holders and Beneficial Owners that the Depositary or the Custodian shall reconcile regularly (and in any event not less than monthly) the number of Deposited Shares registered in the name of the Depositary, the Custodian or their respective nominees, as applicable, pursuant to the terms of the Deposit Agreement. The Company and the Depositary agree that, for the purposes of the rights and obligations under the Deposit Agreement of the parties hereto, the records of the Depositary and the Custodian shall be controlling for all purposes with respect to the number of Shares which should be registered in the name of the Depositary, the Custodian or their respective nominees, as applicable, pursuant to the terms of the Deposit Agreement; provided, however, that the Depositary agrees that it shall, and shall cause the Custodian to, at any time and from time to time take any and all action necessary to ensure the accuracy and completeness of all information set forth in the records of the Depositary, the Custodian or their respective nominees, as applicable, pursuant to the Deposit Agreement with respect to Shares registered in the name of any of them. The Depositary agrees that it will instruct the Custodian to maintain custody of all duplicate share extracts (or other evidence of verification) provided to the Depositary, the Custodian or their respective agents. In the event of any material discrepancy between the records of the Depositary or the Custodian and the Share Register, then, if the Depositary has knowledge of such discrepancy, the Depositary shall notify the Company promptly. In event of discrepancy between the records of the Depositary or the Custodian and the Share Register, the Company agrees that (whether or not it has received any notification from the Depositary) it will (i) reconcile its records to the records of the Depositary or the Custodian and make such corrections or revisions in the Share Register as may be necessary in connection therewith, and (ii) to the extent the Company is unable to so reconcile such records, and the number of Shares reflected in the Share Register differs by more than one-half of one per cent from the number of Shares reflected in the records of the Depositary or the Custodian, promptly instruct the Depositary to notify the Holders of the existence of such discrepancy. Upon receipt of the Company's instruction to notify the Holders of such discrepancy, the Depositary shall give such notification promptly to the Holders (it being understood that the Depositary at any time may give such notification to the Holders, whether or not it has received instructions from the Company) and shall promptly cease issuing GDRs until such time as, in the opinion of the Depositary, such records have been appropriately reconciled.

21. RESIGNATION AND TERMINATION OF APPOINTMENT OF THE DEPOSITARY

(a) The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 calendar days' notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary (without giving a reason and without liability for any costs or expenses occasioned thereby) by giving at least 90 calendar days' prior notice in writing to the Company. Notwithstanding the above, and without prejudice to Clauses 15 and 20.3 of the Deposit Agreement, the Depositary and the Company have agreed to consult and attempt to resolve in good faith any matters in relation to the services to be provided by the Depositary to the Company under the Deposit Agreement. Within 30 calendar days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders. The Depositary may resign as Depositary and appoint one of its affiliates as its successor depositary hereunder by giving written notice to the Company and notice to the Holders in accordance with Condition 24.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in the relevant notice provided that no such termination of appointment or resignation shall take effect (a) other than in the case of an appointment by the Depositary of one of its affiliates as its successor depositary, until the appointment by the Company of a successor depositary, (b) until the grant of such approvals as may be necessary to comply with applicable laws and with the Constitutive Documents for the transfer of the Deposited Property to such successor depositary, and (c) until the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions by the successor depositary. The Company has undertaken in the Deposit Agreement to use its reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination or resignation specified in such notice as soon as reasonably practicable following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 24.

(b) Upon the termination of appointment or resignation of the Depositary, the Depositary shall, against payment of all fees, expenses and charges owing to it by the Company under the Deposit Agreement, deliver to its successor depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all Deposited Property held by it under the Deposit Agreement. Upon the date when such termination of appointment or resignation takes effect, the Deposit Agreement provides that the Custodian shall be deemed to be the Custodian thereunder for such successor depositary and shall hold the Deposited Property for such successor depositary and the resigning Depositary shall thereafter have no obligation thereunder. For the avoidance of doubt, this Condition will be without prejudice to any liabilities of the Depositary which have accrued prior to the date of the termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations which accrued prior to such date.

22. TERMINATION OF DEPOSIT AGREEMENT

(a) Subject as set out below, either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 calendar days of the date on which the Depositary has given notice pursuant to Condition 21 that it wishes to resign, may terminate the Deposit Agreement by giving 90 calendar days' notice to the other and to the Custodian. Within 30 calendar days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 24.

If the Company terminates the Deposit Agreement, it will be obligated, prior to such termination, to reimburse to the Depositary all amounts owed to the Depositary as set out in the Deposit Agreement and in any agreement between the Depositary and the Company relating to the GDRs, Deposited Property or the provision of services by the Depositary to the Company in relation thereto.

(b) During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to and upon compliance with Condition 2, and further upon payment by the Holder of any sums payable by the Depositary to the Custodian in connection therewith for such delivery and surrender in accordance with Condition 16(a)(i) and otherwise in accordance with the Deposit Agreement.

(c) If any GDRs remain outstanding after the date of termination, the Depositary (i) shall, if possible, as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement by public or private sale, and on such terms as the Depositary considers appropriate; and (ii) shall not register transfers, pass on dividends or distributions or take any other action except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are Holders. After making such sale and delivering the net proceeds of such sale proceeds, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligations to account to Holders for other cash comprising the Deposited Property without interest and subject to Clauses 14.3 and 15.4 of the Deposit Agreement.

(d) The Company has agreed not to appoint any other depositary in respect of GDRs issued or to be issued under the depositary facility established pursuant to the Deposit Agreement so long as Deutsche Bank Trust Company Americas is acting as Depositary under the Deposit Agreement.

23. AMENDMENT OF DEPOSIT AGREEMENT AND CONDITIONS

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 23 and Clause 16 of the Deposit Agreement) may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable but subject to and in accordance with this Condition 23. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of 30 days after such notice shall have been given. During such period of 30 days, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 2, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when any such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 2, the Deposited Property attributable to the relevant GDR.

Notwithstanding the foregoing, if any governmental or regulatory body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the GDRs at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and the GDRs in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

24. NOTICES

All notices to Holders shall be validly given if mailed to them at their respective addresses in the register of Holders maintained by the Depositary or furnished to them by electronic transmission as agreed between the Company and the Depositary and, so long as the GDRs are listed and traded on SIX Swiss Exchange. Any such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the GDRs and the Deposit Agreement.

All notices required to be given by the Company to the Holders pursuant to any applicable laws, regulations or other agreements shall be given by the Company to the Depositary and upon receipt of any such notices, the Depositary shall forward such notices to the Holders in accordance with these Conditions. The Depositary shall not be liable for any notices required to be given by the Company which the Depositary has not received from the Company, nor shall the Depositary be liable to monitor the obligations of the Company to provide such notices to the Holders.

All formal complaints to the Depositary should be made in writing to the compliance officer of the Depositary at the address set out in Clause 17 of the Deposit Agreement.

25. REPORTS AND INFORMATION ON THE COMPANY

(a) The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to send the Depositary a copy in the English language by electronic transmission of any financial statements or accounts that it makes generally available to its shareholders, including but not limited to any financial statements or accounts that may be required by law or regulation or in order to maintain a listing for the GDRs on the SIX Swiss Exchange, or any other stock exchange, in accordance with Condition 18, as soon as practicable following the publication or availability of such communications. If such communication is not furnished to the Depositary in English, the Depositary shall, at the Company's expense, arrange for an English translation thereof to be prepared.

(b) The Depositary shall, upon receipt thereof, give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

(c) The Company has undertaken in the Deposit Agreement to provide the Depositary with sufficient information, as may be requested by the Depositary, so as to enable the Depositary to determine whether or not the Depositary is obliged, in respect of any payments to be made by it pursuant to the Deposit Agreement, to make any

withholding or deduction pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**", and such withholding or deduction, "**FATCA Withholding Tax**"). If applicable, the Depositary shall be entitled to deduct FATCA Withholding Tax to the extent required under FATCA and shall have no obligation to gross-up any payment hereunder or to pay any additional amount as a result of such applicable FATCA Withholding Tax.

(d) The Company has undertaken in the Deposit Agreement use its commercially reasonable efforts to provide a written notice described in Condition 12(a) of the Deposit Agreement to the Depositary in a timely manner in advance of the relevant meeting or solicitation of consent or proxy.

(e) If, so long as any of the Rule 144A GDRs or the Shares represented thereby remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which it is neither a reporting company under, and in compliance with the requirements of, Section 13 or Section 15(d) of the Exchange Act nor exempt from the reporting requirements of the Exchange Act by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company agrees to provide to any Holder, Beneficial Owner or holder of Shares or any prospective purchaser designated by such Holder, Beneficial Owner or holder of Shares, upon the request of such Holder, Beneficial Owner, holder of Shares or prospective purchaser, copies of the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and otherwise to comply with Rule 144A(d)(4).

26. COPIES OF COMPANY NOTICES

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary such number of copies of any notice to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, and any other material (which in the opinion of the Company contains information having a material bearing on the interests of the Holders or Beneficial Owners of GDRs) furnished to such holders or Beneficial Owners of the Shares or other Deposited Property by the Company in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. The Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to paragraph (a) of Condition 9, and shall make the same available to Holders in such manner as it may determine.

27. MONEYS HELD BY THE DEPOSITARY

The Depositary shall be entitled to deal with moneys received by it, in respect of or in connection with the Deposited Property in the same manner as other moneys paid to it as a banker for its customers and shall not be liable to account to the Company or any holder or any other person for any interest on any moneys paid to it by the Company for the purposes of the Deposit Agreement, except as otherwise agreed.

28. OBLIGATIONS OF HOLDERS

(a) Notwithstanding any other provision contained in the Deposit Agreement, the Constitutive Documents, these Conditions or applicable law, each Holder and Beneficial Owner agrees to comply with requests made in accordance with Condition 24 from the Company or the Depositary pursuant to applicable law, the rules and requirements of SIX Swiss Exchange, the Shenzhen Stock Exchange (and such other stock exchanges in the PRC where the Shares may be listed from time to time) or any other stock exchange on which the Shares or GDRs are, or may be, registered, traded or listed, or the Constitutive Documents, to provide information, inter alia, regarding (i) name, state registration details (including, with respect to legal entities only, country of registration, registration number, date of registration or formation and registered and(or) principal business address) and (with respect to individuals only) citizenship; (ii) the capacity in which such Holder or Beneficial Owner holds or owns GDRs (and Shares, as the case may be) and (iii) the identity of any other person interested in such GDRs, the nature of such interest and various related matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward upon the request of the Company, at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary, provided that the Depositary shall not be responsible or liable for any information contained in or omitted from such responses.

(b) Failure by a Holder or Beneficial Owner to provide in a timely fashion the information requested by the Company or required in each case pursuant to Condition 28(a), the Constitutive Documents or any applicable law may, in the Company's sole and absolute discretion, result in the withholding of certain rights in respect of such Holder or Beneficial Owner's GDRs (including voting rights and certain rights as to dividends in respect of the Shares represented by such GDRs). The Depositary agrees to use its commercially reasonable efforts to comply with any reasonable instructions received from the Company requesting that the Depositary take the actions specified therein to obtain such information.

(c) If the Company determines that there has been a failure by a Holder or Beneficial Owner to comply with the applicable reporting requirements under Condition 28(a), the Constitutive Documents or any applicable law, with respect to any Deposited Property and that sanctions are to be imposed against such Deposited Property pursuant to applicable law by a court of competent jurisdiction or the Constitutive Documents, the Company shall promptly notify the Depositary, giving details thereof, and shall instruct the Depositary in writing as to the application of such sanctions to the Deposited Property. The Depositary shall have no liability to any person for any actions taken in accordance with such instructions and may rely on such instructions without any further enquiry.

(d) Notwithstanding any other provision in the Deposit Agreement or these Conditions, the Company may restrict transfers of the Shares and Deposited Property where such transfer might result in (i) ownership of Shares exceeding the limits applicable to the Shares under applicable law, regulations and stock exchange rules or the Constitutive Documents, or (ii) a person being required by the Constitutive Documents or applicable law to make an offer to acquire all of the outstanding Shares or GDRs of the Company. The Company may also restrict, subject to the Constitutive Documents,

applicable law, regulations and stock exchange rules, in such manner as it deems appropriate, and in such manner as the Depositary deems practicable, transfers of the GDRs where such transfer may result in the total number of Shares represented by the GDRs owned by a single Holder or Beneficial Owner to exceed any such limits referred to in Condition 28(d) (i) or (ii). The Company may, subject to applicable law, regulations and stock exchange rules and further subject to what the Depositary may deem to be practicable, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits referenced in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of GDRs, the removal or limitation of voting rights or the mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the GDRs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Constitutive Documents. The Depositary, acting in good faith, shall have no liability to any person for any actions taken in accordance with such instructions and may rely on such instructions without any further enquiry. Alternatively, the Company reserves the right to instruct a Holder or Beneficial Owner with an ownership interest in excess of the limits referenced in this Condition, to deliver their GDRs for cancellation and withdrawal of the Deposited Shares so as to permit the Company to deal directly with them as holders of Shares and Holders and Beneficial Owners agree to comply with such instructions. The Company agrees to post on the website of the Share Exchange information on the number of outstanding voting Shares so as to enable Holders and Beneficial Owners to determine if they have met or exceeded any applicable thresholds.

(e) Applicable laws, regulations and stock exchange rules, including those of SIX Swiss Exchange, the SIX Exchange Regulation AG the Shenzhen Stock Exchange (and such other stock exchanges in the PRC where the Shares may be listed from time to time) or other state authorities in the PRC or Switzerland, may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of GDRs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to file such reports and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

(f) By holding GDRs or interests therein, Holders and Beneficial Owners agree to immediately notify the Company in writing at such time as they own or otherwise control such number of GDRs and Shares that, taken together, equal or exceed five per cent (5%) (or subsequently increase or decrease their holding by five per cent (5%) increments) of the voting shares of the Company provided that the Company has complied with its obligation in the final sentence of this Condition 28(f). The Company reserves the right to instruct Holders and Beneficial Owners who do not provide such notices or who provide notice that the total number of Shares represented by the GDRs exceeds the limits set out in Condition 28(d) (i) or (ii) to deliver their GDRs for cancellation and withdrawal of the Deposited Property so as

to permit the Company to deal directly with them as holders of Shares and the Holders and Beneficial Owners agree to comply with such instructions. The Company agrees to post on the website of the Share Exchange information on the number of outstanding voting Shares so as to enable Holders and Beneficial Owners to determine if they have met or exceeded any applicable thresholds.

(g) The Depositary shall have no obligations with respect to any such obligations of Holders and Beneficial Owners, except to the extent set forth in this Condition 28.

29. SEVERABILITY

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

30. DISCLOSURE OF BENEFICIAL OWNERSHIP, OTHER INFORMATION AND OWNERSHIP RESTRICTIONS

(a) The Depositary may from time to time request Holders or former Holders to provide information as to the capacity in which they hold or held GDRs and regarding the identity of any other persons then or previously interested in such GDRs and the nature of such interest and various other matters. Each such Holder agrees to provide any such information reasonably requested by the Depositary pursuant to the Deposit Agreement whether or not still a Holder at the time of such request.

(b) To the extent that provisions of or governing any Deposited Property, the Constitutive Documents, or applicable law may require the disclosure of, or limitations in relation to, beneficial or other ownership of Deposited Property and other securities of the Company, the Holders, owners of GDRs and Beneficial Owners, as the case may be, shall comply with the Depositary's instructions to Holders, owners and Beneficial Owners, as the case may be, of GDRs in respect of such disclosure or limitation, as may be forwarded to them from time to time by the Depositary, to the extent they have knowledge of the identity of such owners or Beneficial Owners.

31. GOVERNING LAW

(a) The Deposit Agreement, including these Conditions, the GDRs and any non-contractual obligations arising out of or in connection with either of them are governed by, and shall be construed in accordance with, English law. The rights and obligations attaching to the Deposited Shares will be governed by the laws of the PRC. The Company has submitted in respect of the Deposit Agreement and these Conditions to the jurisdiction described in (b) below.

(b) Any dispute, controversy or cause of action arising out of or in connection with these Conditions and the GDRs, including any question regarding its scope, existence, validity or termination, shall be referred to and finally resolved by arbitration in accordance with the Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which are deemed incorporated by reference into this Condition. The arbitration shall be conducted by three arbitrators: one nominated by the claimant, one nominated by the respondent, and one nominated by the two

party-appointed arbitrators within thirty (30) calendar days of the confirmation of the nomination of the second arbitrator. If any arbitrator has not been appointed within the time limits specified herein and in the Rules, then such arbitrator shall be appointed by the LCIA in accordance with the Rules. The seat of the arbitration shall be London, England, and the language of the arbitration shall be English. The parties hereby waive any rights under the Arbitration Act 1996 or otherwise to appeal any arbitration award to, or seek determination of a preliminary point of law by, the courts of England.

(c) The Depositary irrevocably appoints the Managing Director for the time being of Deutsche Trustee Company Limited, currently situated at Winchester House, 1 Great Winchester Street, London EC2N 2DB, UK, as its authorised agent for service of process in England. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Company of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

32. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce these terms and conditions under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that these terms and conditions expressly provide for such Act to apply.

DEPOSITARY

Deutsche Bank Trust Company Americas
1 Columbus Circle
New York, NY 10019
United States of America

CUSTODIAN

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Street,
Xicheng District, Beijing, 100140, PRC

and/or such other Depositary and/or such other Custodian or Custodians and/or principal offices as may from time to time be duly appointed and notified to the Holders.

The GDRs will initially be evidenced by: (i) a single Master Regulation S GDR Certificate in registered form; and (ii) a single Master Rule 144A GDR Certificate in registered form. The Master Regulation S GDR Certificate will be registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch as common depository for Euroclear and Clearstream on the date the GDRs are issued. The Master Rule 144A GDR Certificate will be registered in the name of Cede & Co. as nominee for DTC on the date the GDRs are issued.

The Regulation S Master GDR Certificate and Rule 144A Master GDR Certificate contain provisions which apply to the GDRs whilst they are in master form. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

Exchange

The Master GDR Certificates will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in paragraphs (i), (ii), (iii) or (iv) below in whole but not in part and until exchanged in full subject to the Conditions and the Deposit Agreement. The Depositary will irrevocably undertake in the Master GDR Certificates to deliver certificates in definitive registered form representing GDRs in exchange for the relevant Master GDR Certificate to the Holders within 75 calendar days in the event that:

(i) either DTC, in the case of the Master Rule 144A GDR Certificate, or Euroclear or Clearstream, in the case of the Master Regulation S GDR Certificate, notifies the Company that it is unwilling or unable to continue as common depository or depository (or as nominee thereof), as the case may be, and a successor common depository or successor depository (or successor nominee thereof), as the case may be, is not appointed within 90 calendar days; or

(ii) either DTC, in the case of the Master Rule 144A GDR Certificate, or Euroclear or Clearstream, in the case of the Master Regulation S GDR Certificate, is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or to cease to make its book-entry system available for the GDRs or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or

(iii) in respect of the Master Rule 144A GDR Certificate, DTC or any successor ceases to be a "clearing agency" registered under the Exchange Act; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Company, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs in definitive registered form.

Any exchange shall be at the expense of the Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC. Upon any exchange of a Master GDR Certificate for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR Certificate and the Master Regulation S GDR Certificate pursuant to the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 7 or 10, or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 2, or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the relevant Master GDR Certificate shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register, provided always that if the number of GDRs represented by a Master GDR Certificate is reduced to zero, such Master GDR Certificate shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master Regulation S GDR Certificate, be made by the Depositary through Euroclear and Clearstream and, in the case of GDRs represented by the Master Rule 144A GDR Certificate, will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefore from the Company. Any free distribution or rights issue of Shares to the Depositary on behalf of the Holders may result in the records maintained by the Depositary being adjusted to reflect the enlarged number of GDRs represented by the relevant Master GDR Certificate.

Holders of GDRs will have voting rights as set out in the Conditions.

Surrender of GDRs

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream, in the case of GDRs represented by the Master Regulation S GDR Certificate, or by DTC, in the case of GDRs represented by the Master Rule 144A GDR Certificate, on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream or DTC, as appropriate. The delivery or production of any such evidence shall be sufficient evidence in favor of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR Certificate is registered in the name of a nominee for a common depository holding on behalf of Euroclear and Clearstream, and the Master Rule 144A GDR Certificate is registered in the name of DTC or its nominee, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream or DTC, as applicable, for communication to persons entitled thereto in substitution for publication required by Condition 24. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the GDRs and the Deposit Agreement.

Governing Law

The Master GDR Certificates, and any non-contractual obligations arising out of or in connection with the Master GDR Certificates, shall be governed by and construed in accordance with English law.

The Depositary

The Depositary is Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas is a wholly-owned indirect subsidiary of Deutsche Bank AG, a German global banking and financial services company. Deutsche Bank Trust Company Americas is a New York state chartered banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Department of Financial Services. The corporate trust office of Deutsche Bank Trust Company Americas at which the GDRs will be administered is located at 1 Columbus Circle, New York, NY 10019, US. The principal executive office of Deutsche Bank Trust Company Americas is located at 1 Columbus Circle, New York, NY 10019, US. See "*Information Relating to the Depositary*." There are no bank or other guarantees attached to the GDRs which are intended to underwrite the Depositary's obligations.

Rights of Holders of GDRs

See "*Terms and Conditions of the Global Depositary Receipts*" and the Deposit Agreement for further information.

Relationship of Holders of GDRs with the Depositary: The rights of Holders against the Depositary are governed by the Conditions and the Deposit Agreement, which are governed by English law. The Depositary and the Company are parties to the Deposit Agreement. Holders of GDRs have contractual rights in relation to cash and other Deposited Property (including Deposited Shares, which are Shares of the Company represented by GDRs) deposited with the Depositary under Clause 3 of the Deposit Agreement, and otherwise under specified provisions of the Deposit Agreement by virtue of the Deed Poll. The Depositary will hold the Deposited Shares and other non-cash assets as bare trustee for the Holders; however, the Depositary does not otherwise assume any relationship of trust for or with the Holders or the beneficial owners of the GDRs or any other person. Any cash held by the Depositary for Holders will be held by the Depositary as banker.

Voting: With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the Conditions and the Deposit Agreement provide that, upon receipt of notice from the Company of any meeting at which the holders of Shares or other Deposited Property are entitled to vote, or of a solicitation of consent or proxy from holders of Shares or Deposited Property, the Depositary shall, providing that no relevant legal prohibitions exist, send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be as close as possible to the corresponding record date set by the Company) such notice of meeting or solicitation of consent or proxy, along with a brief statement on the manner in which such Holders may provide the Depositary with voting instructions for matters to be considered. The Deposit Agreement provides that the Depositary will endeavor to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with instructions from Holders. As of the date of this Prospectus, the Company confirms that there are no restrictions under applicable law, the Articles of Association or the provisions of the Deposited Shares that would prohibit or restrict the Depositary from voting any of the Deposited Shares in accordance with instructions from Holders, except for those generally applicable to all shareholders of the Company.

Delivery of Deposited Shares: Pursuant to the Stock Connect Scheme, GDR holders will not be permitted to redeem their GDRs and hold the Deposited Shares underlying such GDRs in an on-shore account (such as a QFI account) or have the underlying Deposited Shares held on their behalf by a designated broker. If GDR holders wish to hold A Shares they must purchase them separately either from the funds received from a sale of GDRs (whether a sale of GDRs on SIX Swiss Exchange (or another legitimate trading venue) or a redemption of GDRs and sale of the underlying A Shares on the Shenzhen Stock Exchange through a designated broker) or from funds unconnected with their holding of GDRs. GDR holders or former GDR holders that are non-PRC investors may only hold A Shares if they are QFIIs or RQFIIs or are otherwise able to hold A Shares through another exemption.

Rights of the Company

The Company has broad rights to remove the Depositary under the terms of the Deposit Agreement, but no specific rights under the Deposit Agreement which are triggered in the event of the insolvency of the Depositary.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by US laws applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current US and English law, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary's insolvency for such cash that would also be available to general creditors of the Depositary.

Effect of applicable insolvency law in relation to non-cash assets: The Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current US and English law, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary on trust under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Deposited Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to Holders in the circumstances required by the Conditions or the Deposit Agreement or otherwise engages in a default for which it would be liable under the terms of the Conditions or the Deposit Agreement, the Depositary will be in breach of its contractual obligations under the Conditions. In such case, Holders will have a claim under English law against the Depositary for the Depositary's breach of its contractual obligations under the Deposit Agreement.

The Custodian

The Custodian is Industrial and Commercial Bank of China Limited, a joint stock company incorporated in the PRC with limited liability, at No. 55 Fuxingmennei Street, Xicheng District, Beijing, 100140, PRC.

Relationship of Holders of GDRs with the Custodian: The Custodian and the Depositary are parties to a custody agreement, which is governed by Hong Kong law. The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Depositary will hold the Deposited Shares in an account with CSDC. The CSDC account will be in the name of the Depositary and the Deposited Shares will be registered in the Company's share register in the name of the Depositary and deposited in the Regulation S and Rule 144A GDR facilities.

Default of the Custodian

Failure to deliver cash: Any cash dividend payments from the Company (which are expected to be denominated in Renminbi) will initially be received by the Depositary in a custody account held with the Custodian in the Depositary's name. Subject to applicable PRC regulations, amounts received from the Company by the Depositary into its account with the Custodian will then be converted into USD by the Custodian in accordance with the Conditions and the USD will be wired to the Depositary's account in New York. After deduction of any fees and expenses of the Depositary, the USD will then be credited to the appropriate accounts of the Holders. If the Custodian fails to deliver cash to the Depositary as required under the custody agreement or otherwise engages in a default for which it would be liable under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations under the custody agreement. In such case, the Depositary would have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a successor custodian and may exercise such rights if it deems necessary.

Failure to deliver non-cash assets: If the Custodian fails to deliver Deposited Shares or other non-cash assets held for the Depositary as required by the custody agreement or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations to the Depositary. In such case, the Depositary will have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and may appoint a substitute or additional custodians and exercise such rights if it deems necessary.

The Depositary's obligations: The Depositary has no obligation to pursue a claim for breach of obligations against the Custodian on behalf of Holders. The Depositary is not responsible for and shall incur no liability in connection with or arising from default by the Custodian due to any act or omission to act on the part of the Custodian.

Insolvency of the Custodian

Applicable law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by applicable PRC law.

Effect of applicable insolvency law in relation to cash: On an insolvency of the Custodian, cash held by the Custodian in a custody account for the Depositary would not constitute assets of the Custodian and the Depositary would have ownership rights relating to such cash. As a result, the Depositary would have the right to claim the cash in the custody account in full, without being subject to insolvency proceedings.

Effect of applicable insolvency law in relation to non-cash assets: All of the Deposited Shares will be registered in the name of the Depositary and be held by the Depositary in an account under its own name with the CSDC. In the event that the Custodian becomes insolvent, as legal title to the Deposited Shares will be held by the Depositary and the Deposited Shares will not be under the possession or control of the Custodian, the Deposited Shares will not constitute part of the Custodian's assets subject to the insolvency proceedings.

The Depositary's obligations: The Depositary has no obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the Custodian, the Holders have no direct recourse to the Custodian under the Deposit Agreement, though the Depositary can remove the Custodian and appoint a substitute or additional custodian(s) and may exercise such rights if it deems necessary.

PERSONS HOLDING TITLE TO GDRS OR BENEFICIAL INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

Standard for Depository Receipts

As of the date on which the listing of the GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts becomes effective, and for so long as any of the GDRs remain listed on SIX Swiss Exchange, the Company will be subject to the Listing Rules and any additional regulations enacted by SIX Exchange Regulation.

SIX Swiss Exchange (SIX Swiss Exchange AG; formerly known as SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, SIX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, the SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG.

A listing in accordance with the Standard for Depository Receipts requires, *inter alia*, that (i) the articles of association of the issuer comply with the national law to which the issuer is subject, (ii) the operating and financial track record of the issuer extends over a period of at least three years, (iii) the issuer's consolidated equity capital amounts to at least CHF 25 million, (iv) at the time of the listing, at least 20% of the issuer's outstanding GDRs in the same category are in public ownership and the capitalization of those securities in public ownership amounts to a minimum of CHF 25 million, (v) the issuer reports according to PRC GAAP for PRC companies, (vi) the GDRs have been validly issued at the time of listing, (vii) the depository must either be governed by the Swiss Banking Act (BA) or, as securities firm, by the Financial Institutions Act (FinIA) or be subject to equivalent foreign supervision, and (viii) the deposit agreement must provide for the underlying shares to be held by the depository on a fiduciary basis (or on the basis of similar arrangements under applicable law) on behalf of the investors with rights to the global depository receipts in question so that they can be separated and segregated in favor of the investors in the event of debt restructuring or insolvency of the depositary, and for the depository to exercise all property and membership rights attached to the underlying shares in the interests of those investors.

As of the date of this Prospectus, four issuers of global depositary receipts and around 250 equity issuers were listed on SIX Swiss Exchange (source: https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/companies.html).

General Rules on Securities Trading

Trading on SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in GDRs begins each business day at 15:00 Central European Time ("**CET**") or Central European Summer Time ("**CEST**"), as applicable, and continues until 17:20 CET or CEST (as applicable), at which time the closing auction starts, and continues until trading closes at 17:30 (as applicable), with a random close of trading within two minutes. Following the closing auction, "Trading-At-Last" ("**TAL**") provides investors with on book trading at the official closing price until 17:40 CET or CEST (as applicable). After the close of exchange trading, new orders can be entered or deleted until 22:00 CET or CEST (as applicable). From 6:00 CET or CEST (as applicable), new entries and enquiries can be made until 11:00 CET or CEST (as applicable). The system is not available between 22:00 and 6:00 CET or CEST (as applicable). For the opening phase (starting at 15:00 CET or CEST (as applicable)), the

system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the GDRs is expected to consist of one GDR. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. SIX Swiss Exchange may provide for a duty to trade on SIX Swiss Exchange in individual market segments. Members of SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in GDRs effected by or through members of SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on SIX Swiss Exchange. For transactions effected via the exchange system, reporting occurs automatically. Off-order book transactions during trading hours need to be reported to SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers as well as to other information providers such as SIX Financial Information Ltd and Reuters.

A quotation may be suspended by SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX Swiss Exchange as the organizer of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

Clearing, Payment and Settlement

Custodial and depositary links have been established between DTC, Euroclear and Clearstream to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

Corporate Governance Reporting

Pursuant to the Listing Rules, an issuer of GDRs listed on SIX Swiss Exchange is required to include a statement in the prospectus for the listing of the GDRs and in its annual reports that it adheres to the corporate governance standards of its domestic market.

Directive on the Disclosure of Management Transactions

The Directive on Disclosure of Management Transactions of 20 March 2018 issued by SIX Swiss Exchange (the "**DMT**") requires issuers with GDRs listed on SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities (including A shares and GDRs) of such issuer. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to SIX Swiss Exchange. Such transactions are subsequently published on a "no names basis" on SIX Swiss Exchange's website.

Ad-hoc Publicity

Under the Listing Rules, the Company will, with effect as of the First Day of Trading, be required to publish facts that are, with respect to the price of the GDRs, the A Shares or other securities issued by the Company, price-sensitive and that have arisen in the sphere of the Company's business activities. Facts that are not known publicly and that, from an ex-ante perspective, are capable of leading to a significant price change are classified as price-sensitive. Price-sensitive facts include, but are not limited to, financial figures and reports, changes in key employee positions including changes affecting the composition of the Board or the senior management, mergers, takeovers, spin-offs, restructuring operations, changes in capital, takeover bids, changes in business operations (such as new sales partners, new and significant products, and withdrawal or recall of a significant product), information on trading results (such as significant changes in earnings such as profit decrease/increase or profit warning, and cessation of dividends), changes to the shareholder structure and financial restructuring. As a rule, the Company will be required to disclose any price-sensitive fact immediately as soon as it has become aware of its material elements. Disclosure needs to be made to SIX Swiss Exchange (90 minutes ahead of time if published during trading hours), to no less than two electronic stock market information systems (such as Bloomberg, Reuters or Telekurs), to no less than two Swiss newspapers of nationwide distribution and, upon request, to all interested parties.

Disclosure regarding Depositary or Deposit Agreement

Issuers with GDRs listed on SIX Swiss Exchange are required to report changes to the depositary or the deposit agreement to SIX Exchange Regulation at the same time as the holders of the GDRs are informed.

The Offering consists of (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; (ii) an offering in the United States only to QIBs as defined in, and in reliance upon, Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (iii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S under the Securities Act.

The GDRs have not been and will not be registered under the securities laws of the United States, the United Kingdom, a member state in the EEA, Australia, Japan or Canada and may not be offered or sold to investors in these jurisdictions absent an exemption from registration or approval under the applicable securities laws of the relevant jurisdiction. Prospective investors and depositary banks should advise themselves of applicable laws and regulations relating to the Offering and purchase of the Offered GDRs. See also "Selling and Transfer Restrictions".

The Offer Period is expected to be from September 15, 2022 to 17:00 (CEST) on September 15, 2022. The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the Offer Period or terminate the Offering, without any prior notice, at any time and for any reason.

The Offer Price Range is between US$12.31 and US$12.68 per Offer GDR. All Offer GDRs sold in the Offering will be sold at the Offer Price. The Offer Price for the GDRs will be determined by agreement between the Company and the Joint Global Coordinators following the book-building process. A number of factors may be considered in determining the Offer Price and the bases of allocation under the Offering, including the level and nature of demand for the GDRs and the objective of encouraging the development of an orderly after-market in the GDRs. The Offer Price may be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market makers and fund managers connected with the Managers). The Offer Price is expected to be announced on or around September 15, 2022, by way of a media release and a pricing supplement (the "**Supplement**").

Underwriting

Under the terms of, and subject to, the conditions contained in the underwriting agreement dated on or around the date of this Prospectus entered into among the Company and the Managers (the "**Underwriting Agreement**"), each Manager, severally and not jointly, agrees to procure purchasers for, or failing which, to purchase from the Company up to its respective quota of GDRs pursuant to the Underwriting Agreement and the pricing supplement related thereto, at the Offer Price subject to various conditions, including, among other things, (i) the conclusion of an offer size and pricing supplement, (ii) the absence of a material adverse change in the management, condition (financial, operational, legal, regulatory or other), results of operations or the prospects of the Company or the Group, (iii) receipt of customary certificates, legal opinions and letters meeting the Joint Global Coordinators' requirements, and (iv) the making of necessary filings and the receipt of necessary approvals in connection with the Offering. The Company expects to determine the final Offer Price together with the Joint Global Coordinators on the basis of a bookbuilding process on or around September 15, 2022. The final Offer Price and the final number of GDRs sold in the Offering are expected to be published by media release and in the Supplement on or around September 15, 2022 prior to the commencement of trading.

The Underwriting Agreement provides that each Manager will purchase its quota of the GDRs at the Offer Price, less fees and commissions, which may be deducted from the proceeds of the Offering.

The Managers may enter into sub-underwriting and/or sub-placement arrangements with their affiliates with respect to their obligations under the Underwriting Agreement, upon such terms and conditions as the Managers deem fit.

The Underwriting Agreement provides that the obligations of the Managers are subject to certain conditions precedent, including delivery of the offer size and pricing supplement. The Joint Global Coordinators, acting on behalf of the Managers, also have the right to terminate the Underwriting Agreement upon the occurrence of certain events at any time prior to closing of the Offering. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of GDRs will be deemed to not have been made.

In connection with the Underwriting Agreement, the Company has made certain representations and warranties agreed, subject to certain limitations and exemptions, to indemnify the Managers against certain liabilities in connection with the Offering.

Each of the Managers has represented and agreed that it has not taken, and will not take, any action that would, or is intended to permit or require a public offer of the GDRs in any country or jurisdiction where any such action for that purpose is required.

The Company has agreed to pay, among other expenses, the costs associated with the publication and distribution of this Prospectus, certain legal expenses of the Company and the Managers, costs of the accountants and other advisors retained by the Company, costs associated with the delivery of the GDRs, and all fees and expenses incurred in connection with the approval of the Prospectus by the Swiss Review Body and the listing of the GDRs on SIX Swiss Exchange.

Upsize Option

Under the terms of the Underwriting Agreement and in connection with the Offering, the Company offers up to 5,774,110 additional GDRs at the Offer Price to raise additional proceeds based on the Upsize Option, which may be jointly exercised by the Company and the Joint Global Coordinators (acting on behalf of the Managers) on the date of pricing of the Offering based on demand.

Lock-up Arrangements

The Company has agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act will, during a period from the date hereof to and including 180 days from the First Day of Trading, without the prior written consent of the Joint Global Coordinators (except for the issuance of the GDRs and the corresponding underlying A Shares):

(i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte*) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), or file a registration statement

under any securities regulation relating to, directly or indirectly, any A Shares, any GDRs, or any other shares or any securities convertible into or exchangeable or exercisable for A Shares, GDRs or warrants or other rights to purchase any A Shares or GDRs,

(ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the A Shares or GDRs, or

(iii) announce its intention to do any of the foregoing whether any such transaction described in paragraphs (i) or (ii) above is to be settled by delivery of A Shares, GDRs or other securities, in cash or otherwise.

The lock-up obligation of the Company shall not apply to (i) the issuance of GDRs and the New A Shares in connection with the Offering, (ii) GDRs or other securities acquired in open market transactions after the First Day of Trading, (iii) transactions required by law, regulations or judicial authority orders, (iv) the issue of any A Shares or GDRs or the purchase and sale of any A Shares or GDRs or the grant of any option, right, warrant or contract to purchase A Shares or GDRs, in each case in connection with any employee or management stock option or purchase scheme or (v) transfers of GDRs to any wholly-owned subsidiary of the Company; *provided*, *however*, that in the case of any transfer pursuant to subsection (v) above, each transferee shall enter into a substantially identical lock-up undertaking.

Amendments or Changes

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through the electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

Other Relationships

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, for which they received customary fees, and they and their respective affiliates may provide such services for the Company and its respective affiliates in the future. As a result, the Managers and their respective affiliates may have a commercial interest in continuing to provide services to the Company and its respective affiliates that may be material to the Offering.

In connection with the Offering, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Company acting as an investor for its or their own account(s) may subscribe for GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Company acting as an investor for its or their own account(s). In addition, certain of the Managers or their affiliates may enter into financing or hedging arrangements (including swaps) with investors in connection with which such

Managers (or their affiliates) may from time to time acquire, hold or dispose of GDRs). Neither the Managers nor the Company intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Listing and Trading GDRs

Prior to this Offering, there has been no public market for the GDRs. Application has be made for the GDRs to be admitted to trading and listing on the Standard of Depository Receipts of SIX Swiss Exchange. It is expected that the GDRs will be listed and trading of the GDRs will commence on the First Day of Trading, expected to be on or around September 21, 2022. In addition to buying or selling GDRs through SIX Swiss Exchange, a GDR holder will be able to (i) buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs by depositing such A Shares and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Designated Brokers will be SIX Swiss Exchange members (or otherwise designated by SIX Swiss Exchange) and designated by the Shenzhen Stock Exchange who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below) and providing relevant instructions to the Depositary.

In order to buy GDRs, an investor may either (i) buy GDRs on SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) instruct (either directly or through their normal broker) a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and then instruct the Depositary to create GDRs by depositing such A Shares.

In order to sell GDRs, an investor may either (i) sell GDRs on SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) instruct (either directly or through their normal broker) a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

A Designated Broker may also buy or sell (and hold an inventory of) A Shares as principal in order to facilitate the creation and redemption of GDRs on a cross-border basis.

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price from either market.

The Shenzhen Stock Exchange has approved four brokers to act as Designated Brokers under the Stock Connect Scheme, but as of the date of the Prospectus, not all of them have been designated by SIX Swiss Exchange. The PBOC and the SAFE published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) (存托凭证跨境资金管理办法(试行)) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration each Designated Broker will be subject to restrictions relating to, among other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory related quotas on the maximum number and value of cash and securities to be held by such Designated Broker and foreign exchange related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker. The list of Designated Brokers is available on the website of the Shenzhen Stock Exchange and on the website of SIX Swiss Exchange.

Investors should note that clearing and settlement of GDRs traded on SIX Swiss Exchange is made through SIS and delivery against payment of exchange transactions usually occurs two trading days after the trade date. Settlement of purchases of GDRs through a Designated Broker will also take place on a two-trading day rolling basis. However, settlement of redemption of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two-trading day rolling basis or a three-trading day rolling basis, depending on whether the relevant Designated Broker holds any inventory of A Shares at such time. This one trading day difference is due to the requirement in China for A Shares to be pre-delivered for selling purpose and the time it takes to effect a non-trade transfer of A Shares from the Depositary to the Designated Broker before the Designated Broker can sell A Shares on the Shenzhen Stock Exchange. Therefore, investors redeeming GDRs may be subject to one day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

Selling Restrictions

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken by the Company in any country or jurisdiction that would, or is intended to, permit a public offering of the GDRs, or the possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer, subscription and sale of the GDRs offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute or form an offer or invitation to subscribe for or buy any of the GDRs offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the Company or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the GDRs, of any such restrictions.

Switzerland

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

Australia

This Prospectus:

- does not constitute a disclosure document under part 6D.2 of the Corporations Act of the Commonwealth of Australia ("**Corporations Act**");

- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and

- may only be provided in Australia to selected investors who are able to demonstrate that they fall within one or more of the categories of investors ("**Exempt Investors**") available under section 708 of the Corporations Act.

The GDRs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the GDRs may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any GDRs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the GDRs, you represent and warrant to us that you are an Exempt Investor.

As any offer of GDRs under this Prospectus will be made without disclosure in Australia under Part 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the GDRs, you undertake to us that you will not, for a period of 12 months from the date of issue of the GDRs, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This Prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this Prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

China

Each Manager has represented and agreed that the GDRs are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan area), except as permitted by the applicable laws of the PRC.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the GDRs to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules Module of the DFSA Rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

European Economic Area

In relation to each Member State of the EEA (each a "**Relevant State**"), no GDRs have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the GDRs which has been approved by the competent authority in that Relevant State or, where appropriate, approved in

another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the GDRs may be offered to the public in that Relevant State at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the GDRs in any Relevant State means the communication in any form or by any means on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any GDRs, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offering. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

(a) The GDRs have not been offered or sold and will not offer or sell in Hong Kong, by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) no advertisement, invitation or document relating to the GDRs has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the GDRs, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to GDRs which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The GDRs offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented, warranted and agreed that the GDRs which it subscribes will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any GDRs in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Qatar

This Prospectus does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The GDRs have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the GDRs shall not constitute a public offer of securities in the State of Qatar.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. This Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDRs may not be circulated or distributed, nor may the GDRs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the GDRs are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the GDRs pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Taiwan

The GDRs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the GDRs in Taiwan.

United Arab Emirates

Each Manager has represented and agreed that the GDRs have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

United Kingdom

No GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the GDRs which has been approved by the Financial Conduct Authority, except that the GDRs may be offered to the public in the United Kingdom at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(c) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the GDRs shall require the Company or any Managers to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any GDRs and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who (i) have professional experience in matters relating to investments (being investment professionals falling within article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) are persons falling within article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Securities are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

In the case of any GDRs being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the GDRs acquired by it in the Offering has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in the United Kingdom to qualified investors as defined under Article 2 of the UK Prospectus Regulation or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

United States

The GDRs have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The GDRs are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. The Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of GDRs within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the GDRs into or within the United States by any dealer, whether or not such dealer is participating in the Offering, may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A.

Transfer Restrictions

Rule 144A GDRs

Each purchaser of the Rule 144A GDRs located in the United States, by its acceptance of delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

1. The purchaser (i) is a QIB as defined by Rule 144A under the Securities Act, (ii) is aware that, and each beneficial owner of such Rule 144A GDRs has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, (iii) is acquiring such Rule 144A GDRs for its own account or for the account of one or more QIBs and (iv) if it is acquiring such Rule 144A GDRs for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the acknowledgements, representations and agreements herein on behalf of each such account.

2. The purchaser is aware that the Rule 144A GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act have not been and will not be registered under the Securities Act and are being offered in the United States only in transactions not involving any public offering in the United States and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act ("Restricted Securities").

3. The purchaser understands that the Rule 144A GDRs will initially be represented by a Master Rule 144A GDR Certificate and, before any beneficial interests in Rule 144A GDRs represented by the Master Rule 144A GDR Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in Regulation S GDRs represented by the Master Regulation S GDR Certificate, the transferor will be required to provide certain written certifications.

4. If the purchaser decides to offer, resell, pledge or otherwise transfer Rule 144A GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, such Rule 144A GDRs may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Securities purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act (in each case in accordance with any applicable securities laws of any State of the United States) will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law:

   THIS RULE 144A GDR CERTIFICATE, THE RULE 144A GDRS EVIDENCED HEREBY AND THE A SHARES OF LEPU MEDICAL TECHNOLOGY (BEIJING) CO., LTD. REPRESENTED HEREBY ("THE SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR CERTIFICATE, THE RULE 144A GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR CERTIFICATE, THE RULE 144A GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR CERTIFICATE, THE RULE 144A GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THE HOLDER OF THE GDRS WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH GDRS OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDR MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GDRS.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR CERTIFICATE OR A BENEFICIAL INTEREST IN THE RULE 144A GDRS EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS FOR THE BENEFIT OF LEPU MEDICAL TECHNOLOGY (BEIJING) CO., LTD. AND THE DEPOSITARY NAMED BELOW THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

5. For so long as Rule 144A GDRs are Restricted Securities, it will not deposit such Ordinary Shares into any depositary receipt facility in respect of shares established and maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility.

6. The Company, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that the sellers of the Securities purchased pursuant to Rule 144A under the Securities Act may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Regulation S GDRs

Each purchaser of the Regulation S GDRs will be deemed to have represented and agreed as follows:

1. The purchaser is, at the time of the offer to it of Regulation S GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act.

2. The purchaser is aware that the Regulation S GDRs have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.

3. Any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognized by the Company in respect of the Regulation S GDRs.

4. The purchaser understands that the Regulation S GDRs and the Master Regulation S GDR Certificate will bear a legend substantially to the following effect:

   THIS MASTER REGULATION S GDR CERTIFICATE, THE REGULATION S GDRS EVIDENCED HEREBY AND THE A SHARES OF LEPU MEDICAL TECHNOLOGY (BEIJING) CO., LTD. REPRESENTED THEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS MASTER REGULATION S GDR CERTIFICATE, THE REGULATION S GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY, ACKNOWLEDGE THAT SUCH MASTER REGULATION S GDR CERTIFICATE, THE REGULATION S GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE, FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY, THAT THIS MASTER REGULATION S GDR CERTIFICATE, THE REGULATION S GDRS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES.

5. The purchaser understands that Regulation S GDRs will initially be represented by a Master Regulation S GDR Certificate and, before any beneficial interest in the Regulation S GDRs represented by the Master Regulation S GDR Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A GDRs represented by the Master Rule 144A GDR certificate, the transferor will be required to provide certain written certifications.

6. The Company, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The following is a general summary of certain tax consequences of the acquisition, ownership and disposition of Offer GDRs based on the PRC, Swiss and US tax laws and regulations in force on the date of this Prospectus. Tax consequences are subject to changes in applicable law, including changes that could have a retroactive effect. This is not a complete analysis of the potential tax effects relevant to a decision to invest in Offer GDRs nor does the following summary take into account or discuss the tax laws of any jurisdiction other than the PRC, Switzerland and the US It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular holder of Offer GDRs.

Investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of Offer GDRs. Tax consequences may differ according to the provisions of different tax treaties (see below) and the investor's particular circumstances.

PRC Tax Considerations

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中华人民共和国个人所得税法》), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中华人民共和国个人所得税法实施条例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019 (collectively, the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the competent tax authority of the State Council or exempted by an international convention or agreement to which the PRC government is a party.

Enterprises

According to the Enterprise Income Tax Law of PRC (《中华人民共和国企业所得税法》), which was promulgated by the National People's Congress on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019 (collectively, the "EIT Law"), a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-PRC resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but its PRC-sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

Tax Treaties

Investors who are not PRC residents and reside in countries and regions which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Switzerland, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxation on Capital Gains

Individual Investors

According to the IIT Law, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Under the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《关于个人转让股票所得继续暂免征收个人所得税的通知》) issued by the MOF and the State Administration of Taxation ("SAT") and became effective on March 30, 1998, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax since January 1, 1997. On December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《关于个人转让上市公司限售股所得征收个人所得税有关问题的通知》), which provides that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for certain shares which are subject to sales restriction as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《关于个人转让上市公司限售股所得征收个人所得税有关问题的补充通知》).

As of the date of Prospectus, the aforesaid provision has not expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares or deposit receipt of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the transfer of shares or deposit receipts of PRC resident enterprises listed on overseas stock exchanges.

Enterprises

In accordance with the EIT Law, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but its PRC-sourced income is not connected with such establishment or place. Such tax may be reduced or eliminated pursuant to applicable treaties or agreements.

Other Chinese Tax Consideration

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中华人民共和国印花税暂行条例》), which was issued on August 6, 1988, came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中华人民共和国印花税暂行条例施行细则》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws.

Estate Duty

According to the existing laws of the PRC, non-PRC residents are not subject to estate duty for the holding of GDRs.

Certain Swiss Tax Considerations

Swiss Withholding Tax

Dividend payments and similar cash or in-kind distributions are not subject to Swiss federal withholding tax (*Verrechnungssteuer*).

Swiss Federal Stamp Taxes

The issuance and the delivery of the (newly created) Offer GDR to the initial Offer GDR holders at the Offer Price is not subject to Swiss federal issuance stamp tax (Emissionsabgabe) or Swiss federal securities transfer stamp tax (*Umsatzabgabe*) ("**Swiss Federal Securities Transfer Stamp Tax**").

The subsequent purchase or sale of Offer GDR, whether by Swiss resident individuals who hold their Offer GDR as private assets ("**Resident Private GDR Holders**"), (i) corporate and individual GDR holders who are resident in Switzerland for tax purposes, (ii) corporate and individual Offer GDR holders who are not resident in Switzerland, and who, in each case, hold their Offer GDR as part of a trade or business carried on in Switzerland through a permanent establishment with fixed place of business situated in Switzerland for tax purposes and (iii) Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealing, or leveraged investments, in shares and other securities (collectively, "**Domestic Commercial GDR Holders**") or Offer GDR holders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment with fixed place of business situated in Switzerland for tax purposes, and who are not subject to corporate or individual income taxation in Switzerland for any other reason (collectively, "**Non-Resident GDR Holders**"), may be subject to a Swiss Federal Securities Transfer Stamp Tax at a current rate of up to 0.3%, as well as SIX Swiss Exchange turnover fee, both calculated on the purchase price or the sale proceeds, respectively, if (i) such transfer occurs through or with a Swiss or Liechtenstein bank or by or with involvement of another Swiss securities dealer as defined in the Swiss federal stamp tax act and (ii) no exemption applies.

The following categories of foreign institutional investors that are subject to regulation similar to that imposed by Swiss federal supervisory authorities are exempt from their portion (50%, i.e., up to 0.15%) of the Swiss Federal Securities Transfer Stamp Tax: states and central banks, social security institutions, pension funds, (non-Swiss) collective investment schemes (as defined in the Swiss Collective Investment Law), certain life insurance companies and certain non-Swiss quoted companies and their non-Swiss consolidated group companies. Swiss collective investment schemes (as defined in the Swiss Collective Investment Law) are as well exempt from their portion (50%, i.e., up to 0.15%) of the Swiss federal securities transfer stamp tax.

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Non-Resident GDR Holders

Non-Resident GDR Holders are not subject to any Swiss federal, cantonal or communal income tax on dividend payments and similar distributions because of the mere holding of the Offer GDRs. The same applies for capital gains on the sale of Offer GDRs.

Resident Private GDR Holders and Domestic Commercial GDR Holders

Resident Private GDR Holders who receive dividends and similar cash or in-kind distributions, which are not repayments of the nominal value (*Nennwertrückzahlungen*) of the shares deposited for the Offer GDRs or capital contribution reserves (*Reserven aus Kapitaleinlagen*), are required to report such receipts in their individual income tax returns and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A gain or a loss by Resident Private GDR Holders realized upon the sale or other disposition of GDRs to a third party will generally be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be.

Domestic Commercial GDR Holders who receive dividends and similar cash or in-kind distributions are required to recognize such payments in their income statements for the relevant tax period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings accumulated (including the dividends) for such period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Domestic Commercial GDR Holders are required to recognize a gain or loss realized upon the disposal of GDRs in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the gain or loss realized on the sale or other disposition of GDRs) for such taxation period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Swiss Wealth Tax and Capital Tax

Non-Resident Shareholders

Non-Resident Shareholders holding the Offer GDRs are not subject to cantonal and communal wealth or annual capital tax because of the mere holding of the Offer GDRs.

Resident Private GDR Holders and Domestic Commercial Shareholders

Resident Private Shareholders are required to report their Offer GDRs as part of their private wealth and are subject to cantonal and communal wealth tax on any net taxable wealth (including Offer GDRs).

Domestic Commercial GDR Holders are required to report their Offer GDRs as part of their business wealth or taxable capital, as defined, and are subject to cantonal and communal wealth or annual capital tax.

No wealth or capital tax is levied at the federal level.

International Automatic Exchange of Information in Tax Matters

Switzerland has concluded a bilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters (the "**AEOI Agreement**"). This AEOI Agreement became effective as of January 1, 2017, and applies to all 27 member states as well as Gibraltar. Furthermore, on January 1, 2017, the multilateral competent authority agreement on the automatic exchange of financial account information and, based on such agreement, a number of bilateral AEOI agreements with other countries became effective. Based on this AEOI Agreement and the bilateral AEOI agreements and the implementing laws of Switzerland, Switzerland collects data in respect of financial assets, which may include Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a EU member state or a treaty state from 2017, and exchanges it since 2018. Switzerland has signed and is expected to sign further AEOI agreements with other countries. A list of the AEOI agreements of Switzerland in effect or signed and becoming effective can be found on the website of the State Secretariat for International Finance (SIF).

Swiss Facilitation of the Implementation of the US Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the United States to facilitate the implementation of FATCA. The agreement ensures that the accounts held by US persons with Swiss financial institutions are disclosed to the US tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the United States and Switzerland. On 20 September 2019, the protocol of amendment to the double taxation treaty between Switzerland and the US entered into force allowing US competent authority in accordance with the information reported in aggregated form to request all the information on US accounts without a declaration of consent and on non-consenting

non-participating financial institutions. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the United States on changing the current direct notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the US tax authorities.

We may be a PFIC, which could result in materially adverse US federal income tax consequences to US investors in Offer GDRs or A Shares.

Based on the nature of our business, the composition of our gross income and assets, and projections as to the value of our equity, we do not believe we were a passive foreign investment company for US federal income tax purposes (a "**PFIC**") for the most recent taxable year, nor do we expect to be a PFIC for the current taxable year or in the foreseeable future. However, our PFIC status depends on facts that generally are not determinable until after the close of the taxable year. In addition, our current expectation that we are not a PFIC is based in part upon the expected market value for our shares. Accordingly, we could be a PFIC notwithstanding our expectation, particularly if there is a substantial decline in the value of our shares. If we are a PFIC for any taxable year during which a US Holder (as defined in "Certain US Federal Income Tax Considerations") holds Offer GDRs or A Shares, materially adverse US federal income tax consequences could apply to such US Holder. See "Taxation—Certain US Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Certain US Federal Income Tax Considerations

The following summary is a general discussion of certain US federal income tax considerations to US Holders (as defined below) of acquiring, holding and disposing of Offer GDRs or A Shares purchased in the Offering. The following summary applies only to US Holders that hold Offer GDRs or A Shares as capital assets for US federal income tax purposes (generally, property held for investment). This summary does not address all tax considerations applicable to investors that own (directly or by attribution) 10 percent or more of our stock by voting power or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, investors liable for the alternative minimum tax, certain US expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, securities traders that elect mark-to-market tax accounting, investors that will hold the Offer GDRs or A Shares as part of constructive sales, straddles, hedging, integrated or conversion transactions for US federal income tax purposes or investors whose "functional currency" is not the US dollar). The discussion also does not address any aspect of US federal taxation other than US federal income taxation (such as the estate and gift tax or the Medicare tax on net investment income) and does not address all of the US federal, state, local or non-US tax considerations that may be relevant to a US Holder.

The following summary is based on the US Internal Revenue Code of 1986, as amended, US Treasury regulations issued thereunder, published rulings of the US Internal Revenue Service (the "**IRS**") and judicial and administrative interpretations thereof, and the Convention Between the Government of the United States of America and the People's Republic of China (the "**China Treaty**"), in each case as available on the date of the attached prospectus to any of the foregoing, or changes in how any of these authorities are

interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

For purposes of the following summary, a "US Holder" is a beneficial owner of the Offer GDRs or A Shares that is for US federal income tax purposes:

(i) a citizen or individual resident of the United States,

(ii) a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia or

(iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

Ifan entity or arrangement treated as a partnership for US federal income tax purposes owns Offer GDRs or A Shares, the US federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Such entities or arrangements considering an investment in Offer GDRs or A Shares should consult their own tax advisers about the US federal income tax consequences of an investment in Offer GDRs or A Shares.

Prospective purchasers of Offer GDRs or A Shares should consult their own tax advisers with respect to the US federal, state, local and non-US tax consequences to them in their particular circumstances of acquiring, holding, and disposing of Offer GDRs or A Shares.

Except as otherwise indicated, this summary assumes that we were not a passive foreign investment company for US federal income tax purposes (a "**PFIC**") for the most recent taxable year, and that we will not be a PFIC for the current taxable year or in the foreseeable future. See below under "*—Passive Foreign Investment Company Rules*."

Ownership of GDRs

A US Holder of Offer GDRs generally will be treated for US federal income tax purposes as the owner of the corresponding number of A Shares held by the Depositary, and references herein to A Shares refer also to Offer GDRs representing the A Shares.

Accordingly, no gain or loss generally will be recognized if a US Holder of Offer GDRs exchanges the Offer GDRs for the underlying A Shares represented by the Offer GDRs. A US Holder's basis in withdrawn A Shares will be the same as the US Holder's tax basis in the Offer GDRs surrendered, and the US Holder's holding period for the A Shares will include the holding period of the Offer GDRs.

Distributions

The gross amount of any distributions by us with respect to Offer GDRs or A Shares (including PRC withholding tax, if any) generally will be taxable to a US Holder as foreign source ordinary dividend income.

Dividends on Offer GDRs or A Shares will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations.

Subject to applicable limitations, dividends paid on the Offer GDRs or A Shares to certain non-corporate US Holders may be taxable at favorable rates, provided that we are not a PFIC in the year of distribution or the preceding taxable year. US Holders should consult their tax advisers regarding the availability of the favorable tax rates on dividends in their particular circumstances.

In the event that dividends on the Offer GDRs or A Shares are subject to PRC withholding tax, a US Holder may be entitled, subject to generally applicable limitations and conditions, to claim a US foreign tax credit in respect of PRC taxes withheld on dividends received on the Offer GDRs or A Shares at the appropriate rate. US Holders who do not elect to claim a credit for any foreign income taxes paid or accrued during the taxable year may instead claim a deduction of such taxes. The rules relating to the foreign tax credit are complex, and recent changes to the foreign tax credit rules that apply to foreign income taxes paid or accrued in taxable years beginning after December 27, 2021, introduced additional requirements and limitations.

US Holders are urged to consult their own tax advisers regarding the availability of foreign tax credits or deductions with respect to the Offer GDRs or A Shares.

Sale, Exchange or Other Taxable Dispositions

A US Holder generally will recognize US-source capital gain or loss upon the sale, exchange or other taxable disposition of Offer GDRs or A Shares in an amount equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition of the Offer GDRs or A Shares and the US Holder's tax basis in the Offer GDRs or A Shares (generally the amount paid by the US Holder for such Offer GDRs or A Shares). Any such gain or loss will generally be long-term capital gain or loss if the Offer GDRs have been held for more than one year at the time of disposition. Long-term capital gains of certain non-corporate US Holders may be eligible for reduced rates. The deductibility of capital losses is subject to limitations.

In the event that gain from the disposition of Offer GDRs or A Shares is subject to tax in China, a US Holder's amount realized generally would be the gross amount of the proceeds before deduction of any PRC tax. Gains realized by a US Holder on the disposition of Offer GDRs or A Shares generally will be treated as US-source income for US foreign tax credit purposes. However, U.S. Holders that are eligible for benefits under the China Treaty may be able to elect to treat the gain as foreign-source income under the China Treaty and claim a foreign tax credit in respect of PRC taxes, if any, on disposition gains. Recent changes to the foreign tax credit rules that apply to taxable years beginning after December 27, 2021, introduced additional requirements and limitations that may impact the creditability of foreign withholding taxes. The rules governing foreign tax credits and deductibility of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming a deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

Passive Foreign Investment Company Rules

In general, a non-US corporation will be a PFIC for any taxable year in which either (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-US corporation that directly or indirectly owns at least 25% by value of the stock of another corporation is treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents and royalties and gains from the disposition of passive assets.

Based on the nature of our business, the composition of our gross income and assets, and projections as to the value of our equity, we do not believe we were a PFIC for the most recent taxable year, nor do we expect to be a PFIC for the current taxable year or in the foreseeable future. However, PFIC status depends on facts that generally are not determinable until after the close of the taxable year. In addition, our current expectation that we are not a PFIC is based in part upon the expected market value for our shares. Accordingly, we could be a PFIC notwithstanding our expectation, particularly if there is a substantial decline in the value of our shares. We do not intend to conduct annual assessments of our PFIC status.

If we were classified as a PFIC at any time during a US Holder's holding period, as discussed in greater detail below, such US Holder could be subject to materially adverse tax consequences including being subject to greater amounts of tax on gains and certain distributions on the Offer GDRs or A Shares as well as additional tax reporting obligations.

Subject to the discussion of the mark-to-market election below, if the Company is a PFIC with respect to a US Holder in any year during which the US Holder owns Offer GDRs or A Shares, the US Holder generally will be subject to special rules (regardless of whether the Company continues to be a PFIC) with respect to (i) any gain recognized by the US Holder on the sale or other disposition of its Offer GDRs or A Shares and (ii) any "excess distribution" made to the US Holder (generally, any distributions to such US Holder during a taxable year of the US Holder, other than the first year in which the US Holder holds the Offer GDRs or A Shares, that are greater than 125% of the average annual distributions received by such US Holder in respect of Offer GDRs or A Shares, during the three preceding taxable years of such US Holder or, if shorter, the portion of such US Holder's holding period for the Offer GDRs or A Shares that preceded the taxable year of the distribution).

Under these rules:

- the US Holder's gain (including upon a disposition, redemption or expiration or, under certain circumstances, a pledge) or excess distribution will be allocated ratably over the US Holder's holding period for the Offer GDRs or A Shares;

- the amount allocated to the taxable year of the gain or excess distribution, or to a period before the first taxable year in which the Company is a PFIC, will be taxed as ordinary income;

- the amount allocated to other taxable years will be taxed at the highest tax rate in effect for individuals or corporations, as applicable, for that year; and

- an amount equal to the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax allocated to each such other year as if the amounts were owed on the original due date for the returns for those years.

Additionally, if the Company is a PFIC, dividends paid by the Company will not be eligible for the special reduced rate of tax described above under "—Distributions." If the Company is a PFIC and, at any time, has a subsidiary that is classified as a PFIC, US Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and would be subject to rules similar to those discussed above with respect to any "indirect disposition" of or "indirect distribution" from the lower-tier PFIC.

A US Holder may be able to make an election to mark its Offer GDRs or A Shares to market, provided the Offer GDRs or A Shares are treated as "marketable stock" for purposes of the PFIC rules. However, even if the mark-to-market election is available for the GDRs or A Shares, it would not apply to any lower-tier PFIC interests. Given a very significant portion of the Company's business is conducted through subsidiaries, it is not clear whether making a mark-to-market election would avoid the application of the general PFIC taxation rules described above with respect to the vast majority of gain or distributions on Offer GDRs or A Shares. Consequently, US Holders should consult their own advisors about the potential availability of a mark-to-market election if the Company is a PFIC and such election's limitation given the Company's structure.

If a US Holder owns Offer GDRs or A Shares during any year in which the Company is a PFIC, the US Holder generally will be required to report additional information with its U.S. federal income tax returns.

US Holders are urged to consult their own tax advisers regarding the Company's potential classification as a PFIC and regarding the U.S. federal income tax consequences of acquiring, holding, and disposing of Offer GDRs or A Shares if the Company is so classified, including the advisability of making a "mark-to-market" election, if available.

Information Reporting and Backup Withholding

A US Holder may be subject to information reporting on amounts received by such US Holder from a distribution on, or disposition of, Offer GDRs or A Shares, unless such US Holder establishes that it is exempt from these rules. If a US Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received generally will be allowed as a credit against a US Holder's US federal income tax liability and may entitle such US Holder to a refund, provided that the required information is timely furnished to the IRS.

In addition, US Holders should consult their tax advisers about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the Offer GDRs or A Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

Our Company

Our Company's name is Lepu Medical Technology (Beijing) Co., Ltd. (乐普(北京)医疗器械股份有限公司). Our Company is a joint stock company with limited liabilities converted from a limited liability company in accordance with the PRC Company Law on January 14, 2008 and governed by the laws and regulations of the PRC. Neither our Articles of Association nor the operation of law limit the duration of our Company.

Our registered office and principal place of business is at No. 37 Chaoqian Road, Changping Tech. Zone, Beijing, 102200 the PRC. The legal entity identifier (LEI) of our Company is 3003007FXUYE3WNDDO39.

The principal purpose of our Company, as set out in article 14 of the Articles of Association, is, "in accordance with PRC laws and relevant requirements, to use internationally advanced technology and equipment, to research and develop, produce and sell medical devices, biological materials, environmental protection materials and sanitary products, and to obtain economic benefits that are satisfactory to all stakeholders."

Our financial year of our Company ends on December 31 of each calendar year.

Our Articles of Association were last amended on May 17, 2022.

Auditors

The independent auditors of our Company are BDO China SHU LUN PAN Certified Public Accountants LLP, with its registered office at 17-20F, Tower A, Zhonghai International Center, No. 5, Anding Road, Chaoyang District, Beijing, the PRC, who have been the auditors of our Company since 2012. BDO China SHU LUN PAN Certified Public Accountants LLP has a business license issued by State Administration for Industry and Commerce of the PRC, and recorded by the MOF and the Chinese Institute of Certified Public Accountants, under the supervision of the CSRC and the Chinese Institute of Certified Public Accountants.

The CSRC is an audit oversight authority recognized by the Swiss Federal Council in accordance with Article 8 of the Audit Oversight Act of 16 December 200541 (AOA) and Annex 2 of the Auditor Oversight Ordinance of 22 August 200742 (AOO).

Depositary

Holders of GDRs may contact Deutsche Bank Trust Company Americas, as Depositary for the GDRs with questions relating to the transfer of GDRs on the books of the Depositary, which shall be maintained at its principal executive office at 1 Columbus Circle, New York, NY 10019, US.

Paying Agent

For GDRs held in custody with SIS, the principal duties of a paying agent include distributions of dividends and other payments with respect to book-entry interests in the GDRs, if any, which will be effected via SIS. See also "*Clearing and Settlement—The Clearing Systems*."

Notices

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently at https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

Any public disclosure information with respect to us or the GDRs will be available at our website at http://en.lepumedical.com and the website of Shenzhen Stock Exchange at www.szse.com.cn.

Weblinks

The Company's website	http://en.lepumedical.com
As of the First Day of Trading, the following weblinks will be available:	
E-mail distribution list (push system)	https://en.lepumedical.com/subcribe.html
Ad-hoc messages (pull system)	https://en.lepumedical.com/investors
Financial reports	https://en.lepumedical.com/investors
Corporate calendar	https://en.lepumedical.com/investors

Information on our website, the website of the Shenzhen Stock Exchange, any website directly or indirectly linked to our website or the website of the Shenzhen Stock Exchange, or any other website mentioned in this Prospectus does not form part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decisions to invest in the GDRs.

Security Codes

Rule 144A GDR ISIN	US52678P1066
Rule 144A GDR Common Code	253299525
Rule 144A GDR CUSIP	52678P106
Rule 144A Swiss Security Number (*Valorennummer*)	121526184
Regulation S GDR ISIN	US52678P2056
Regulation S GDR Common Code	253303107
Regulation S GDR CUSIP	52678P205
Regulation S Swiss Security Number (*Valorennummer*)	121526183
SIX Swiss Exchange ticker symbol	LEPU
A Shares ISIN	CNE100000H44
Shenzhen Stock Exchange stock code	300003

Information Policy

We release our financial results in the form of annual, semi-annual and quarterly reports and in electronic form. Our annual reports are published within four months after the end of each financial year. In addition, our semi-annual reports are released within two months after the end of the first half of each financial year, and quarterly reports are released within one month after the end of the first and the third financial quarter of each year. Our annual, semi-annual and quarterly reports will be published on our website and the website of the Shenzhen Stock Exchange at www.szse.com.cn.

From the First Day of Trading, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at http://en.lepumedical.com or obtained from the Company upon request at No. 37 Chaoqian Road, Changping District, Beijing, 102200 the PRC (phone: +86 010 80120622; email: zqb@lepumedical.com).

No Material Change

Except as disclosed in this Prospectus, there have been no material changes in our Group's assets and liabilities, financial position or profits and losses since June 30, 2022.

Clearing and Settlement of Offer GDRs

Custodial and depositary links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the Offer GDRs and cross-market transfers of the Offer GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including joint bookrunners, securities brokers and dealers, banks, trust companies, clearing corporations (including SIS) and certain other organizations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective clients may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

SIS provides custody services for clients in Switzerland and abroad. SIS is the national Central Securities Depository (CSD) of the Swiss financial market and an International Central Securities Depository (ICSD), providing services for the settlement and custody of national and international securities, including GDRs traded on SIX Swiss Exchange.

Distributions of dividends and other payments with respect to book-entry interests in the Offer GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York, a "*banking organization*" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerized book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant US tax laws and regulations. See "*Tax Considerations—Certain US Federal Income Tax Considerations*."

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR Certificate registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depository for Euroclear and Clearstream. Book-entry interests in the Offer GDRs held through DTC will be represented by the Master Rule 144A GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary, as custodian for DTC. As necessary, the Depositary will adjust the amounts of Offer GDRs on the relevant register to reflect the amounts of Offer GDRs held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership in the Offer GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the Offer GDRs in Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Offer GDRs, will be responsible for establishing and maintaining accounts for their participants and clients having interests in the book-entry interests in the Offer GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of Offer GDRs registered in the name of the common depository for Euroclear and Clearstream and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream are credited to Euroclear or Clearstream, as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from the Company for holders holding through DTC are received by DTC.

The Company will not impose any fees in respect of the Offer GDRs; however, holders of book-entry interests in the Offer GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement. See "*Terms and Conditions of the Global Depositary Receipts*."

Global Clearance and Settlement Procedures

Initial Settlement

The Offer GDRs will be in global form evidenced by (i) a Master Regulation S GDR Certificate, and (ii) a Master Rule 144A GDR Certificate. Purchasers electing to hold book-entry interests in Offer GDRs through Euroclear or Clearstream accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interest in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the Offer GDRs, see "*Selling and Transfer Restrictions—Transfer Restrictions*."

Clearing and settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date. Accordingly, investors should note that GDRs traded on SIX Swiss Exchange are centrally cleared and place of settlement is SIS. Settlement for exchange transactions usually occurs two trading days after the trade date.

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the Offer GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the Offer GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in USD, or free of payment, if payment is not effected in USD. Where payment is not effected in USD, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between a DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant must send to DTC a delivery free of payment or delivery versus payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, as the case may be, on the settlement date. In the case of delivery free of payment, separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, as the case may be, to credit the relevant account of the Euroclear or Clearstream participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to:

- decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate; and

- increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream and represented by the Master Regulation S GDR Certificate.

Trading between a Euroclear/Clearstream Seller and DTC Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the Euroclear or Clearstream participant must send to Euroclear or Clearstream a delivery free of payment or delivery versus payment instruction at least one business day prior to the settlement date. In the case of delivery free of payment, separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant, as the case may be. On the settlement date, Euroclear or Clearstream, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, as the case may be, and will deliver such book-entry interests in the GDRs free of payment or versus payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, as the case may be, shall on the settlement date instruct the Depositary to:

- decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Master Regulation S GDR Certificate; and

- increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate.

General

Although the foregoing sets forth the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the Offer GDRs among participants of Euroclear, Clearstream and DTC, none of Euroclear, Clearstream and DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

Settlement of the Offer GDRs

Payment for the Offer GDRs is expected to be made in USD in same-day funds through the facilities of Euroclear, Clearstream and DTC. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR Certificate registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch, as common depository for Euroclear and Clearstream. Book-entry interests in the Offer GDRs held through DTC will be represented by the Master Rule 144A GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary, as custodian for DTC. Except in limited circumstances described herein, investors may hold beneficial interests in the Offer GDRs evidenced by the corresponding Master GDR Certificate only through Euroclear, Clearstream or DTC, as applicable.

Transfers within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant system.

Deutsche Bank Trust Company Americas has been appointed as Depositary pursuant to the Deposit Agreement. Deutsche Bank Trust Company Americas is a wholly-owned indirect subsidiary of Deutsche Bank AG, a German global banking and financial services company. Deutsche Bank Trust Company Americas is a New York state chartered banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Department of Financial Services. The corporate trust office of Deutsche Bank Trust Company Americas at which the GDRs will be administered is located at 1 Columbus Circle, New York, NY 10019, US. The principal executive office of Deutsche Bank Trust Company Americas is located at 1 Columbus Circle, New York, NY 10019, US.

The following technical terms and abbreviations when used in this Prospectus have the definitions and/or descriptions ascribed to them opposite below, except where otherwise indicated.

Abbreviation	Definitions/Descriptions
AED	automated external defibrillator
AI	artificial intelligence
AIoT	artificial intelligence of things, a combination of AI technologies with IoT infrastructure making possible a network of AI-enabled appliances that can act autonomously or can be controlled through AI technologies such as voice recognition and hand gesture
APIs	active pharmaceutical ingredients
ASD Occluder	atrial septal defect occluder
BD	business development
CAGR	compound annual growth rate
CDMO	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
CE, CE Mark, or CE certificate	Conformité Européenne, an administrative marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
class III medical device	medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness under the Regulation on the Supervision and Administration of Medical Devices (《医疗器械监督管理条例》)
Class III hospitals	multi-regional hospitals with large capacity that provide multiple regions with high-quality professional medical services, undertake higher education and scientific research initiatives, which are designated as Class III hospitals by the hospital classification system of the National Health Commission of the PRC
cloud-based	applications, services or resources made available to users on demand via the internet from a cloud computing provider's server with access to shared pools of configurable resources
CRO(s)	contract research organization, a company that provides support to pharmaceutical companies by providing a range of professional research services on a contract basis
DALYs	"disability-adjusted life years," sum of the years of life lost due to premature mortalities and the years lived with a disability due to prevalent cases of the disease or health condition in a population

Abbreviation	Definitions/Descriptions
DCB	drug coated balloon
DES	drug eluting stent
DSA	digital subtraction angiography, a fluoroscopy technique used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment
ECG	electrocardiogram, a test that checks for problems with the electrical activity of heart
FDFs	finished dosage forms
FFR	fractional flow reserve
GMP	good manufacturing practice, a system that stipulates minimum requirements for the methods, facilities, and controls used in manufacturing, processing and packing of a drug product to make sure that a product is safe for use, and that it has the ingredients and strength it claims to have
IoT	Internet of things
IVD	in vitro diagnostic medical devices, referring to devices such as test kit, calibrator, control material, kit, specimen receptacle, software, instrument, apparatus, equipment, or system, whether used alone or in combination, intended by the manufacturer for tests performed on samples taken from the human body, such as swabs of mucus from inside the nose or back of the throat, or blood taken from a vein or fingerstick
LAA Occluder	left atrial appendage occluder
leaves nothing behind	the use does not involve implantation of foreign objects into human bodies
NRDL	National Reimbursement Drug List, the list of products eligible for reimbursement in the PRC, as maintained by the National Healthcare Commission of China
OTC	over the counter, drugs sold directly to a consumer without a prescription, as opposed to prescription drugs
PCI	percutaneous coronary intervention, a non-surgical procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue
PCR	polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample
PFO Occluder	patent foramen ovale occluder

Abbreviation	Definitions/Descriptions
POCT	point-of-care-testing, also known as near-patient testing, offer results within minutes of taking a test, allowing for rapid diagnosis and quick decisions about patient care
PTA Balloon	percutaneous transluminal angioplasty balloon
PTCA Balloon	percutaneous transluminal coronary angioplasty balloon
R&D	research and development
restenosis	the reoccurrence of stenosis, a narrowing of a blood vessel, leading to restricted blood flow
TAVR	transcatheter aortic valve replacement
TMVr	transcatheter mitral valve repair
volume-based procurement	a government-led public tender process for purchases of certain high-value medical consumables, and pharmaceuticals contained in the NRDL by not-for-profit medical institutions under all levels of government and state-owned enterprises
VSD Occluder	ventricular septal defect occluder
YLDs	years lived with a disability
YLLs	years of life lost due to premature mortality

FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

FOR THE SIX MONTHS ENDED JUNE 30, 2022

Auditor's Report

Xin Kuai Shi Bao Zi [2022] No. ZG12142

To the Board of Directors of Lepu Medical Technology (Beijing) Co., Ltd:

Opinion

We have audited the accompanying financial statements of Lepu Medical Technology (Beijing) Co., Ltd ("LEPU"), which comprise the consolidated and company's balance sheets as at 31 December 2019, 2020 and 2021, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for each of the years ended 31 December 2019, 2020 and 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2019, 2020 and 2021 and the consolidated and company's financial performance and cash flows for each of the years ended 31 December 2019, 2020 and 2021 in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LEPU in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

LEPU has prepared separate sets of financial statements for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Accounting Standards for Business Enterprises, on which we issued separate auditor's reports to the shareholders of LEPU, dated 30 March 2020, 26 April 2021 and 25 April 2022, respectively. This report is intended solely for the Board of Directors of LEPU in connection with the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG and is not to be used for any other purpose.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

Management of LEPU ("management") is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing LEPU's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LEPU or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LEPU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LEPU to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within LEPU to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO CHINA Shu Lun Pan Certified Public Accountants LLP **Certified Public Accountant of China:**

Certified Public Accountant of China:

Shanghai, China **15 September 2022**

Lepu Medical Technology (Beijing) Co., Ltd
Consolidated Balance Sheet
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note*	**2021.12.31**	**2020.12.31**	**2019.12.31**
Current assets:				
Cash at bank and on hand	*V.1*	3,797,546,828.75	2,433,978,735.24	1,953,980,223.51
Settlement reserve				
Lending funds				
Financial assets held-for-trading	*V.2*		20,628,580.82	10,000,000.00
Derivative financial assets				
Notes receivable	*V.3*	53,771,351.46	14,267,968.00	34,156,707.21
Accounts receivable	*V.4*	1,661,121,687.38	2,100,443,169.69	2,166,546,179.03
Receivable financing	*V.5*	81,021,515.38	94,902,622.37	84,620,439.23
Prepayments	*V.6*	283,134,355.78	170,006,036.34	88,756,848.83
Insurance premium receivable				
Reinsurance premium receivable				
Reserves for reassurance contracts receivable				
Other receivables	*V.7*	178,277,572.38	145,813,919.47	128,799,529.45
Financial assets purchased under agreements to resell				
Inventories	*V.8*	1,938,933,788.59	1,423,743,740.63	1,004,827,585.23
Contract assets				
Assets held for sale				
Non-current assets due within one year	*V.9*	31,853,472.12	56,339,216.01	91,717,414.84
Other current assets	*V.10*	121,667,039.96	116,519,066.88	70,975,839.70
Total current assets		8,147,327,611.80	6,576,643,055.45	5,634,380,767.03
Non-current assets:				
Loans and advances granted				
Debt investments				
Other debt investments				
Long-term receivables	*V.11*	11,129,273.70	22,505,559.29	41,895,323.86
Long-term equity investments	*V.12*	1,071,749,553.79	838,561,720.42	516,122,947.37
Investments in other equity instruments	*V.13*	1,509,640,296.41	1,652,066,405.57	1,574,745,261.29
Other non-current financial assets	*V.14*	93,840,000.00	807,038,100.00	349,532,110.00
Investment properties	*V.15*	317,595,880.00	292,645,190.34	137,855,964.68
Fixed assets	*V.16*	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33
Construction in progress	*V.17*	1,158,461,800.35	627,436,957.82	658,485,265.28
Productive biological assets				
Oil and gas assets				
Right-of-use assets	*V.18*	189,321,935.56		
Intangible assets	*V.19*	1,398,639,683.60	1,385,898,627.57	1,483,385,640.05
Development expenses	*V.20*	711,493,159.25	513,728,450.25	525,430,241.72
Goodwill	*V.21*	3,273,478,338.67	2,771,607,339.49	2,718,837,240.57
Long-term deferred expenses	*V.22*	197,778,637.70	168,158,641.64	173,113,036.77
Deferred income tax assets	*V.23*	137,554,855.18	180,128,018.93	144,369,542.62
Other non-current assets	*V.24*	298,371,120.27	241,408,035.85	489,315,271.08
Total non-current assets		12,551,334,706.16	11,580,222,026.77	10,291,910,116.62
Total assets		20,698,662,317.96	18,156,865,082.22	15,926,290,883.65

Liabilities and owners' equity	*Note*	**2021.12.31**	**2020.12.31**	**2019.12.31**
Current liabilities:				
Short-term borrowings	*V.25*	583,919,755.30	1,901,893,572.82	1,464,038,209.73
Loans from central bank				
Placements from banks and other financial institutions				
Financial liabilities held-for-trading	*V.26*		329,740.12	
Derivative financial liabilities				
Notes payable	*V.27*	228,532,548.74	66,398,584.13	84,558,954.73
Accounts payable	*V.28*	1,134,629,803.32	754,642,362.81	737,706,359.50
Advances from customers	*V.29*			163,776,470.25
Contract liabilities	*V.30*	353,961,526.94	269,212,492.11	
Securities sold under agreements to repurchase				
Deposits from customers and inter banks				
Receiving from vicariously traded securities				
Receiving from vicariously sold securities				
Employee benefits payable	*V.31*	199,547,939.45	160,324,035.62	103,106,647.16
Taxes payable	*V.32*	210,761,655.01	121,472,077.88	127,964,131.88
Other payables	*V.33*	327,402,746.63	284,085,148.52	267,251,632.33
Fee and commission payable				
Reinsured accounts payable				
Liabilities held for sale				
Non-current liabilities due within one year	*V.34*	249,739,598.07	1,101,834,883.59	1,359,102,000.31
Other current liabilities	*V.35*	43,833,317.73	151,713,170.60	802,998,904.11
Total current liabilities		3,332,328,891.19	4,811,906,068.20	5,110,503,310.00
Non-current liabilities:				
Reserve fund for insurance contracts				
Long-term borrowings	*V.36*	1,209,505,484.75	1,115,216,273.83	2,457,980,000.00
Bonds payable	*V.37*	2,673,396,874.29	1,218,633,729.61	
Including: Preference shares				
Perpetual bonds				
Lease liabilities	*V.38*	125,111,500.56		
Long-term payable	*V.39*		3,663,119.05	10,320,465.41
Long-term employee benefits payable				
Estimated liabilities				
Deferred income	*V.40*	140,026,782.82	145,808,359.54	135,437,717.14
Deferred income tax liabilities	*V.23*	264,770,701.75	324,211,083.52	207,100,586.13
Other non-current liabilities	*V.41*	679,985,509.35		
Total non-current liabilities		5,092,796,853.52	2,807,532,565.55	2,810,838,768.68
Total liabilities		8,425,125,744.71	7,619,438,633.75	7,921,342,078.68
Owners' equity:				
Share capital	*V.42*	1,804,587,310.00	1,804,581,117.00	1,781,652,921.00
Other equity instruments	*V.43*	214,766,365.30		
Including: Preference shares				
Perpetual bonds				
Capital reserve	*V.44*	983,705,934.14	959,178,574.08	2,085,985.80
Less: Treasury shares	*V.45*	364,191,936.22	254,282,089.95	254,282,089.95
Other comprehensive income	*V.46*	128,902,935.45	37,457,150.30	113,176,177.79
Special reserve				
Surplus reserve	*V.47*	585,170,176.55	402,534,580.65	423,363,759.09
Provision for general risks				
Retained earnings	*V.48*	8,120,920,265.38	6,923,321,919.53	5,416,779,818.86
Total equity attributable to shareholders of the Company		11,473,861,050.60	9,872,791,251.61	7,482,776,572.59
Non-controlling interests		799,675,522.65	664,635,196.86	522,172,232.38
Total equity		12,273,536,573.25	10,537,426,448.47	8,004,948,804.97
Total liabilities and equity		20,698,662,317.96	18,156,865,082.22	15,926,290,883.65

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Company's Balance Sheet
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note*	2021.12.31	2020.12.31	2019.12.31
Current assets:				
Cash at bank and on hand		1,001,509,986.73	677,961,996.33	632,821,655.21
Financial assets held-for-trading				
Derivative financial assets				
Notes receivable	*XV.1*	3,050,820.01		22,074,413.67
Accounts receivable	*XV.2*	343,228,479.65	504,493,808.49	471,731,549.22
Receivable financing	*XV.3*	4,024,270.06	15,087,148.18	
Prepayments		60,855,894.42	43,609,124.03	26,827,775.91
Other receivables	*XV.4*	729,429,377.06	692,122,367.48	1,819,638,345.45
Inventories		240,998,491.74	202,385,433.51	160,499,676.24
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets		945,122.02	26,825,598.73	1,365,974.85
Total current assets		2,384,042,441.69	2,162,485,476.75	3,134,959,390.55
Non-current assets:				
Debt investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	*XV.5*	9,263,375,632.84	9,029,084,617.74	7,299,830,955.53
Investments in other equity instruments		864,934,804.50	1,026,903,243.11	856,593,362.92
Other non-current financial assets		93,840,000.00	807,038,100.00	349,532,110.00
Investment properties		44,221,277.73	46,349,835.85	32,522,249.05
Fixed assets		355,710,242.41	372,312,559.02	336,891,191.20
Construction in progress		15,656,621.52	20,746,280.54	13,487,121.74
Productive biological assets				
Oil and gas assets				
Right-of-use assets		10,833,025.13		
Intangible assets		71,648,738.95	78,584,151.61	70,176,970.00
Development expenses		135,087,802.38	96,629,071.10	84,913,951.63
Goodwill				
Long-term deferred expenses		72,473,109.47	70,803,257.77	69,431,833.79
Deferred income tax assets		51,889,967.70	76,642,888.24	54,849,011.85
Other non-current assets		1,088,098,155.23	906,972,063.98	566,802,806.28
Total non-current assets		12,067,769,377.86	12,532,066,068.96	9,735,031,563.99
Total assets		14,451,811,819.55	14,694,551,545.71	12,869,990,954.54
Current liabilities:				
Short-term borrowings		412,983,794.02	1,263,958,598.37	775,000,000.00

Liabilities and owners' equity	*Note*	2021.12.31	2020.12.31	2019.12.31
Financial liabilities held-for-trading				
Derivative financial liabilities				
Notes payable				
Accounts payable		70,970,087.03	58,483,925.57	56,194,252.06
Advances from customers				45,360,778.64
Contract liabilities		47,482,165.20	45,976,367.47	
Employee benefits payable		37,713,780.61	23,940,628.75	20,069,821.67
Taxes payable		47,548,039.98	11,255,077.53	25,534,417.00
Other payables		785,381,961.21	2,356,302,128.32	1,235,631,801.73
Liabilities held for sale				
Non-current liabilities due within one year		189,681,125.49	1,091,750,000.00	1,274,892,119.87
Other current liabilities		4,799,659.70	131,509,247.04	802,998,904.11
Total current liabilities		1,596,560,613.24	4,983,175,973.05	4,235,682,095.08
Non-current liabilities:				
Long-term borrowings		1,209,505,484.75	1,115,216,273.83	2,457,980,000.00
Bonds payable		2,673,396,874.29	1,218,633,729.61	
Including: Preference shares				
Perpetual bonds				
Lease liabilities		5,499,073.48		
Long-term payable				
Long-term employee benefits payable				
Estimated liabilities				
Deferred income		16,986,345.19	20,372,350.67	15,966,666.67
Deferred income tax liabilities		27,082,481.39	113,495,353.70	42,631,941.45
Other non-current liabilities				
Total non-current liabilities		3,932,470,259.10	2,467,717,707.81	2,516,578,608.12
Total liabilities		5,529,030,872.34	7,450,893,680.86	6,752,260,703.20
Owners' equity:				
Share capital		1,804,587,310.00	1,804,581,117.00	1,781,652,921.00
Other equity instruments		214,766,365.30		
Including: Preference shares				
Perpetual bonds				
Capital reserve		2,561,836,944.62	2,486,335,584.16	1,687,850,322.48
Less: Treasury shares		364,191,936.22	254,282,089.95	254,282,089.95
Other comprehensive income		65,171,925.73		
Special reserve				
Surplus reserve		709,594,539.06	526,958,943.16	461,459,391.54
Retained earnings		3,931,015,798.72	2,680,064,310.48	2,441,049,706.27
Total equity		8,922,780,947.21	7,243,657,864.85	6,117,730,251.34
Total liabilities and equity		14,451,811,819.55	14,694,551,545.71	12,869,990,954.54

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Consolidated Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	2021	2020	2019
I. Total operating revenue	*V.49*	10,659,734,875.07	8,038,667,540.97	7,795,529,386.34
Including: Operating revenue		10,659,734,875.07	8,038,667,540.97	7,795,529,386.34
Interest income				
Premium earned				
Income for handling charges and commissions				
II. Total operating cost		8,207,652,668.99	6,192,510,207.79	5,842,886,015.48
Including: Operating cost	*V.49*	4,156,636,959.74	2,653,773,898.42	2,165,195,359.98
Interest expenses				
Handling charges and commissions				
Refunded premiums				
Net amount of compensation payout				
Net amount withdrawn for insurance contract reserves				
Policy dividend expense				
Reinsured expenses				
Taxes and surcharges	*V.50*	113,779,694.00	90,478,392.08	96,230,151.98
Selling expenses	*V.51*	2,109,190,634.47	1,838,782,678.99	2,171,677,428.76
Administrative expenses	*V.52*	748,343,631.51	606,675,873.43	585,996,118.86
Research and development expenses	*V.53*	907,941,337.65	736,134,170.12	543,913,939.52
Financial expenses	*V.54*	171,760,411.62	266,665,194.75	279,873,016.38
Including: Interest expenses		228,486,195.36	268,918,253.85	321,704,202.89
Interest income		57,585,210.52	43,160,025.55	44,351,724.18
Add: Other income	*V.55*	79,518,644.90	61,187,318.30	27,861,314.93
Investment income (loss expressed with "-")	*V.56*	-396,883,394.79	-153,798,876.33	195,060,593.01
Including: Income from investment in associates and joint ventures		-152,253,735.93	-142,769,061.70	-77,208,050.45
Gains from derecognition of financial assets measured at amortised cost				
Exchange gain (loss expressed with "-")				
Net exposure hedging benefits (loss expressed with "-")				
Gains from change in fair value (loss expressed with "-")	*V.57*	29,340,000.00	451,858,030.70	161,983,110.00
Loss on impairment of credit (loss expressed with "-")	*V.58*	-29,907,564.58	-37,536,848.69	-174,391,905.40
Loss on impairment of assets (loss expressed with "-")	*V.59*	-9,448,114.80	-20,977,602.04	-206,023,971.10
Gains from disposal of asset (loss expressed with "-")	*V.60*	19,900,661.89	2,288,329.64	4,119,193.02
III. Operating profit (loss expressed with "-")		2,144,602,438.70	2,149,177,684.76	1,961,251,705.32

Item	*Note*	2021	2020	2019
Add: Non-operating revenue	*V.61*	63,653,152.61	72,822,125.34	106,861,977.13
Less: Non-operating expenses	*V.62*	62,103,610.25	18,686,620.19	4,858,128.33
IV. Total profit before tax (total loss expressed with "-")		2,146,151,981.06	2,203,313,189.91	2,063,255,554.12
Less: Income tax expense	*V.63*	365,733,333.63	326,234,622.72	339,463,834.24
V. Net profit (net loss expressed with "-")		1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
(I) Classified by continuity of operations				
1. Net profit from continuing operations (net loss expressed with "-"		1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
2. Net profit from discontinued operations (net loss expressed with "-")				
(II) Classified by ownership				
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		1,719,324,578.02	1,801,932,532.92	1,725,306,191.17
2. Net profit attributable to non-controlling interests (net loss expressed with "-")		61,094,069.41	75,146,034.27	-1,514,471.29
VI. Net other comprehensive income after tax		169,088,418.98	123,861,616.72	7,339,630.98
Net other comprehensive income after tax attributable to shareholders of the Company		160,971,791.96	48,240,119.88	-15,233,247.67
(I) Other comprehensive income that will not be subsequently reclassified to profit or loss		188,125,333.50	100,384,363.59	-29,013,429.08
1. Change in remeasurement of defined benefit plans				
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss				
3. Change in fair value of investments in other equity instruments		188,125,333.50	100,384,363.59	-29,013,429.08
4. Changes in fair value of other equity instrument investments				
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		-27,153,541.54	-52,144,243.71	13,780,181.41
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss		-1,940.44		
2. Change in fair value of other debt investments				

Item	*Note*	2021	2020	2019
3. Amount of financial assets reclassified into other comprehensive income				
4. Provision for credit impairment of other debt investments				
5. Cash flow hedging reserve				
6. Exchange differences arising from translation of foreign currency financial statements		-27,151,601.10	-52,144,243.71	13,780,181.41
7. Others				
Net other comprehensive income attributable to non-controlling interests after tax		8,116,627.02	75,621,496.84	22,572,878.65
VII. Total comprehensive income		1,949,507,066.41	2,000,940,183.91	1,731,131,350.86
Total comprehensive income attributable to shareholders of the Company		1,880,296,369.98	1,850,172,652.80	1,710,072,943.50
Total comprehensive income attributable to non-controlling interests		69,210,696.43	150,767,531.11	21,058,407.36
VIII. Earnings per share:				
(I) Basic earnings per share (RMB/share)		0.9596	1.0141	0.9746
(II) Diluted earnings per share (RMB/share)		0.9510	1.0141	0.9746

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Company's Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	2021	2020	2019
I. Operating revenue	*XV.6*	1,211,444,098.16	1,215,169,432.26	1,605,369,505.29
Less: Operating cost	*XV.6*	433,464,850.28	423,433,037.63	294,332,240.47
Taxes and surcharges		15,963,789.94	15,975,808.69	21,438,021.28
Selling expenses		237,514,057.42	260,139,633.56	275,359,720.80
Administrative expenses		201,190,241.91	179,983,564.34	158,427,904.71
Research and development expenses		193,800,232.29	137,197,866.66	166,962,565.63
Financial expenses		195,025,100.48	268,546,551.87	286,519,190.48
Including: Interest expenses		244,090,531.96	303,776,144.84	336,234,924.04
Interest income		54,576,575.25	56,127,912.67	52,391,888.27
Add: Other income		9,759,241.16	4,880,086.26	4,972,533.83
Investment income (loss expressed with "-")	*XV.7*	1,811,811,122.25	350,968,837.84	290,634,653.73
Including: Income from investment in associates and joint ventures		-144,846,560.15	-142,010,771.91	-73,706,711.22
Gains from derecognition of financial assets measured at amortised cost				
Net exposure hedging benefits (loss expressed with "-")				
Gains from change in fair value (loss expressed with "-")		29,340,000.00	451,005,990.00	161,983,110.00
Loss on impairment of credit (loss expressed with "-")		-2,123,514.02	-14,198,359.73	-137,473,964.75
Loss on impairment of assets (loss expressed with "-")		-5,910,972.78		-65,337,468.66
Gains from disposal of assets (loss expressed with "-")			7,263.78	83,800,592.08
II. Operating profit (Loss expressed with "-")		1,777,361,702.45	722,556,787.66	740,909,318.15
Add: Non-operating income		94,248.40	548,406.37	583,564.17
Less: Non-operating expenses		3,179,086.25	2,272,550.32	1,411,804.27
III. Total profit before tax (loss expressed with "-")		1,774,276,864.60	720,832,643.71	740,081,078.05
Less: Income tax expense		-52,079,094.44	65,837,127.56	63,010,984.95
IV. Net profit (Net loss expressed with "-")		1,826,355,959.04	654,995,516.15	677,070,093.10
(I) Net profit from continuing operations (net loss expressed with "-")		1,826,355,959.04	654,995,516.15	677,070,093.10
(II) Net profit from discontinued operations (net loss expressed with "-")				
V. Net other comprehensive income after tax attributable to shareholders of the company		81,019,693.91	3,368,667.68	

Item	*Note*	2021	2020	2019
(I) Other comprehensive incomes that will not be reclassified into profit or loss		81,021,634.35	3,368,667.68	
1. Change in remeasurement of defined benefit plans				
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss				
3. Change in fair value of investments in other equity instruments		81,021,634.35	3,368,667.68	
4. Change in fair value of credit risks of own credit risks				
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		-1,940.44		
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss		-1,940.44		
2. Change in fair value of other debt investment				
3. Amount of financial assets reclassified into other comprehensive income				
4. Provision of credit impairment of other debt investments.				
5. Cash flow hedging reserve				
6. Exchange differences arising from translation of foreign currency financial statements				
7. Others				
VI. Total comprehensive income		1,907,375,652.95	658,364,183.83	677,070,093.10
VII. Earnings per share:				
(I) Basic earnings per share				
(II) Diluted earnings per share				

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Consolidated Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	2021	2020	2019
I. Cash flows from operating activities:				
Cash received from sale of goods or rendering of services		11,490,798,837.57	8,681,615,842.06	8,046,634,961.15
Net increase in deposit from customer and due from bank and other financial institutions				
Net increase in borrowings from central bank				
Net increase in borrowings from other financial institutions				
Cash received from premium income from direct insurance contracts				
Net cash received from reinsurance business				
Net increase in policyholders' deposits and investments contract liabilities				
Cash received from interests, handling charges and commissions				
Net increase in loans from other banks and other financial institutions				
Net increase in repurchase business				
Net cash received from agency purchases and sales of securities				
Cash received from tax refund		254,636,208.28	161,410,750.89	84,660,776.65
Cash received relating to other operating activities		170,426,947.19	174,536,481.03	163,619,809.26
Sub-total of cash inflows from operating activities	*V.64*	11,915,861,993.04	9,017,563,073.98	8,294,915,547.06
Cash paid for goods and services		3,709,334,148.82	2,315,579,735.23	1,749,027,449.20
Net increase in loans and advances to customers				
Net increase in central bank and interbank deposits				
Cash paid for claims of direct insurance contracts				
Net increase in lending funds				
Cash paid for interests, handling charges and commissions				
Cash paid for the policy dividends				
Cash paid to and on behalf of employees		1,841,263,775.09	1,397,158,931.04	1,211,823,860.73
Payments of taxes and surcharges		979,847,523.70	993,280,272.42	1,068,837,243.89
Cash paid relating to other operating activities	*V.64*	2,323,424,693.72	2,221,844,830.40	2,274,971,929.75
Sub-total of cash outflows from operating activities		8,853,870,141.33	6,927,863,769.09	6,304,660,483.57

Item	*Note*	2021	2020	2019
Net cash flows from operating activities		3,061,991,851.71	2,089,699,304.89	1,990,255,063.49
II. Cash flows from investing activities:				
Cash received from disposal of investments		280,258,031.88	186,895,912.32	455,656,192.12
Cash received from investment income		533,267,218.26	184,623,548.18	221,604,739.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,085,938.02	44,659,508.51	6,991,052.68
Net cash received from the disposal of subsidiaries and other business entities		152,601.60	3,254,586.40	
Cash received relating to other investing activities	*V.64*	191,981,098.59	475,299,604.11	5,978,333.33
Sub-total of cash inflows from investing activities		1,007,744,888.35	894,733,159.52	690,230,317.51
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		984,395,333.19	600,146,740.76	563,112,957.73
Cash paid for investments		171,080,114.83	482,124,554.71	404,172,034.02
Net increase in pledged loans				
Net cash paid for acquisition of subsidiaries and other business units		453,005,901.62	112,941,606.52	240,895,233.88
Cash paid relating to other investing activities	*V.64*	259,728,283.53	394,972,978.00	133,268,812.78
Sub-total of cash outflows from investing activities		1,868,209,633.17	1,590,185,879.99	1,341,449,038.41
Net cash flows from investing activities		-860,464,744.82	-695,452,720.47	-651,218,720.90
III. Cash flows from financing activities:				
Cash received from capital contributions		51,584,210.16	56,889,720.00	3,054,994.80
Including: Cash received by subsidiaries from receiving investments made by minority interest		51,584,210.16	56,889,720.00	3,054,994.80
Cash received from borrowings		3,745,333,033.33	4,699,360,517.78	3,586,194,944.44
Cash received relating to other financing activities	*V.64*	619,740,000.00	256,946,722.49	87,199,277.48
Sub-total of cash inflows from financing activities		4,416,657,243.49	5,013,196,960.27	3,676,449,216.72
Cash repayment of borrowings		4,258,985,903.55	4,798,273,279.17	4,123,488,738.72
Cash payments for distribution of dividends profits or interest expenses		636,041,211.20	642,943,457.60	668,789,141.29
Including: Dividends and profits paid by subsidiaries to non-controlling interests		48,998,909.59	44,540,981.04	29,605,370.16
Cash payments for other financing activities	*V.64*	419,036,019.36	335,416,544.41	433,022,016.45
Sub-total of cash outflows from financing activities		5,314,063,134.11	5,776,633,281.18	5,225,299,896.46
Net cash flows from financing activities		-897,405,890.62	-763,436,320.91	-1,548,850,679.74

Item	*Note*	2021	2020	2019
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-11,314,831.22	-31,232,841.02	4,391,743.40
V. Net increase in cash and cash equivalents		1,292,806,385.05	599,577,422.49	-205,422,593.75
Add: Beginning balance of cash and cash equivalents		2,391,237,259.98	1,791,659,837.49	1,997,082,431.24
VI. Ending balance of cash and cash equivalents		3,684,043,645.03	2,391,237,259.98	1,791,659,837.49

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Company's Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	2021	2020	2019
I. Cash flows from operating activities:				
Cash received from sale of goods or rendering of services		1,285,482,388.63	1,388,570,383.14	1,739,497,303.61
Cash received from tax refund		246,653.35	885,795.36	2,262.13
Cash received relating to other operating activities		52,444,171.76	48,444,790.77	28,527,949.15
Sub-total of cash inflows from operating activities		1,338,173,213.74	1,437,900,969.27	1,768,027,514.89
Cash paid for goods and services		258,958,674.15	338,903,120.97	224,727,440.34
Cash paid to and on behalf of employees		496,027,593.28	400,593,518.50	348,004,582.32
Payments of tax and surcharges		76,128,368.68	134,929,163.29	236,757,824.58
Cash paid relating to other operating activities		296,030,414.11	327,909,412.25	331,492,965.10
Sub-total of cash outflows from operating activities		1,127,145,050.22	1,202,335,215.01	1,140,982,812.34
Net cash flows from operating activities		211,028,163.52	235,565,754.26	627,044,702.55
II. Cash flows from investing activities:				
Cash received from disposal of investments		227,457,709.68	730,119.81	303,605,324.08
Cash received from investment income		1,526,495,610.42	488,452,025.25	418,410,892.99
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,190,545.40	103,325.93	1,478,907.53
Net cash received from disposal of subsidiaries and other business units		584,200,000.00	5,895,200.00	
Cash received relating to other investing activities		66,915,493.17	1,365,448,112.20	5,978,333.33
Sub-total of cash inflows from investing activities		2,413,259,358.67	1,860,628,783.19	729,473,457.93
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		81,666,857.93	56,149,132.61	96,711,613.38
Cash paid for investments		274,936,871.79	1,287,238,602.36	296,021,547.35
Net cash paid for acquisition of subsidiaries and other business units		1,061,635,658.98	125,614,430.00	321,894,162.08
Cash paid relating to other investing activities		140,000,000.00	72,548,017.88	132,268,812.78
Sub-total of cash outflows from investing activities		1,558,239,388.70	1,541,550,182.85	846,896,135.59
Net cash flows from investing activities		855,019,969.97	319,078,600.34	-117,422,677.66

Item	*Note*	2021	2020	2019
III. Cash flows from financing activities:				
Cash received from receiving investments				
Cash received from borrowings obtained		3,395,959,700.00	3,958,052,503.55	2,871,430,000.00
Cash received relating to other financing activities			109,000,000.00	551,799,555.46
Sub-total of cash inflows from financing activities		3,395,959,700.00	4,067,052,503.55	3,423,229,555.46
Cash paid for repayment of debts		3,432,575,903.55	3,865,480,000.00	3,400,500,000.00
Cash paid for dividends, profit distribution or interest expenses		578,728,101.16	577,524,158.95	612,439,055.78
Cash paid relating to other financing activities		122,018,435.54	130,948,017.88	165,256,298.88
Sub-total of cash outflows from financing activities		4,133,322,440.25	4,573,952,176.83	4,178,195,354.66
Net cash flows from financing activities		-737,362,740.25	-506,899,673.28	-754,965,799.20
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-2,601,051.82	-5,616,056.12	1,995,887.55
V. Net increase in cash and cash equivalents		326,084,341.42	42,128,625.20	-243,347,886.76
Add: Beginning balance of cash and cash equivalents		674,950,280.41	632,821,655.21	876,169,541.97
VI. Ending balance of cash and cash equivalents		1,001,034,621.83	674,950,280.41	632,821,655.21

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Consolidated Statement of Changes in Owners' Equity
(All amounts in RMB Yuan unless otherwise stated)

	2021													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,804,581,117.00				959,178,574.08	254,282,089.95	37,457,150.30		402,534,580.65		6,923,321,919.53	9,872,791,251.61	664,635,196.86	10,537,426,448.47
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,804,581,117.00				959,178,574.08	254,282,089.95	37,457,150.30		402,534,580.65		6,923,321,919.53	9,872,791,251.61	664,635,196.86	10,537,426,448.47
III. Increase/decrease for the year (Decrease expressed with "-")	6,193.00			214,766,365.30	24,527,360.06	109,909,846.27	91,445,785.15		182,635,595.90		1,197,598,345.85	1,601,069,798.99	135,040,325.79	1,736,110,124.78
(I) Total comprehensive income							160,971,791.96				1,719,324,578.02	1,880,296,369.98	69,210,696.43	1,949,507,066.41
(II) Capital paid in and reduced by shareholders	6,193.00			214,766,365.30	-31,521,783.42	109,909,846.27						73,340,928.61	114,828,538.95	188,169,467.56
1. Ordinary shares paid by shareholders													51,584,210.16	51,584,210.16
2. Capital paid by holders of other equity instruments	6,193.00			214,790,321.83	175,754.15							214,972,268.98		214,972,268.98
3. Amount of share-based payments recognized in owners' equity					43,377,811.14							43,377,811.14	1,081,340.12	44,459,151.26
4. Others				-23,956.53	-75,075,348.71	109,909,846.27						-185,009,151.51	62,162,988.67	-122,846,162.84
(III) Profit distribution									182,635,595.90		-591,252,238.98	-408,616,643.08	-48,998,909.59	-457,615,552.67
1. Transfer to surplus reserve									182,635,595.90		-182,635,595.90			
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)											-408,616,643.08	-408,616,643.08	-48,998,909.59	-457,615,552.67
4. Others														

	2021													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
(IV) Transfer within owners' equity							-69,526,006.81				69,526,006.81			
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings							-69,526,006.81				69,526,006.81			
6. Others														
(V) Special reserve														
1. Transfer in the year														
2. Utilisation in the year														
(VI) Others					56,049,143.48							56,049,143.48		56,049,143.48
IV. Ending balance of the year	1,804,587,310.00			214,766,365.30	983,705,934.14	364,191,936.22	128,902,935.45		585,170,176.55		8,120,920,265.38	11,473,861,050.60	799,675,522.65	12,273,536,573.25

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

	2020													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,781,652,921.00				2,085,985.80	254,282,089.95	113,176,177.79		423,363,759.09		5,416,779,818.86	7,482,776,572.59	522,172,232.38	8,004,948,804.97
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,781,652,921.00				2,085,985.80	254,282,089.95	113,176,177.79		423,363,759.09		5,416,779,818.86	7,482,776,572.59	522,172,232.38	8,004,948,804.97
III. Increase/decrease for the year (Decrease expressed with "-")	22,928,196.00				957,092,588.28		-75,719,027.49		-20,829,178.44		1,506,542,100.67	2,390,014,679.02	142,462,964.48	2,532,477,643.50
(I) Total comprehensive income							48,240,119.88				1,801,932,532.92	1,850,172,652.80	150,767,531.11	2,000,940,183.91
(II) Capital paid in and reduced by shareholders	22,928,196.00				736,534,805.97				-86,328,730.06			673,134,271.91	35,001,021.18	708,135,293.09
1. Ordinary shares paid by shareholders													51,216,430.00	51,216,430.00
2. Capital paid by holders of other equity instruments	22,928,196.00				723,171,719.31							746,099,915.31		746,099,915.31
3. Amount of share-based payments recognized in owners' equity					976,675.62							976,675.62	32,997.73	1,009,673.35
4. Others					12,386,411.04				-86,328,730.06			-73,942,319.02	-16,248,406.55	-90,190,725.57
(III) Profit distribution									65,499,551.62		-419,349,579.62	-353,850,028.00	-43,305,587.81	-397,155,615.81
1. Transfer to surplus reserve									65,499,551.62		-65,499,551.62			
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)											-353,850,028.00	-353,850,028.00	-43,305,587.81	-397,155,615.81
4. Others														

	2020													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
(IV) Transfer within owners' equity							-123,959,147.37				123,959,147.37			
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings							-123,959,147.37				123,959,147.37			
6. Others														
(V) Special reserve														
1. Transfer in the year														
2. Utilisation in the year														
(VI) Others					220,557,782.31							220,557,782.31		220,557,782.31
IV. Ending balance of the year	1,804,581,117.00				959,178,574.08	254,282,089.95	37,457,150.30		402,534,580.65		6,923,321,919.53	9,872,791,251.61	664,635,196.86	10,537,426,448.47

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

	2019													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,781,652,921.00				90,674,278.38	95,995,791.07	342,205,910.69		393,752,382.23		3,849,339,911.52	6,361,629,612.75	226,423,235.32	6,588,052,848.07
Add: Changes in accounting policies							-187,000,000.00				174,970,513.35	-12,029,486.65		-12,029,486.65
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,781,652,921.00				90,674,278.38	95,995,791.07	155,205,910.69		393,752,382.23		4,024,310,424.87	6,349,600,126.10	226,423,235.32	6,576,023,361.42
III. Increase/decrease for the year (Decrease expressed with "-")					-88,588,292.58	158,286,298.88	-42,029,732.90		29,611,376.86		1,392,469,393.99	1,133,176,446.49	295,748,997.06	1,428,925,443.55
(I) Total comprehensive income							-15,233,247.67				1,725,306,191.17	1,710,072,943.50	21,058,407.36	1,731,131,350.86
(II) Capital paid in and reduced by shareholders					-88,588,292.58	158,286,298.88			-38,095,632.45			-284,970,223.91	274,690,589.70	-10,279,634.21
1. Ordinary shares paid by shareholders														
2. Capital paid by holders of other equity instruments														
3. Amount of share-based payments recognized in owners' equity														
4. Others					-88,588,292.58	158,286,298.88			-38,095,632.45			-284,970,223.91	274,690,589.70	-10,279,634.21
(III) Profit distribution									67,707,009.31		-359,633,282.41	-291,926,273.10		-291,926,273.10
1. Transfer to surplus reserve									67,707,009.31		-67,707,009.31			
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)											-291,926,273.10	-291,926,273.10		-291,926,273.10
4. Others														

	2019													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
(IV) Transfer within owners' equity							-26,796,485.23				26,796,485.23			
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings							-26,796,485.23				26,796,485.23			
6. Others														
(V) Special reserve														
1. Transfer in the year														
2. Utilisation in the year														
(VI) Others														
IV. Ending balance of the year	1,781,652,921.00				2,085,985.80	254,282,089.95	113,176,177.79		423,363,759.09		5,416,779,818.86	7,482,776,572.59	522,172,232.38	8,004,948,804.97

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Wang Yong

Lepu Medical Technology (Beijing) Co., Ltd
Company's Statement of Changes in Owners' Equity
(All amounts in RMB Yuan unless otherwise stated)

	2021										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,804,581,117.00				2,486,335,584.16	254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,804,581,117.00				2,486,335,584.16	254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
Increase/decrease for the year (Decrease expressed with "-")	6,193.00			214,766,365.30	75,501,360.46	109,909,846.27	65,171,925.73		182,635,595.90	1,250,951,488.24	1,679,123,082.36
(I) Total comprehensive income							81,021,634.35			1,826,355,959.04	1,907,377,593.39
(II) Capital paid in and reduced by shareholders	6,193.00			214,766,365.30	19,452,216.98	109,909,846.27					124,314,929.01
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments	6,193.00			214,790,321.83	175,754.15						214,972,268.98
3. Amount of share-based payments recognized in owners' equity					19,276,462.83						19,276,462.83
4. Others				-23,956.53		109,909,846.27					-109,933,802.80
(III) Profit distribution									182,635,595.90	-591,252,238.98	-408,616,643.08
1. Transfer to surplus reserve									182,635,595.90	-182,635,595.90	
2. Distribution to owners (or shareholders)										-408,616,643.08	-408,616,643.08
3. Others											
(IV) Transfer within owners' equity							-15,847,768.18			15,847,768.18	
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings							-15,847,768.18			15,847,768.18	
6. Others											

Item	2021										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
(V) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
(VI) Others					56,049,143.48		-1,940.44				56,047,203.04
IV. Ending balance of the year	1,804,587,310.00			214,766,365.30	2,561,836,944.62	364,191,936.22	65,171,925.73		709,594,539.06	3,931,015,798.72	8,922,780,947.21

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Item	2020										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,781,652,921.00				1,687,850,322.48	254,282,089.95			461,459,391.54	2,441,049,706.27	6,117,730,251.34
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,781,652,921.00				1,687,850,322.48	254,282,089.95			461,459,391.54	2,441,049,706.27	6,117,730,251.34
Increase/decrease for the year (Decrease expressed with "-")	22,928,196.00				798,485,261.68				65,836,418.38	238,677,737.45	1,125,927,613.51
(I) Total comprehensive income							3,368,667.68			654,995,516.15	658,364,183.83
(II) Capital paid in and reduced by shareholders	22,928,196.00				595,969,049.59						618,897,245.59
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments	22,928,196.00				723,171,719.31						746,099,915.31
3. Amount of share-based payments recognized in owners' equity					387,194.02						387,194.02
4. Others					-127,589,863.74						-127,589,863.74
(III) Profit distribution									65,836,418.38	-419,686,446.38	-353,850,028.00
1. Transfer to surplus reserve									65,836,418.38	-65,836,418.38	
2. Distribution to owners (or shareholders)										-353,850,028.00	-353,850,028.00
3. Others											
(IV) Transfer within owners' equity							-3,368,667.68			3,368,667.68	
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings							-3,368,667.68			3,368,667.68	
6. Others											

	2020										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
(V) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
(VI) Others					202,516,212.09						202,516,212.09
IV. Ending balance of the year	1,804,581,117.00				2,486,335,584.16	254,282,089.95			527,295,809.92	2,679,727,443.72	7,243,657,864.85

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Item	2019										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,781,652,921.00				1,746,018,800.30	95,995,791.07	187,000,000.00		393,752,382.23	1,945,839,520.48	5,958,267,832.94
Add: Changes in accounting policies							-187,000,000.00			177,773,375.10	-9,226,624.90
Correction of previous errors											
Others											
II. Beginning balance of the year	1,781,652,921.00				1,746,018,800.30	95,995,791.07			393,752,382.23	2,123,612,895.58	5,949,041,208.04
III. Increase/decrease for the year (Decrease expressed with "-")					-58,168,477.82	158,286,298.88			67,707,009.31	317,436,810.69	168,689,043.30
(I) Total comprehensive income										677,070,093.10	677,070,093.10
(II) Capital paid in and reduced by shareholders					-58,168,477.82	158,286,298.88					-216,454,776.70
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognized in owners' equity											
4. Others					-58,168,477.82	158,286,298.88					-216,454,776.70
(III) Profit distribution									67,707,009.31	-359,633,282.41	-291,926,273.10
1. Transfer to surplus reserve									67,707,009.31	-67,707,009.31	
2. Distribution to owners (or shareholders)										-291,926,273.10	-291,926,273.10
3. Others											
(IV) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											

	2019										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
(V) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
(VI) Others											
IV. Ending balance of the year	1,781,652,921.00				1,687,850,322.48	254,282,089.95			461,459,391.54	2,441,049,706.27	6,117,730,251.34

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Notes to the Financial Statements
(All amounts in RMB Yuan unless otherwise stated)

I. Basic Information of the Company

(1) General

Lepu Medical Technology (Beijing) Co., Ltd (the "Company"), formerly known as Beijing Lepu Medical Instrument Co., Ltd, was established on 11 June 1999 with the approval from Beijing Municipal Administrative Bureau for Industry and Commerce. The registered share capital of the Company was RMB12.60 million then with Luoyang Ship Material Research Institute contributing the capital in cash of RMB8.82 million and WP Medical Technologies, Inc (hereinafter referred to as the "US WP") contributing the capital in technology of RMB3.78 million. The aforementioned paid-in capital was verified by Beijing Yanping CPA Co., Ltd. who issued the verification report numbered Yankuaikeyanzi (2000) No. 018.

As at 31 December 2021, the Company has cumulatively issued 1,804,587,310.00 shares with a registered share capital of RMB1,804,581,117.

Social credit code: 911100007000084768

Registered address: No. 37 Chaoqian Road, Changping District, Beijing

Legal representative: Mr. Pu Zhongjie

Scope of business: Production and sales of medical equipment and accessories; Technical development of medical instruments and accessories; Provide technical consulting services for self-produced products; Import and export of the above products; Technology import and export; Commission agent (excluding auction, commodities involving quota license management and special regulation management shall be handled according to relevant state regulations). (Market subjects independently choose business projects and carry out business activities according to law; For projects subject to approval according to law, business activities shall be carried out according to the approved contents after approval by relevant departments; Shall not engage in the business activities of the projects prohibited or restricted by the industrial policies of the State and this municipality).

The financial statements have been approved by the board of Directors of the Company on 15 September 2022.

(2) Scope of the consolidated financial statements

For information on subsidiaries of the Company, please refer to Note "VII. Equity in other entities".

For details of changes in scope of the consolidated financial statements during the reporting periods, please refer to Note "VI. Changes in the Scope of Consolidation".

II. Basis of Preparation for the Financial Statements

(1) Basis of preparation

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises—Basic Standards* and other various accounting standards, Application Guideline of the Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as the "Accounting Standards for Business Enterprises"), as well as *No. 15 of Regulations on Information Disclosures of Companies that Issue Public Offering Shares—General Rules of Preparing Financial Reports* issued by China Securities Regulatory Commission (CSRC).

Standard adopted for the first time for 2019

(1) Implementation of *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No. 23—Transfer of Financial Assets*, *Accounting Standard for Business Enterprises No. 24—Hedge Accounting and Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instruments (2017 Revision)* (hereinafter collectively referred to as the "New Financial Instrument Standards").

In 2017, the Ministry of Finance revised *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24—Hedge Accounting and Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments*. The revised standards stipulate that for financial instruments whose recognition has not been terminated on the first implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised standards, retroactive adjustment shall be made. If the data in the earlier comparative financial statements are inconsistent with the requirements of the revised standards, no adjustment is required.

The Company has implemented the New Financial Instrument Standards since 1 January 2019, adjusting retained earnings and other comprehensive income at the beginning of 2019 for the cumulative impact of retroactive adjustments. The main implications of the implementation of the New Financial Instrument Standards are as follows:

The content and reason of changes of accounting policy	Approval procedures	Affected report item name and amount	
		Consolidated	Company
(1) Investment in equity instruments available for sale is reclassified as "Financial assets at fair value through profit or loss".	Approved by the Board of Directors	Financial assets available for sale: decreased by RMB418,000,000.00; Other non-current financial assets: increased by RMB418,000,000.00; Other comprehensive income: decreased by RMB187,000,000.00; Retained earnings: increased by RMB187,000,000.00.	Financial assets available for sale: decreased by RMB418,000,000.00; Other non-current financial assets: increased by RMB418,000,000.00; Other comprehensive income: decreased by RMB187,000,000.00; Retained earnings: increased by RMB187,000,000.00
(2) Non-tradable equity instrument investments available for sale are designated as "financial assets measured at fair value through other comprehensive income"	Approved by the Board of Directors	Financial assets available for sale: decreased by RMB1,547,263,090.86; Investment in other equity instruments: increased by RMB1,547,263,090.86.	Financial assets available for sale: decreased by RMB836,000,000.00; Investment in other equity instruments: increased by RMB836,000,000.00.
(3) Part of "notes receivable" are reclassified to "financial assets measured at fair value through other comprehensive income"	Approved by the Board of Directors	Bills receivable: decreased by RMB88,370,029.02; Financing receivable: increased by RMB88,370,029.02.	

Based on the balance at the end of last year after adjustment in accordance with the provisions of Cai Kuai [2019] No.6 and Cai Kuai [2019] No.16, the classification and measurement results of various financial assets and financial liabilities in accordance with the provisions of the financial instrument recognition measurement standards before and after the revision are compared as follows:

Consolidated

Original Financial Instruments Standards			New Financial Instrument Standards		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Cash at bank and on hand	amortized cost	2,220,455,723.46	Cash at bank and on hand	amortized cost	2,220,455,723.46
Bills receivable	amortized cost	143,196,367.64	Bills receivable	amortized cost	54,826,338.62
			Financing receivable	"financial assets measured at fair value through other comprehensive income	88,370,029.02
Account receivable	amortized cost	1,954,917,514.94	Account receivable	amortized cost	1,954,917,514.94
			Financing receivable	"financial assets measured at fair value through other comprehensive income	
Other receivables	amortized cost	208,596,479.37	Other receivables	amortized cost	208,596,479.37
Available-for-sale financial assets	measured at fair value through other comprehensive income (Equity instruments)	770,623,070.72	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		418,000,000.00
			Investment in other equity instruments	"financial assets measured at fair value through other comprehensive income	352,623,070.72
	measured at cost (Equity instruments)	1,194,640,020.14	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		
			Investment in other equity instruments	"financial assets measured at fair value through other comprehensive income	1,194,640,020.14
Long-term receivables	amortized cost	62,688,142.91	Long-term receivables	amortized cost	62,688,142.91

Company

Original Financial Instruments Standards			New Financial Instrument Standards		
Item	**Measurement category**	**Carrying value**	**Item**	**Measurement category**	**Carrying value**
Cash at bank and on hand	amortized cost	876,169,541.97	Cash at bank and on hand	amortized cost	876,169,541.97
Bills receivable	amortized cost	28,263,080.11	Bills receivable	amortized cost	28,263,080.11
			Financing receivable	"financial assets measured at fair value through other comprehensive income	
Account receivable	amortized cost	546,036,431.17	Account receivable	amortized cost	546,036,431.17
			Financing receivable	"financial assets measured at fair value through other comprehensive income	
Other receivables	amortized cost	1,652,458,179.06	Other receivables	amortized cost	1,652,458,179.06
Available-for-sale financial assets (Including other current assets)	"financial assets measured at fair value through other comprehensive income (Equity instruments)	418,000,000.00	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		418,000,000.00
			Investment in other equity instruments	"financial assets measured at fair value through other comprehensive income	
	measured at cost (Equity instruments)	836,000,000.00	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		
			Investment in other equity instruments	"financial assets measured at fair value through other comprehensive income	836,000,000.00

2. First implementation of the New Financial Instrument Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year

(1) 1 January 2019 for the first time to implement the financial instrument standards to adjust the related items in financial statements at the beginning of 2019

Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash at bank and on hand	2,220,455,723.46	2,220,455,723.46			
Settlement provision					
Lending funds					
Financial assets held-for-trading	Inapplicability				
Financial assets measured at fair value through profit or loss		Inapplicability			
Financial derivative					
Bills receivable	143,196,367.64	54,826,338.62	-88,370,029.02		
Accounts receivable	1,969,509,516.76	1,954,917,514.94		-14,592,001.82	-14,592,001.82
Receivable financing	Inapplicability	88,370,029.02	88,370,029.02		
Prepayments	93,242,729.39	93,242,729.39			
Premium receivable					
Reinsurance accounts receivable					
Reinsurance contract reserve receivable					
Other receivables	208,596,479.37	208,596,479.37			
Buying back the sale of financial assets					
Inventories	785,660,976.47	785,660,976.47			
Assets held-for-sale					
Non-current assets due within one year	248,494,659.66	248,494,659.66			
Other current assets	36,694,881.50	36,694,881.50			
Total current assets	5,705,851,334.25	5,691,259,332.43		-14,592,001.82	-14,592,001.82
Non-current assets					
Loans and advances					
Debt investments	Inapplicability				
Available-for-sale financial assets	1,965,263,090.86	Inapplicability	-1,965,263,090.86		-1,965,263,090.86
Other debt investments	Inapplicability				
Held-to-maturity investment		Inapplicability			
Long-term receivables	62,688,142.91	62,688,142.91			
Long-term equity investments	1,062,095,263.10	1,062,095,263.10			
Investments in other equity instruments	Inapplicability	1,547,263,090.86	1,547,263,090.86		1,547,263,090.86

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Other non-current financial assets	Inapplicability	418,000,000.00	418,000,000.00		418,000,000.00
Investment properties	87,470,780.72	87,470,780.72			
Fixed assets	1,278,621,109.13	1,278,621,109.13			
Construction in progress	515,629,131.58	515,629,131.58			
Productive biological assets					
Oil and gas assets					
Intangible assets	1,336,226,830.79	1,336,226,830.79			
Development costs	294,066,395.06	294,066,395.06			
Goodwill	2,161,526,521.63	2,161,526,521.63			
Long-term deferred expenses	124,034,738.87	124,034,738.87			
Deferred income tax assets	92,935,127.67	95,497,642.84		2,562,515.17	2,562,515.17
Other non-current assets	426,884,255.19	426,884,255.19			
Total non-current assets	9,407,441,387.51	9,410,003,902.68		2,562,515.17	2,562,515.17
Total assets	15,113,292,721.76	15,101,263,235.11		-12,029,486.65	-12,029,486.65
Current liabilities					
Short-term borrowings	1,883,257,160.00	1,883,257,160.00			
Loans from central bank					
Borrowing funds					
Financial liabilities held-for-trading	Inapplicability				
Financial liabilities measured at fair value through profit or loss		Inapplicability			
Derivative financial liabilities					
Bills payable	90,940,569.38	90,940,569.38			
Accounts payable	649,879,548.23	649,879,548.23			
Advance payments received	144,284,580.77	144,284,580.77			
Sales of repurchased financial assets					
Deposits from customers and interbank					
Receiving from vicariously traded securities					
Receiving from vicariously sold securities					
Employee benefits payable	84,194,315.17	84,194,315.17			
Taxes payable	143,298,683.13	143,298,683.13			
Other payable	539,707,292.87	539,707,292.87			
Handling charges and commissions payable					
Reinsurance accounts payable					
Liabilities held for sale					
Non-current liabilities due within one year	917,702,496.90	917,702,496.90			
Other current liabilities	615,971,730.16	615,971,730.16			

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Total current liabilities	5,069,236,376.61	5,069,236,376.61			
Non-current liabilities					
Reserve fund for insurance contracts					
Long-term borrowings	2,622,446,000.00	2,622,446,000.00			
Debentures payable	596,592,119.87	596,592,119.87			
Including: Preference shares					
Perpetual bonds					
Long-term payable	12,367,830.12	12,367,830.12			
Long-term employee benefits payable					
Provisions					
Deferred income	133,128,773.99	133,128,773.99			
Deferred income tax liabilities	91,468,773.10	91,468,773.10			
Other non-current liabilities					
Total non-current liabilities	3,456,003,497.08	3,456,003,497.08			
Total liabilities	8,525,239,873.69	8,525,239,873.69			
Shareholders' equity					
Share capital	1,781,652,921.00	1,781,652,921.00			
Other equity instruments					
Including: Preference shares					
Perpetual bonds					
Capital reserve	90,674,278.38	90,674,278.38			
Less: Treasury shares	95,995,791.07	95,995,791.07			
Other comprehensive income	342,205,910.69	155,205,910.69		-187,000,000.00	-187,000,000.00
Specific reserve					
Surplus reserve	393,752,382.23	393,752,382.23			
General Risk Preparation					
Retained earnings	3,849,339,911.52	4,024,310,424.87		174,970,513.35	174,970,513.35
Total equity attributable to shareholders of the Company	6,361,629,612.75	6,349,600,126.10		-12,029,486.65	-12,029,486.65
Non-controlling interests	226,423,235.32	226,423,235.32			
Total shareholders' equity	6,588,052,848.07	6,576,023,361.42		-12,029,486.65	-12,029,486.65
Total liabilities and shareholders' equity	15,113,292,721.76	15,101,263,235.11		-12,029,486.65	-12,029,486.65

Description of adjustment of each project:

1. According to the expected credit impairment loss model, calculate the credit risk of the original accounts receivable in the whole life period, and increase the bad debt reserve of accounts receivable at the beginning of the period by RMB14,592,001.82, reduce the retained earnings by RMB14,592,001.82, and increase the deferred income tax assets by RMB2,562,515.17, increased retained earnings by RMB2,562,515.17.

2. The original stock investment shall be measured according to the New Financial Instrument Standards, and the changes in fair value of the previous year shall be adjusted to increase retained earnings by RMB187,000,000.00 and reduce other comprehensive income by RMB187,000,000.00.

Company's Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash at bank and on hand	876,169,541.97	876,169,541.97			
Financial assets held-for-trading	Inapplicability				
Financial assets measured at fair value through profit or loss		Inapplicability			
Financial derivative					
Bills receivable	28,263,080.11	28,263,080.11			
Accounts receivable	546,036,431.17	535,181,578.35		-10,854,852.82	-10,854,852.82
Receivable financing	Inapplicability				
Prepayments	22,023,429.01	22,023,429.01			
Other receivables	1,652,458,179.06	1,652,458,179.06			
Inventories	110,068,973.74	110,068,973.74			
Assets held-for-sale					
Non-current assets due within one year					
Other current assets	2,394,844.67	2,394,844.67			
Total current assets	3,237,414,479.73	3,226,559,626.91		-10,854,852.82	-10,854,852.82
Non-current assets					
Debt investments	Inapplicability				
Available-for-sale financial assets	1,254,000,000.00	Inapplicability	-1,254,000,000.00		-1,254,000,000.00
Other debt investments	Inapplicability				
Held-to-maturity investment		Inapplicability			
Long-term receivables					
Long-term equity investments	7,134,786,383.85	7,134,786,383.85			
Investments in other equity instruments	Inapplicability	836,000,000.00	836,000,000.00		836,000,000.00
Other non-current financial assets	Inapplicability	418,000,000.00	418,000,000.00		418,000,000.00
Investment properties	34,086,222.25	34,086,222.25			
Fixed assets	337,361,758.38	337,361,758.38			
Construction in progress	21,630,556.70	21,630,556.70			
Productive biological assets					
Oil and gas assets					
Intangible assets	15,195,258.65	15,195,258.65			
Development costs	139,893,337.72	139,893,337.72			
Goodwill					
Long-term deferred expenses	51,051,869.95	51,051,869.95			

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Deferred income tax assets	22,200,218.43	23,828,446.35		1,628,227.92	1,628,227.92
Other non-current assets	374,699,938.00	374,699,938.00			
Total non-current assets	9,384,905,543.93	9,386,533,771.85		1,628,227.92	1,628,227.92
Total assets	12,622,320,023.66	12,613,093,398.76		-9,226,624.90	-9,226,624.90
Current liabilities					
Short-term loans	1,265,000,000.00	1,265,000,000.00			
Financial liabilities held-for-trading	Inapplicability				
Financial liabilities measured at fair value through profit or loss		Inapplicability			
Derivative financial liabilities					
Bills payable					
Accounts payable	83,046,365.67	83,046,365.67			
Advance payments received	19,181,230.13	19,181,230.13			
Employee benefits payable	18,626,843.34	18,626,843.34			
Taxes payable	32,950,292.93	32,950,292.93			
Other payable	616,933,608.62	616,933,608.62			
Liabilities held-for-sale					
Non-current liabilities due within one year	903,850,000.00	903,850,000.00			
Other current liabilities	615,971,730.16	615,971,730.16			
Total current liabilities	3,555,560,070.85	3,555,560,070.85			
Non-current liabilities					
Long-term loans	2,465,500,000.00	2,465,500,000.00			
Debentures payable	596,592,119.87	596,592,119.87			
Including: Preference shares					
Perpetual bonds					
Long-term payable					
Long-term employee benefits payable					
Provisions					
Deferred income	13,400,000.00	13,400,000.00			
Deferred income tax liabilities	33,000,000.00	33,000,000.00			
Other non-current liabilities					
Total non-current liabilities	3,108,492,119.87	3,108,492,119.87			
Total liabilities	6,664,052,190.72	6,664,052,190.72			
Shareholders' equity					
Share capital	1,781,652,921.00	1,781,652,921.00			
Other equity instruments					
Including: Preference shares					
Perpetual bonds					
Capital reserve	1,746,018,800.30	1,746,018,800.30			

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Less: Treasury shares	95,995,791.07	95,995,791.07			
Other comprehensive income	187,000,000.00			-187,000,000.00	-187,000,000.00
Specific reserve					
Surplus reserve	393,752,382.23	393,752,382.23			
Retained earnings	1,945,839,520.48	2,123,612,895.58		177,773,375.10	177,773,375.10
Total shareholders' equity	5,958,267,832.94	5,949,041,208.04		-9,226,624.90	-9,226,624.90
Total liabilities and shareholders' equity	12,622,320,023.66	12,613,093,398.76		-9,226,624.90	-9,226,624.90

Description of adjustment of each project:

1. According to the expected credit impairment loss model, calculate the credit risk of the original accounts receivable in the whole life period, increase the bad debt reserve of accounts receivable at the beginning of the period by RMB10,854,852.82, reduce the retained earnings by RMB10,854,852.82, increase the deferred income tax assets by RMB1,628,227.92, increased retained earnings by RMB1,628,227.92.

The original stock investment shall be measured according to the New Financial Instrument Standards, and the fair value changes of the previous year shall be adjusted to increase retained earnings by RMB187,000,000.00 and reduce other comprehensive income by RMB187,000,000.00.

First implementation of the the New Revenue Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year

Standard adopted for the first time for 2020

Implementation of *Accounting Standards for Business Enterprises No. 14—Revenue (2017 Revision)* (Hereinafter referred to as the "New Revenue Standards")

The Ministry of Finance revised *Accounting Standards for Business Enterprises No. 14—Revenue* in 2017. The revised standard provides that the first implementation of the standard shall adjust the amount of retained earnings and other relevant items in the financial statements at the beginning of the current year based on the cumulative impact, without adjusting the information in the comparative period.

The Company implemented the New Revenue Standards on 1 January 2020. In accordance with the standards, the Company only adjusts the amount of retained earnings at the beginning of 2020 and other relevant items in the financial statements for the cumulative impact of contracts not yet completed on the first execution date, and does not adjust the financial statements for the year 2019. The main implications of implementing the standards are as follows:

The content and reason of changes of accounting policy	Approval produces	Affected report item name	Impact on balance at of 1 January 2020	
			Consolidated	Company
Reclassify completed, outstanding and receivables related to sales that do not satisfy unconditional collection rights into contract assets, and reclassify sales-related settled, outstanding and sales-related advances received into contract liabilities.	Approved by the Board of Directors	Contract liabilities	147,618,255.11	43,821,151.66
		Advances received	-163,776,470.25	-45,360,778.64
		Other current liabilities	16,158,215.14	1,539,626.98

(2) 1 January 2020 for the first time to implement the New Revenue Standards to adjust the related items in financial statements at the beginning of 2020

Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Contract liability		147,618,255.11	147,618,255.11		147,618,255.11
Advance payment.	163,776,470.25		-163,776,470.25		-163,776,470.25
Other current liabilities. . .		16,158,215.14	16,158,215.14		16,158,215.14

Company's Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Contract liability		43,821,151.66	43,821,151.66		43,821,151.66
Advance payment.	45,360,778.64		-45,360,778.64		-45,360,778.64
Other current liabilities. . .		1,539,626.98	1,539,626.98		1,539,626.98

First implementation of the New Lease Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year

Standard adopted for the first time for 2021

(1) Implementation of *Accounting Standards for Business Enterprises No.21 Lease (2018 version)*

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No.21-Lease* (the "New Lease Standards") in 2018. The Company implemented the New Lease Standards from 1 January 2021. According to the revised standards, the Company chooses not to reevaluate the contract of whether it is a lease or includes a lease on the first execution date.

• The Company acts as the lessee

The Company chooses to adjust the amount of retained earnings and other related items at the beginning of the year of the first implementation period according to the cumulative impact of the New Lease Standards, and does not adjust the comparative period information.

For operating leases existing prior to the first execution date, the Company shall measure the lease liabilities at the present rate of the incremental loan rate on the first execution date according residual lease payments, and select one of the following two methods to measure the right-of-use assets for each lease:

— Assuming that the book value of the New Lease Standards is adopted from the beginning date of the lease term, the incremental borrowing rate of the Company on the first execution date is used as the discount rate.

— Amount equal to the lease liability and the necessary adjustment according to the advanced rent.

For operating leases prior to i the first execution date, the Company applies the above method with the following simplification(s) for each lease option:

1) The lease completed within 12 months after the first execution date shall be treated as a short-term lease;

2) When measuring the lease liabilities, the lease with similar characteristics shall adopt the same discount rate;

3) The measurement of the right-of-use assets does not include the initial direct expenses;

4) Where there is an option to renew or terminate the lease, the lease term shall be determined according to the actual exercise of the first execution option and other latest circumstances;

5) As a substitute for the impairment test of the right-of-use assets, evaluate whether the contract including the lease is an onerous contract before the first execution according to note "III. (24) Estimated liabilities", and adjust the right-of-use assets according to the loss allowance included in the balance sheet before the first execution date;

6) The lease change occurring before the first execution date shall not be adjusted retrospectively, and shall be treated based on the final arrangement of the lease change according to the New Lease Standards.

When measuring lease liabilities, the Company uses the lessee incremental borrowing rate (weighted average: 4.65%) at 1 January 2021 to discount the lease payment.

Min. outstanding lease payment for material operating leases disclosed in the consolidated financial statements as of 31 December, 2020	106,071,252.17
The present value of the incremental borrowing rate of the Company discounted on 1 January 2021	99,703,429.34
Lease liabilities under the New Lease Standards on 1 January 2021	99.703,429.34
The difference between the present value of the above value and the lease liabilities	

For the financial lease existing before the first execution date, the Company shall measure the right-of-use assets and the lease liabilities respectively according to the original book value of the financial leased assets and the financial lease amount payable.

- The Company acts as the lessor

For the transfer lease classified as operating lease before the first execution date and surviving after the first execution date, the Company shall reevaluate on the first execution date based on the remaining contract terms and terms of the original lease and transfer lease, and classify them according to the provisions of the New Lease Standards. If reclassified as financial lease, the Company will treat it as a new financial lease.

Except for lease transfer, the Company does not need to adjust its lease as a lessor in accordance with the New Lease Standards. The Company shall carry out accounting treatment in accordance with the New Lease Standards from the first execution date.

- The main effects of the implementation of the New Lease Standards on the financial statements are as follows:

The content and reason of accounting policy change	**Approval procedures**	**Affected report items**	**Impact on balance as of 1 January, 2021**	
			Consolidated	**Company**
(1) The adjustment of the Company as the lessee to the existing operating lease before the first execution date	Board of directors	Right-of-use assets	108,459,673.00	36,560,046.95
		Lease obligation	99,703,429.34	19,539,911.94
		Advance payment	-8,756,243.66	-17,020,135.01

(2) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 14*

The Ministry of Finance issued *Interpretation of Accounting Standards for Business Enterprises No. 14* on 2 February, 2021 (Cai Kuai [2021] No. 1, hereinafter referred to as "Interpretation No. 14"), effective as of the date of promulgation. The relevant businesses newly added from 1 January 2021 to the implementation date shall be adjusted according to Interpretation No. 14.

① Public-private Partnership (PPP) project contract

Interpretation No. 14, for at the same time meet the interpretation described "double character" and "double control" of the PPP project contract, began on 31 December 2020 and to date has not yet been completed should be retroactive adjustment on PPP project contract, retroactive adjustment is not feasible, from the earliest traceable to adjust during the initial start application, retained earnings at the beginning of the current year and other relevant items in the financial statements on the effective date of the adjustment of cumulative impact number shall not be adjusted for information in comparative periods. The Company's implementation of this provision has no impact.

② Reform of benchmark interest rate

Interpretation No.14 provides a simplified accounting treatment for cases where the benchmark interest rate reform results in a change in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of this interpretation, businesses related to the benchmark interest rate reform before 31 December 2020 shall be retroactively adjusted, unless retroactively adjusted is not feasible, and there is no need to adjust the data of the previous comparative financial statements. On the implementation date of this interpretation, the difference between the original book value of financial assets and financial liabilities and the new book value shall be included in the beginning retained earnings or other comprehensive earnings of the annual reporting period on the implementation date of this interpretation. The implementation of this provision has no material impact on the Company's financial position and operating results.

(3) Implementation of the Notice on Adjusting (COVID-19-related Rent Reduction Accounting Treatment Provisions) Scope of Application

On 19 June 2020, the Ministry of Finance issued the COVID-19-related Rent Reduction Accounting Treatment Provisions (Cai Kuai [2020] No.10). For those meeting the requirements of rent reduction and deferred rent payment directly caused by COVID-19, enterprises can choose to adopt a simplified method for accounting treatment.

On 26 May 2021, the Ministry of Finance issued the Notice on Adjusting (COVID-19-related Rent Reduction Accounting Treatment Provisions) Scope of Application (Cai Kuai [2020] No. 9) with effect from 26 May 2021, to adjust the application scope of simplified method for COVID-19-related rent reduction allowed under the COVID-19-related Rent Reduction Accounting Treatment Provisions from "reduction only applies to lease payments payable before 30 June 2021" to "reduction only applies to lease payments payable before 30 June 2022", other applicable conditions unchanged.

The Company has chosen to adopt the simplified method for all eligible lease contracts before the scope adjustment, while also adopt for all similar lease contracts met conditions after adjustment of the application scope. The Company has retroactively adjusted relevant lease contracts that have treated with lease changes prior to the notice, without adjusting the financial statement data for the comparative period. For rent reduction not treated according to the notice from 1 January 2021 to the implementation date of the notice, it shall be adjusted pursuant to the notice.

(4) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 15* on reporting about centralized fund management

On December 30, 2021, the Ministry of Finance issued the I*nterpretation of Accounting Standards for Business Enterprises No.15 (Cai Kuai [2020] No.35*, hereinafter referred to as "Interpretation No. 15"). The contents of "reporting about about centralized fund management" shall come into effect as of the date of promulgation, and the financial statement data for the comparative period shall be adjusted accordingly.

Interpretation No.15 makes clear provisions on how the enterprise shall report and disclose the balance of the centralized and unified management of the funds of the Company and its members of the unit through the internal settlement center and the financial company. The implementation of these provisions has no significant impact on the Company's financial position and operating results.

1 January 2021 for the first time to implement the New Lease Standards to adjust the related items in financial statements at the beginning of 2021.

Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Prepayments.	170,006,036.34	161,249,792.68		-8,756,243.66	-8,756,243.66
Right-of-use assets		108,459,673.00		108,459,673.00	108,459,673.00
Lease liability.		99,703,429.34		99,703,429.34	99,703,429.34

Company's Balance Sheets

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Prepayments.	43,609,124.03	26,588,989.02		-17,020,135.01	-17,020,135.01
Right-of-use assets		36,560,046.95		36,560,046.95	36,560,046.95
Lease liability.		19,539,911.94		19,539,911.94	19,539,911.94

(2) Going concern

The financial statements are prepared on a going concern basis.

III. Significant Accounting Policies and Accounting Estimates

(1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the years ended 31 December 2019, 2020 and 2021 are in compliance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely present the consolidated and company's financial position of the Company as at 31 December 2019, 2020 and 2021, and of the consolidated and company's financial performance and cash flows for the years then ended.

(2) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

(3) Operating cycle

The Company's operating cycle is 12 months.

(4) Reporting currency

The Company's reporting currency is Renminbi ("RMB").

(5) Accounting treatment for business combinations under common control and business combinations not under common control

For business combination under common control: The assets and liabilities (including the goodwill that generated from the ultimate controller's acquisition of the combined party) that the combining party obtains in a business combination shall be measured at their respective carrying amounts as recorded by the combined party in the consolidated financial statements of the ultimate controller on the combining date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations (or total par value of issued shares) shall be adjusted to capital stock premium in the capital reserve. If the balance of capital stock premium is insufficient, any excess is adjusted to retained earnings.

For business combination that are not under common control: The cost of the combination is the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree at the date of purchase. Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree, the negative balance shall be counted into current profit and loss. For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained from business combination that meet the recognition conditions shall be measured at fair value on the acquisition date.

The relevant direct costs of the combination shall be recorded into the current profit or loss when incurred. The transaction costs of the equity securities or debt securities issued for business combination shall be included in the initially confirmed amount of the equity securities or debt securities.

(6) Methods of preparation of consolidated financial statements

1. Consolidation scope

The scope of consolidation in the consolidated financial statements is determined on a control basis, including the Company and all subsidiaries. Control means that the company has the power over the invested entity, can obtain variable returns from its participation in relevant activities of the invested entity, and is capable of affecting the amount of returns by using the power over the invested entity.

2. Consolidation procedure

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow. The impact of internal transactions between the Company and its subsidiaries as well between subsidiaries shall be offset. If the relevant assets are impaired in internal transaction, the loss shall be recognized in full. If the accounting policies and accounting periods adopted by the subsidiaries are different from those of the Company, some necessary adjustments shall be made by following the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The owner's equity of the subsidiary, the share of the current net profit or loss and current comprehensive income attributable to the minority shareholder shall be separately presented under the owner's equity of the consolidated balance sheet, the net profit and the total comprehensive income of the consolidated income statement. If the current loss assumed by the minority shareholders of a subsidiary exceeds the share in the opening owner's equity of the subsidiary, the balance shall be offset against the minority shareholders' equity.

(1) Acquisition of subsidiaries or businesses

During the reporting period, if a subsidiary or businesses are acquired due to the business combination under the common control, the opening balance of the operating results and cash flow for the period of the combination shall be included in the consolidated financial statements. Additionally, the opening balance of the consolidated financial statements and the relative items in the comparative statements shall be adjusted, as if the reporting entity of the combination always exists since the ultimate controller begins the control.

For control over the invested entity under the common control due to additional investment or the like, the equity investment held prior to obtaining the control over the combined party, the profits or losses, other comprehensive income and other changes in the net assets recognized for the period from the acquisition date or the date when the combining party and the combined party are under the same control, whichever is later, to the combining date, shall be offset against the opening retained earnings or current profit or loss in the period of the comparative statements respectively.

During the reporting period, if a subsidiary or businesses are acquired due to the business combinations not under common control, they shall be included in the consolidated financial statements on the basis of the fair value of all identifiable assets, liabilities and contingent liabilities determined from the acquisition date.

For control over the invested entity not under the common control due to additional investment or the like, the equity of the acquiree held before the acquisition date will be remeasured at the fair value on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income. Whereas, the equity of the acquiree held before the acquisition date involving other comprehensive income that can be reclassified into profit or loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income of the period including the acquisition date.

(2) Disposal of subsidiaries

① General approach

When lose the control over the invested party for the disposal of part of equity investments or other reasons, it shall remeasure the remaining equity at the fair value on the date that the control power is lost. The difference between the sum of the consideration derived from the equity disposal and the fair value of the remaining equity shares, and the sum of the net asset share entitled from the acquisition date or combining date continually calculated by the original shareholding ratio in subsidiaries and goodwill, shall be included in the investment income of the current period when the control power is lost. Other comprehensive income related to the original equity investment in the subsidiaries that can be reclassified into profit and loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income when lose the control.

② Disposal of subsidiaries by stages

For the disposal of equity investment in subsidiaries through multiple transactions until lose the power of control, the said transactions shall be accounted as a package deal if the terms, conditions and economic effects of all transactions for the disposal of equity investment in subsidiaries satisfy one or more of the following circumstances:

i. These transactions are concluded at the same time or in consideration of mutual influence.

ii. Only these transactions as a whole can achieve a complete business result.

iii. One transaction depends on at least one other transaction.

iv. The single transaction is not economic, but it will be economic when considering it together with other transactions.

If each transaction is a package deal, it shall be treated as a transaction for disposal of subsidiaries and the control over the subsidiaries will be lost; however, before losing control power, the difference between each disposal price and the net asset share of the subsidiary entitled corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements, and then included in profits and losses of the period that the control power is lost.

If each transaction is not a package deal, it shall be treated as the partial disposal of equity investment in the subsidiary without loss of control before losing the power of control; however,it shall follow the general approach to the disposal of subsidiaries in case of loss of control.

(3) Acquisition of minority interests in subsidiaries

The difference between the long-term equity investment newly acquired due to the acquisition of minority interest and the share of net assets of the subsidiary entitled from the acquisition date or combining date continually calculated by the new shareholding ratio shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The difference between the disposal price and the share of net assets entitled corresponding to the disposal of long-term equity investments continually calculated from the acquisition date or combining date shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

(7) Classification of joint arrangement and accounting methods for joint operation

Joint arrangement includes joint operation and joint venture.

A joint venture party shares the related assets and liabilities, which means joint operation. The Company confirms that the following items are related to the share of interests in joint operation:

(1) The assets held by the Company alone, and the jointly-held assets by the share of the Company.

(2) The liabilities held by the Company alone, and the jointly-held liabilities by the share of the Company.

(3) The revenue from the sales of shares of co-operation output.

(4) The revenue from the sales according to ratio in co-operation output.

(5) The expenditure arose alone and from co-operation according to the share of the Company.

(8) Recognition criteria for cash and cash equivalents

Cash indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are referred as investment that held in a short term, highly liquid and were readily convertible to known amounts of cash and subject to insignificant risk of value change.

(9) Foreign currency transactions and translation of foreign exchange financial statements

1. Foreign currency transactions

Foreign currency transactions are translated into RMB using the spot exchange rates prevailing on the transaction date.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to special foreign currency borrowings that have been taken out for the acquisition or construction of qualifying assets, which are capitalized according to the principle of borrowing costs.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheets are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on the transaction date. The income and expense items in the income statements are translated at the spot exchange rates of the transaction date.

When disposing of foreign operations, the difference arising from the translation of financial statements for the foreign operations shall be transferred from the owner's equity to profit or loss.

(10) Financial instruments

When the Company becomes a party in the financial instrument contract, a financial asset, financial liability or equity instruments will be recognized.

1. Classification of the financial instruments

Based on the business model under which the Company manages assets and the characteristics of contractual cash flows of financial assets, the financial assets are divided into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be financial assets at fair value through profit or loss as assets at amortized cost:

— The business model is in order to collect contractual cash flows.

— Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be measured at fair value through profit and loss as financial assets at fair value through other comprehensive income (debt instruments):

— The business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

— Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

The Company can irrevocably designate equity instruments not held for trading as financial assets at fair value through other comprehensive income (equity instruments) at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instrument from the perspective of the issuer.

Financial assets other than the above financial assets at amortized cost and financial assets at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit and loss. If the accounting mismatch can be eliminated or significantly reduced, at initial recognition, the Company can irrevocably designate the financial assets that should be classified as measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit and loss.

Financial liabilities are divided into financial liabilities at fair value through profit and loss, and financial liabilities at amortized cost at initial recognition.

Financial liabilities that meet any of the following conditions can be designated to financial liabilities at fair value through profit and loss:

(1) The designation can eliminate or significantly reduce the accounting mismatches.

(2) Manage and take performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis in accordance with the risk management or investment strategy of the enterprise as set out in formal written documentation, and report to the key managers on this basis within the company.

(3) The financial liability contains embedded derivatives that are subject to a separate spin-off.

2. Recognition basis and measure method of financial instruments

(1) Financial assets at amortized cost

Financial assets at amortized cost include notes receivables and accounts receivables, other receivables, long-term receivables, and debt investments, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount; however, accounts receivable without major financing components and accounts receivable with financing component less than one year left out by the Company are initially measured at the contract transaction price.

The interest calculated by the effective interest rate method is included in profit or loss during the holding period.

The difference between the acquisition price and the carrying value of the financial asset is included in profit or loss upon recovery or disposal.

(2) Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments) include receivables financing, other debt investment, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. The financial asset is subsequently measured at fair value. Except for the interest calculated by the effective interest rate method, impairment losses or gains and exchange gains or losses, changes in fair value are included in other comprehensive income.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss.

(3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income(equity instruments) include equity instrument investments,etc, which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. Such financial assets subsequently measured at fair value, and the changes in fair value are included in other comprehensive income. As well the dividends obtained are included in current profits and losses.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value, and the relevant transaction expenses are included in profit or lose. The financial asset is subsequently measured at fair value, where the changes in fair value are included in profit or lose.

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities, and derivative financial liabilities, etc., which are initially measured at fair value, and the relevant transaction expenses are included in profit or loss. The financial liability is subsequently measured at fair value, where the changes in fair value are included in profit or loss.

Upon derecognition, the difference between its book value and the paid consideration is included in profit or loss.

(6) Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term loans, notes payable, accounts payable, other payable, long-term loans, bonds payable, and long-term accounts payable, which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount.

The interest calculated by the effective interest method is included in profit or loss during the holding period.

Upon derecognition, the difference between the paid consideration and the book value of the financial liability is included in profit or loss.

3. Derecognition and transfer of financial assets

The Company derecognizes financial assets if any of the following conditions is met:

— the right to receive cash flows from the financial asset expires,

— the financial asset has been transferred and almost all risks and rewards relating to the financial asset have been transferred to the transferee,

— the financial asset has been transferred to the transferee, and the Company has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

When a financial asset is transferred, if almost all risks and rewards relating to the financial asset are retained, the recognition of the financial asset will not be terminated.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the company adopts the principle of substance over form.

The Company divides the transfer of financial assets into overall transfer and partial transfer. In case the overall transfer of the financial asset meets the criteria for derecognition, the difference between the following two items will be included in profit or loss:

(1) The book value of transferred financial assets.

(2) the sum of the consideration received as a result of the transfer and the accumulated changes in fair value which were previously directly included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income (debt instruments)).

In case where the transfer of only part of the financial asset meets the criteria for derecognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the following two items will be included in profit or loss:

(1) The book value of the derecognized part financial assets;

(2) The sum of the consideration of the derecognized part and the amount corresponding to the derecognized part of the accumulated changes in fair value which were previously included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income(debt instruments)).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized, and its consideration shall be recognized as a financial liability.

4. Derecognition of financial liabilities

A financial liability or a part of financial liability is derecognized when the obligation specified in the contract is discharged or cancelled in whole or in part. An agreement between the Group and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

As for substantive changes made to all or part of the contract terms of the existing financial liabilities, the existing financial liabilities or part of them will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability.

When financial liabilities are derecognized in whole or in part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recognized in profit or loss for the period.

If the Company repurchases partial financial liabilities, the overall book value of the financial liabilities shall be distributed according to the relative fair value of the continuously recognized part and the derecognized part on the repurchase date.The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) shall be included in profit or loss for the period.

5. Method for determination of fair values of financial assets and financial liabilities

For financial instruments with an active market, their fair value shall be determined by the quotation in the active market. In case there is no active market, the fair value shall be calculated by valuation technology. During the valuation, the Company adopts the valuation technology which is the most appropriate at that time and with sufficient available data and other information, selects the input value consistent with the characteristics of asset or liability considered by market participants in the relevant transaction, and gives priority to the use of relevant observable input values. Unobservable input values are used only when the relevant observable input values cannot be obtained or it is impractical to obtain them.

6. Test method and accounting method for impairment of financial assets

The Company estimates expected credit loss for financial assets at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments), and financial guarantee contract, etc. individually or in combination.

The Company considers reasonable and reliable information about past events, current situation and forecast of future economic situation, taking the weight risk of default, calculating the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received and recognizing the expected credit loss.

If the credit risk of a financial instrument has increased significantly since its initial recognition, the Company shall measure the provision for loss based on the expected credit loss of the instrument over the entire duration. If the credit risk of financial instruments has not increased significantly since the initial recognition, the Company shall measure the provision for loss based on the expected credit loss in the next 12 months. The increase or reversal amount of the provision for loss arising therefrom shall be included in the current profits and losses as impairment losses or gains.

The Company compares the risk of default of a financial instrument on the balance sheet date with the risk on the initial recognition date to determine the relative change of default risk during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. Generally, when it is overdue for more than 30 days, the Company considers that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove the credit risk has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If there is objective evidence indicating that a financial asset has been impaired, the company shall make provision for impairment of the financial asset individually.

For the receivables and contract assets arising from transactions regulated by the *Accounting Standards for Business Enterprises No. 14—Revenue*(2017), whether or not they contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

For lease receivables, the Company chooses to always measure their loss allowance at the amount of the expected credit losses for the lifetime.

If the Company no longer reasonably expects that the contractual cash flow of financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down.

(11) Inventories

1. Classification and cost of inventories

The inventories include raw materials, finished goods, and work in progress, etc.

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

2. Valuation method of inventory delivered

When inventories are delivered, the actual cost is determined using the weighted-average method.

3. Basis for determining the net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When its net realizable value is lower than its cost, a provision for decline in value of inventories shall be made. Net realizable value refers to the amount of estimated price deducting estimated completion cost, sale expenses and related sales taxes in daily activities.

In the normal production and operation process, the net realizable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. For the inventory of materials that need to be processed, its net realizable value is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes. For inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated based on the contract price. If the quantity of inventories held is more than the quantity ordered in the sales contract, the net realizable value of excess inventories is calculated based on the general sales price.

After the provision for inventory value decline is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for inventory value decline is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

4. Inventory system

The Company adapts a perpetual inventory system.

5. Amortization method of low-value consumables and packaging materials

(1) Low-value consumables are amortized using the one-time reversal method;

(2) Packaging materials are amortized using the one-time reversal method.

(12) Contract asset

Accounting policy after 1 January 2020

1. Methods and criteria for recognition of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of the Company and the payment by the customer. The right to receive consideration for goods transferred or services provided by the Company to the customer (and where that right is dependent on factors other than the passage of time) is shown as a contract asset. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's unconditional (depending only on the passage of time) rights to receive consideration from customers are shown separately as receivables.

2. Method of expected credit loss of contract assets and accounting treatment

The method of determining expected credit losses on contract assets and the accounting treatment are detailed in note "**(III) 10**. Test method and accounting method for impairment of financial assets" in this note.

(13) Held for sale

The carrying amount of a non-current asset or disposal group is classified as held for sale if it is recovered principally through sale (including exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company classifies non-current assets or disposal groups as held for sale when both of the following conditions are met:

(1) The sale is immediate in its present condition, based on the practice of selling such assets or disposal groups in similar transactions;

(2) It is highly probable that the sale will occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before a sale can take place, and such approval has been obtained.

    (1) The sale is immediate in its present condition, based on the practice of selling such assets or disposal groups in similar transactions;

    (2) It is highly probable that the sale will occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before a sale can take place, and such approval has been obtained;

Non-current assets classified as held for sale (excluding financial assets, deferred income tax assets, assets arising from employee benefits) or disposal groups, the book value of which is higher than the net amount of the fair value less sales expenses is written down to such net amount recognized as impairment loss of assets, and included in profit or loss, while impairment of assets held for sale is also provided.

(14) Long-term equity investments

1. Judgement criteria for common control that have significant influence

Joint control refers to the common control over an arrangement according to relevant agreements, whose relevant activities can only be decided after the unanimous consent of the participants sharing control. Where the Company and other joint venture parties jointly control the invested entity and have rights to the net assets of it, the invested entity is its joint venture of the company.

Significant influence means that the enterprise has the power to participate in the financial and operational decisions of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The invested entity is an associated enterprise of the Company, where it can influence the invested entity significantly.

2. Determination of initial investment cost

(1) Long-term equity investments acquired through business combinations

For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment.

The difference between the initial investment cost of a long-term equity investment and the carrying value of the consideration paid is adjusted against the equity premium in capital reserve; if the equity premium in capital reserve is not sufficient for elimination, retained earnings are adjusted. If additional investments exercise control over an investee under the common control, the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principles and the sum of the carrying amount of the long-term equity investment before it reaches consolidation plus the carrying amount of the consideration paid for the further acquisition of shares at the date of consolidation is adjusted against equity premium, and if the equity premium is not sufficient for elimination, it is reduced against retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination on the purchase date will be treated as the initial investment cost. If the investee not under common control can be controlled due to additional investment and other reasons, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost.

(2) Long-term equity investments acquired by other means

For long-term equity investments acquired by cash payment, the initial cost of investment is the actual amount of cash paid for the purchase.

For long-term equity investments acquired by issuing equity securities, the initial cost of investment is the fair value of the equity securities issued.

3. Subsequent measurement and recognition method of profit or loss

(1) Long-term equity investments accounted for under the cost method

The company's long-term equity investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions of holding for sale. In addition to the cash dividends or profits declared but not yet distributed included in the price actually paid or consideration when obtaining the investment, the company recognizes cash dividends or profits declared by the investee as investment income for the period in accordance with the amount to which they are attributable.

(2) Long-term equity investments accounted for under the equity method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted. If the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

The investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted. The carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "other changes in owner's equity"), the carrying value of the long-term equity investment is adjusted and recognized as owner's equity.

The share of net profit or loss of the investee, other comprehensive income and other changes in owner's equity is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Company's accounting policies and accounting periods, and after adjusting the net profit and other comprehensive income of the investee.

The portion of the unrealized gains or losses from internal transactions with associates and joint ventures that is attributable to the company in proportion to the shareholding shall be offset, and investment income is recognized on this basis, except where the assets invested or sold constitute a business. Unrealized internal transaction losses incurred with the investee are recognized in full if they belong to asset impairment losses.

In recognizing the share of net loss incurred by the associates or joint ventures, not only the company has the obligation to bear extra losses, but also the carrying value of long-term equity investments and other long-term interests that substantially constitute a net investment in the associates or joint ventures are written down to zero. If the associates or joint ventures achieve net profit in subsequent periods, the company resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized in profit or loss for the period.

For partial disposal of long-term equity investment accounted by equity method, if the remaining equity is still accounted by equity method, other comprehensive income recorded in previous equity method shall be transferred in proportion on the same basis as the investee's direct disposal of relevant assets or liabilities, and other changes in owner's equity shall be transferred into the loss or profit in proportion.

For loss of joint control or significant influence in the investee due to reasons such as disposal of part of the equity investment, other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities. Other changes in owner's equity shall be transferred to the current profit and loss when the equity method is terminated.

For loss of control in the investee due to reasons such as disposal of part of the equity investment, if remaining shareholding can apply common control or impose significant influence to the investee, it shall be accounted for under equity method when preparing individual financial statements, as well as be treated as accounting for under equity method since the shareholding is obtained make adjustment. The other comprehensive income recognized before taking control of the investee shall be carried forward in portion on the same accounting basis as the investee directly disposing related assets or liabilities, and other changes in owner's equity under the equity method shall be carried forward to the current profit and loss in proportion. If the remaining equity cannot exercise joint control or exert significant influence on the investee, it shall be recognized as a financial asset, and the difference between its fair value and book value on the date of loss of control shall be included in the current profits and losses. Other comprehensive income and other changes in owner's equity recognized before obtaining the control of the investee shall be carried forward in full.

If the transactions from the step-by-step disposal of equity to the loss of controlling equity fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognized as other comprehensive income and transferred to profit or loss upon loss of control. If the transaction do not fall under a series of transactions, the Company shall separately carry out accounting treatment for each transaction.

(15) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, which include the leased land use right, the land use right held and ready to be transferred after appreciation and buildings that have been leased out (including the buildings used for leasing after the completion of self-construction or development activities and the buildings used for leasing in the future in the process of construction or development).

Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Otherwise, the expenditures are charged to the current profit or loss as incurred.

The Company uses the cost model to measure the existing investment properties. For "the investment properties- buildings for rent" on the cost model, the same depreciation policy as the fixed assets in the Company is adopted, and the land right for rent is implemented according to the same amortization policy as intangible assets.

(16) Fixed assets

1. Recognition and initial measurement of fixed assets

Fixed assets are tangible assets that held for production of goods or provision of services, leasing to others, or for administrative purposes, which have useful life over one accounting year. Fixed assets are recognized when the following conditions are met at the same time:

(1) It is probable that the related economic benefits of fixed assets will flow to the company;

(2) The costs of fixed assets can be reliably measured.

Fixed assets are initially measured at cost (taking into account the impact of expected disposal expenses).

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets, if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably, and the carrying amount of the replaced part is derecognized. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

2. Depreciation method

The Company made provision for the fixed assets by using straight-line method, and determined the depreciation ratio according to the category of fixed assets, the estimated useful life and estimated rate of salvage value. For fixed assets with provision for impairment, the depreciation amount shall be determined in the future according to the book value after deducting the provision for impairment and the remaining useful life. If the useful lives of the components of fixed assets are different or they provide economic benefits to the enterprise in different ways, the Company will choose different depreciation rates or depreciation methods for them and depreciate separately.

The depreciation method, useful life, residual value ratio and annual depreciation rate of fixed assets are as below:

Type	Depreciation method	Useful life (year)	Residual value ratio	Annual depreciation rate
			(%)	*(%)*
Buildings and structures . . .	Straight-line method	20-40	5	2.38-4.75
Machinery and equipment . .	Straight-line method	6-15	5	6.33-15.83
Transportation equipment . .	Straight-line method	3-12	5	7.92-31.67
Office equipment and others	Straight-line method	2-10	5	9.50-47.50

3. Basis of recognition and valuation method of fixed assets leased under finance

An asset is recognized as a finance lease if the terms of the lease agreement entered into by the company and the leaser provide for one of the following conditions:

(1) The ownership of the leased asset vests in the Company at the end of the lease term.

(2) The Company has an option to purchase the asset for a purchase price substantially less than the fair value of the asset at the time the option is exercised.

(3) The lease term represents the majority of the useful life of the asset being leased.

(4) The present value of the minimum lease payments at the inception date of the lease is not significantly different from the fair value of the asset.

(5) The leased asset is of a special nature and can only be used by the lessee if no major modifications are made.

The Company records the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception date of the lease as the recorded value of the leased asset and the minimum lease payments as the recorded value of the long-term payable, with the difference recorded as an unrecognized finance charge.

4. Disposal of fixed assets

Fixed assets are derecognized when being disposed of, or expected no economic benefits will be generated through use or disposal of Proceeds from the disposal of fixed assets on sale, transfer, retirement or destruction, net of their carrying amount and related taxes, are included in profit or loss for the current period.

(17) Construction in progress

The cost of construction in progress is determined on the basis of actual construction expenditures, including construction costs, installation costs, borrowing costs capitalized and other necessary expenses before the construction reaches its intended usable state.

Construction in progress is transferred to the fixed assets when it reaches the intended usable state, and the depreciation shall be accrued from the following month.

(18) Borrowing costs

1. Principles for recognition of capitalized borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the relevant assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss in accordance with the amounts incurred.

Assets eligible for capitalization are assets such as fixed assets, investment properties and inventories that require a substantial time period for their acquisition or production activities to reach their intended use or saleable condition.

2. Period of capitalization of borrowing costs

The capitalization period is the period from the point at which capitalization of borrowing costs commences to the point at which capitalization ceases, excluding the period during which capitalization of borrowing costs is suspended.

Capitalization of borrowing costs commences when both of the following conditions are met:

(1) Asset expenditures were incurred, which include expenditure from cash paid, non-cash assets transferred or interest-bearing debts assumed for the acquisition or production of an asset eligible for capitalization;

(2) Borrowing costs were incurred;

(3) Necessary acquisition or production activities were carried out to bring an asset to reach its intended use or saleable condition.

Borrowing costs cease to be capitalized when the acquisition or production of an asset eligible for capitalization reaches its intended use or saleable condition.

3. Suspension of capitalization of borrowing costs

Borrowing costs are suspended when there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization that lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended usable or saleable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the period of interruption are recognized in profit or loss, and the costs continue to be capitalized until construction of assets or production activities resumed.

4. Calculation of the capitalization rate and capitalized amount of borrowing costs

Where funds are borrowed under a specific-purpose borrowings for the acquisition or production of an asset eligible for capitalization, the capitalized amount of borrowing costs is the actual expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings for the acquisition or production of an asset eligible for capitalization, the amount of borrowing costs to be capitalized for general borrowings is calculated by multiplying the weighted average amount of asset expenditure in excess of the portion of accumulated asset expenditure over special borrowings by the capitalization rate of the general borrowings taken up. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Exchange differences on the principal and interest on special borrowings in foreign currencies during the period of capitalization are capitalized and included in the cost of the assets eligible for capitalization. Except the foreign currency special borrowings, the exchange differences arising on the principal of and interest on other foreign currency borrowings are included in profit or loss for the period.

(19) Intangible assets

1. Valuation method of intangible asset

(1) An intangible asset is initially measured at cost when it is acquired by the Company

The cost of an externally acquired intangible asset comprises the purchase price, related taxes and other expenditures directly attributable to bringing the asset to its intended use.

(2) Subsequent measurement

The useful life of an intangible asset is analyzed at the time of acquisition.

Tangible assets with finite useful lives are amortized over the period in which they will generate economic benefits for the enterprise. Intangible assets with indefinite useful lives are not amortized if it is not foreseeable that they will provide economic benefits to the enterprise.

2. The estimation of intangible assets with finite useful lives

The useful life and amortization method of intangible assets with finite useful lives are reviewed at the end of each year.

3. The judgment basis of intangible assets with indefinite useful lives and procedures for reviewing their useful lives

The Company identifies intangible assets with indefinite useful lives when it is not foreseeable that the asset will provide it economic benefits to the company, or when the useful life of the asset is uncertain.

Judgments on the basis of indefinite useful life: (i) derived from contractual rights or other legal rights, but there is no clear useful life under the contract or the law; (ii) the period during which the intangible asset brings economic benefits to the Company still cannot be judged after taking into account the situation in same industries or relevant expert arguments, etc.

At the end of each year, a review of the useful lives of intangible assets with indefinite useful lives is conducted, mainly on a bottom-up basis, by the relevant departments using the intangible assets, to evaluate whether there are changes in the basis for determining indefinite useful lives, etc.

4. Specific criteria for classifying the research and development phases

Expenditure on research and development projects within the Company is divided into research phase expenditure and development phase expenditure.

Research phase: The stage of original and planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Development phase: The stage in which research results or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

5. Specific conditions for capitalization of development stage expenditure

Research stage expenditures are charged to current profit or loss as incurred. Expenditure in the development phase is recognized as an intangible asset if it meets both of the following conditions, otherwise it is charged to current profit or loss:

(1) It is technically feasible to complete the intangible asset so that it can be used or sold;

(2) There is an intention to complete the intangible asset and use or sell it;

(3) The manner in which intangible assets generate economic benefits, including the ability to demonstrate the existence of a market for the product produced using the intangible asset or for the intangible asset itself and, where the intangible asset will be used internally, the ability to demonstrate its usefulness;

(4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

(5) The expenditure attributable to the development stage of the intangible asset can be measured reliably;

Where it is impossible to distinguish between research phase expenditure and development phase expenditure, all research and development expenditures incurred are charged to current profit or loss.

(20) Impairment of long-term assets

Long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, oil and gas assets and other long-term assets are tested for impairment if there is an indication of impairment 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 is made for the difference and an impairment loss is recorded.

The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. Provision for asset impairment is calculated and recognized on an individual asset basis or, if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest combination of assets that can generate cash inflows independently.

Goodwill arising from business combinations, intangible assets with indefinite useful lives and intangible assets that have not yet reached a usable condition are tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

The Company performs goodwill impairment testing and the carrying value of goodwill arising from a business combination is apportioned to the relevant group of assets from the date of purchase in accordance with a reasonable method; if it is difficult to apportion to the relevant group of assets, it is apportioned to the relevant group of asset combination. A relevant group of assets or a combination of groups of assets can benefit from the synergies of a business combination.

When testing for impairment of a relevant group of assets or a combination of groups of assets that includes goodwill, if there is an impairment, the group of assets or combination of groups of assets that does not include goodwill is first tested, the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. Impairment test is then carries out on the asset group or combination of asset groups containing goodwill and compared its book value with the recoverable amount. If the recoverable amount is lower than the book value, the amount of impairment loss shall first offset the book value of goodwill allocated to the asset group or combination of asset groups, and then offset the book value of other assets in proportion according to the proportion of the book value of other assets in the asset group or combination of asset groups except goodwill.

The above impairment losses on assets, once recognized, will not be reversed in subsequent accounting periods.

(21) Long-term amortized expenses

Long-term amortized expenses are expenses that have been incurred but should be borne by the current and future periods and are apportioned over a period of more than one year. The Company's long-term amortized expenses include renovation costs, consulting services and tooling, etc.

1. Amortization method

Long-term amortized expenses are amortized evenly over the benefit period of the expense item.

2. Amortization period

The amortization period is determined based on the period of earnings and if a long-term amortization item does not benefit subsequent accounting periods, the amortized value of the unamortized item is transferred to current profit or loss in full.

(22) Contract liability

Accounting policy after 1 January 2020

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of it and the payment by the customer. The Company's obligations to transfer goods or provide services to customers for consideration received or receivable from customers are shown as contractual liabilities. The contract assets and contract liabilities are presented under the same contract on a net basis.

(23) Employee benefits

1. Accounting treatment of short-term employee benefits

During the accounting period when employees provide services, the Company shall recognize the short-term employee compensation actually incurred as liability and record it in the current profits and losses or relevant asset costs.

Employee benefits of the Company include social insurance charges, housing provident funds, labor union expenditures and the personnel education funds. The Company shall determine the welfare benefits in accordance with the prescribed allocation base and ratio required by corresponding regulations during the accounting period when the employees provide services.

The employee welfare expenses incurred by the Company shall be recorded in the current profits and losses or relevant asset costs according to the actual amount; where the employee welfare is non-monetary, it shall be measured at the fair value.

2. Accounting treatment for post-employee benefits

(1) Defined contribution plan

According to relevant regulations of the local government, the Company shall pay the basic endowment insurance and unemployment insurance for the employees. During the accounting period when the employees provide services, the payable amount shall be calculated according to the payment base and proportion required by the local regulations. The payable amounts are recognized as liabilities and included in the current profits and losses or relevant asset costs.In addition, the Company also participates in the enterprise annuity plan/supplementary pension fund approved by the relevant national departments. The Company shall pay to the annuity plan/local social insurance institution in accordance with the prescribed percentage of the total wages, and the corresponding expenditure shall be included in the current profits and losses or related asset costs.

(2) Defined benefit plan

The Company shall determine the welfare obligations generated by the defined benefit plan to vest in the period that the employees render services according to the projected accumulated benefit unit method and include them in the current profits and losses or relevant asset cost.

The deficit or surplus generated from the present value of defined benefit plan obligation less the fair value of the defined benefit asset is recognized as a net defined benefit liability or net defined benefit asset. When the Company has a surplus in the defined benefit plan, it shall measure the net defined benefit asset at the lower level of the surplus in the defined benefit plan and the asset ceiling.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period for which the employee provides services, are discounted by the market yield of treasury bonds or quality corporate bonds in the active market of the same term and currency on the balance sheet date and under the terms of the defined benefit plan.

Service costs arising from the defined benefit plan and the net interests of net defined benefit liability or net defined benefit asset are included in the current profits or losses or relevant asset costs; changes in the remeasurement of the net defined benefit liability or net defined benefit asset are included in other comprehensive income and are not transferred to profits and losses during the subsequent accounting period, and all the parts originally included in other comprehensive income are transferred to undistributed profits within equity at the termination of the original defined benefit plan.

At the timing of settlement of the defined benefit plan, the gain or loss on a settlement is the difference between the present value of the defined benefit plan obligation being settled and the settlement price determined on the settlement date.

3. Accounting treatment of termination benefits

The Company shall recognize a liability and expense for termination benefits in profit or loss at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits for its unilaterally termination of labor relationship plan or layoff; and when the Company recognizes costs for a restructuring and involves the payment of termination benefits.

(24) Estimated liabilities

Any obligations related to contingent matters meet the following conditions, a provision shall be recognized:

(1) The Company has a present obligation as a result of a past event;

(2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(3) A reliable estimate can be made of the amount of the obligation.

The provisions are initially measured at the best estimate of the expenditures required to settle the relevant present obligations.

When determining the best estimate, consider factors such as contingent risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the amount of a provision shall be the determined after discounting the relevant future cash flows.

Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used; in other cases, the best estimate is treated separately:

If the contingent events involve a single project, it shall be determined according to the most likely amount.

If they involve multiple items, it shall be determined according to various possible results and relevant probabilities.

If all or part of the expenses required to settle the provisions are compensated by a third party, the compensation amount shall be recognized separately as an asset when it is expected to be received, and the recognized compensation amount shall not exceed the book value of the provisions.

The Company reviews the book value of the provisions on each balance sheet date, and if there is conclusive evidence that the book value does not reflect the current best estimate, the book value shall be adjusted to reflect the current optimal estimate.

(25) Share-based payment

The share payment of the Company is a transaction that grants equity instruments or assumes equity-based liabilities to obtain services provided by employees or other parties. The share payment of the Company is the payment of the shares settled in equity.

1. Share payment and equity instruments settled by equity

Where the share payment of equity settlement is exchanged for the service provided by the employee, it shall be measured at the fair value of the equity instrument granted to the employee. For the share payment transaction with the viable right immediately after the grant, the Company shall recognize relevant costs or expenditures according to the fair value of the equity instrument on the grant date, with a corresponding increase in equity. For the service within the vesting period after the service or share options conditioned upon the achievement of the specified performance conditions, on each balance sheet date of the vesting period, the Company, according to the best estimate of the number of equity instruments, shall account for the current services in the relevant costs or expenditures according to the fair value, with a corresponding increase in equity.

If the terms of the share payment settled by equity are modified, the services obtained are confirmed at least in accordance with the unmodified terms. In addition, any increase in the fair value of the granted equity instrument or any change that is favorable to the employee on the date of modification is confirmed.

During the vesting period, if the granted equity instrument is cancelled, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period into the current profits and losses, with a corresponding increase in equity. However, if a new equity instrument is granted, and on the grant date, the new equity instrument granted is used to replace the cancelled equity instrument, the alternative equity instrument granted is processed in the same way as the terms and conditions of the original equity instrument.

2. Share payment and equity instruments settled by cash

The share-based payment settled in cash shall be measured according to the fair value of liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company. For the share payment transaction with the viable right immediately after the grant, the Company shall recognize relevant costs or expenditures according to the fair value of the assumed liabilities, and increase the liabilities accordingly. For granted after complete performance conditions waiting period of service or meet the vesting share-based payment transactions, in the waiting period for each of the balance sheet date, the Company will record the services acquired in the current period into the relevant costs or expenses and record the corresponding liabilities based on the best estimate of the practicable rights and the fair value of the liabilities assumed by the Company. On each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of the liabilities shall be re-measured, and the changes shall be recorded into the current profits and losses.

(26) Preferred shares, perpetual bonds and other financial instruments

The Company issues convertible corporate bonds to determine whether and not they contain both liabilities and interests according to the terms. If the convertible corporate bonds issued contain both liabilities and equity components, the liabilities and equity components shall be split off and processed separately upon initial recognition. In the split, the fair value of the liability component is determined and taken as the initial recognized amount, and then the initial recognized amount of the equity component is determined according to the overall issue price of the convertible corporate bonds after deducting the initial recognized amount of the liability component.Transaction costs are apportioned between the liability and equity components at their respective relative fair value.The liability components are listed as liabilities and subsequently measured at amortized cost until withdrawn, converted or redeemed.Equity components are listed as equity and are not measured.

(27) Revenue

Accounting policy after 1 January 2020

1. Accounting policy adopted in revenue recognition and measurement

Revenue is recognized when the Company performs its performance obligations in the contract, namely, when the customer obtains control of the relevant goods or services. To gain control of the relevant goods or services means to dominate the use of the goods or services and obtain almost all the economic benefits from it.

If two or more performance obligations are included in the Contract, the Company shall, on the commencement date of the contract, allocate the transaction price to each performance obligation in proportion to the standard-alone selling prices of the distinct goods or service. The Company measures revenue at the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding payments collected on behalf of a third party and amounts expected to be returned to the customer. The Company determines the transaction price according to the terms of the contract and in combination with its previous customary practices, and considers the influence of variable consideration, significant financing components existing in the contract, non-cash consideration, consideration payable to a customer and other factors when determining the transaction price. The Company shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If there is a significant financing component in the contract, the Company shall determine the transaction price that reflect the price a customer would have paid for the promised goods or services if the customer had paid cash for those goods or service when or as they transfer to the customer, and amortize the difference between the transaction price and the contract consideration by the effective interest rate method during the contract period.

If one of the following conditions is met, it shall be the performance obligations within a certain period, otherwise, at a certain point:

- The customer shall obtain and consume the economic benefits brought by the Company during the performance of the Company.

- The customer can control the goods under construction during the performance process.

- The commodities produced by the Company during the performance of the contract have irreplaceable purposes, and the Company has the right to collect money for the accumulated part of the contract that has been completed throughout the whole contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income according to the performance progress within that period, except if the performance progress cannot be reasonably determined. Considering the nature of the goods or services, the Company adopts the output method or the input method to determine the performance progress. If the performance progress cannot be reasonably determined, and the cost incurred is expected to be compensated, the Company shall recognize the income according to the cost amount incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Company recognizes revenue at the point when the customer obtains control of the relevant goods or services. In determining whether the Customer has acquired control of the goods or services, the Company shall consider the following indications:

- The Company has the present right to payment collection for the goods or services, that is, the customer has a present payment obligation for the goods or services.

- The Company has transferred legal title to the merchandise to the customer, meaning that the customer already has legal title to the merchandise.

- The Company has transferred the commodity to the customer, namely the customer has physical possession of the commodity.

- The Company has transferred the main risks and reward in the ownership of the commodity to the customer, who has acquired the main risks and reward in the ownership of the commodity.

- The customer has accepted the goods or services, etc.

2. *Specific principles*

(1) For the goods sold by distribution, the sales income shall be recognized after confirming that the other party has obtained the goods and signed on the logistics documents. The Company shall provide the buyer with the medical equipment distributed by the Company and relevant materials according to the requirements of the contract or agreement, and the sales income is recognized after the acceptance of the buyer;

(2) The Company shall recognize revenue from selling goods directly to the hospital after the hospital confirms that the goods are used and the invoice is received;

(3) The Company sells the goods to the agents on a commission basis, and the sales revenue shall be recognized based on the actual usage confirmed by the hospital with the agents on monthly basis or based on the list issued by the agents according to the contract;

(4) For medical equipment sold by means of installment settlement, the amount of commodity sales revenue shall be determined according to the fair value of the receivable contract or agreed price after completing the installation and debugging of the medical equipment and passing the inspection;

(5) The Company is engaged in the finance lease business. At the start of the lease date, the Company records the value of the finance lease receivable as the sum of the minimum lease collection and the initial direct expenses, and records the unguaranteed residual value. The unearned finance lease income, being the difference between the sum of the finance lease receivable and unguaranteed residual value and its present value, is allocated over the lease term, and the finance lease income for each period during the lease term is recognized accordingly. The Company adopts the effective interest rate method to calculate the lease income of the current period. In the case that the unguaranteed residual value decreases and its determined losses are recovered, the interest rate implicit in the lease (effective interest rate) shall be recalculated, and the lease income shall be remeasured based on the revised net lease investment and the revised interest rate implicit in the lease; no adjustment is made when the unguaranteed residual value increases. The contingent rent received by the Company under the finance lease is recognized as the current profits and losses at the time of the actual occurrence. The commission income under the financial lease is recognized when the relevant labor provision is completed and the income can be reasonably estimated.

Accounting policy before 1 January 2020

1. General principles of revenue recognition for goods sold

(1) The company has transferred the principal risks and rewards of ownership of the goods to the purchaser;

(2) The Company neither retains the right of continued management associated with ownership nor effective control over the goods sold;

(3) The amount of income can be measured reliably;

(4) The related economic benefits are likely to flow to the Company;

(5) Related, incurred or to be incurred costs can be measured reliably.

2. Specific principles

(1) The Company confirms the sales revenue of the goods sold to the distributor by means of distribution upon receipt of the distributor's order and delivery of the goods;

(2) For the products sold by the Company to the distributors through commission method, the hospital confirms the actual usage with the distributors monthly, and then the Company will settle accounts with the distributors to confirm the sales revenue;

(3) The Company sales the commodities directly to the hospital. The Company delivers the invoices and bills to the hospital and then confirm the sales revenue of the commodities, after the hospital confirms that the commodities have been used;

(4) The Company distributes the medical equipment to the agency. According to the requirements of the contract or agreement, the Company deliver the related equipment and files to the purchaser. The Company confirms the sales revenue after the purchaser complete qualified acceptance;

For medical equipment sold through installment collection and settlement, the Company confirms the sales revenue based on the fair value of the contractual or agreed price receivable upon completing the installation and commissioning of, and passing the inspection of, the medical equipment;

(5) The Company is engaged in the finance lease business. At the start of the lease date, the Company records the value of the finance lease receivable as the sum of the minimum lease collection and the initial direct expenses, and records the unguaranteed residual value. The unearned finance lease income, being the difference between the sum of the finance lease receivable and unguaranteed residual value and its present value, is allocated over the lease term, and the finance lease income for each period during the lease term is recognized accordingly. The Company adopts the effective interest rate method to calculate the lease income of the current period. In the case that the unguaranteed residual value decreases and its determined losses are recovered, the interest rate implicit in the lease (effective interest rate) shall be recalculated, and the lease income shall be remeasured based on the revised net lease investment and the revised interest rate implicit in the lease; no adjustment is made when the unguaranteed residual value increases. The contingent rent received by the Company under the finance lease is recognized as the current profits and losses at the time of the actual occurrence. The commission income under the financial lease is recognized when the relevant labor provision is completed and the income can be reasonably estimated.

3. The recognition principle and measurement method of income from providing labor services

(1) The revenue from labor services is recognized after the services have been completed. Meanwhile the economic benefits associated with the services are likely to flow to the Company and the related revenues and costs can be measured reliably.

(2) In the case that the completion progress and results of the transaction can be reliably estimated on the balance sheet date, and the costs incurred and to be incurred in the transaction can be reliably measured, the percentage of completion method is adopted to recognize the income from the provision of labor services.

(3) In the case that the transaction result cannot be reliably estimated on the balance sheet date, if the incurred labor cost is expected to be compensated, the labor income provided shall be recognized according to the amount of the labor cost incurred and carried forward to the labor cost at the same amount. If the incurred labor cost is not expected to be compensated, it should be included in the profit and loss of the current period and labor income will not be recognized.

4. The basis for confirming the income from the transferred use-right of assets

The Company recognizes the income from the transfer of the use right of assets under the following conditions respectively:

(1) Interest income shall be calculated and determined according to the time and effective interest rate when others use the money funds of the Company;

(2) Royalty income shall be calculated and determined in accordance with the charging time and method stipulated in relevant contracts or agreements.

(28) Contract cost

Accounting policy after 1 January 2020

Contract cost includes contract performance cost and contract acquisition cost.

If the costs incurred by the Company to achieve the performance of the Contract do not fall within the scope of inventory, fixed assets or intangible assets, it shall be recognized as an asset when the following conditions are met:

- This cost is directly related to a current or expected contract.
- This cost increases the resources of the Company to be used to fulfill its future performance obligations.
- The cost is expected to be recovered.

If the Company is expected to recover the incremental cost incurred in obtaining the contract, it shall be included in the contract acquisition cost that is recognized as an asset.

The assets related to the contract cost shall be amortized on the same basis as the income recognition of goods or services related to the assets; however, if the amortization period of the contract acquisition cost does not exceed one year, the Company shall include them in the current profits and losses upon occurrence.

If the book value of the assets related to the contract cost is higher than the difference between the following items, the Company shall make provision for impairment of the excess part and confirm it as an asset impairment loss:

1. Residual consideration expected to be obtained from the transfer of goods or services related to the asset;

2. Estimated costs arising from the transfer of the related goods or services.

If the impairment factors in the previous period change later so that the aforementioned difference is higher than the book value of the asset, the Company shall reverse the previously recognized impairment provision and account into the current profits and losses, but the book value of the asset cannot reverse to higher than where it would have been absent an impairment.

(29) Government subsidy

1. Type

Government subsidy consist of monetary or non-monetary assets obtained from the government, which is divided into asset-related government subsidies and revenue-related government subsidies.

Asset-related government subsidies refer to the government subsidies obtained by the Company and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. Revenue-related government subsidies refer to those other than asset-related government subsidies.

Government subsidies related to assets are used for the purchase and construction of fixed assets, intangible assets and other long-term assets;

Government subsidies related to revenue are those other than asset-related government subsidies.

2. Confirmation point

Government subsidies shall be recognized when the Company can meet the related conditions stipulated in the financial supporting policies, and it is expected to obtain the financial supporting assets:

(1) The Company can meet the conditions attached to the government subsidies;

(2) The Company can receive government subsidies.

3. Accounting treatment

Asset-related government subsidies shall offset the book value of the relevant assets or be recognized as deferred income. If recognized as deferred income, the current profits and losses during the service life of relevant assets in a reasonable and systematic method (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income);

Revenue-related government subsidies used to compensate the Company for related costs or losses of the future period shall be recognized as deferred income, and shall be included in the current profit and loss (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income) or offset relevant costs or losses during the period when they are recognized; those used to compensate the Company for related costs or losses already incurred shall be included in the current profit and loss (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income) or offset relevant costs or losses.

The policy preferential loans obtained by the Company are divided into the following two situations and should be treated separately:

(1) If the government allocates the discount interest funds to the lending bank, and the lending bank provides loans to the Company at the policy preferential interest rate, the Company shall take the actual loan amount received as the entry value of the loan, and calculate the relevant loan expenses according to the loan principal and the policy preferential interest rate.

(2) If the government directly allocates the discount interest funds to the Company, the Company will deduct the relevant loan expenses with the corresponding discount interest.

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

Income tax includes the current income tax and the deferred income tax. Except for the income tax arising from the business merger and the transactions or matters directly included in the owner's equity (including other comprehensive income), the Company includes the current income tax and deferred income tax into the current profits and losses.

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book value.

The deferred income tax assets shall be recognized for the deductible temporary difference to the extent that the future taxable income is likely to be obtained for deducting deductible temporary difference. For the deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the future taxable income is likely to be used to offset the deductible losses and tax credits.

For the taxable temporary differences, the deferred income tax liabilities are recognized, except in special circumstances.

No recognition of deferred income tax assets or deferred income tax liabilities may include:

- Initial recognition of the goodwill;

- It is not a business merger, occurrence and does not affect the accounting profits and taxable income (or deductible losses) transactions or matters.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments of subsidiaries, affiliates and joint ventures, unless the Company can control the timing of the temporary difference and the temporary difference will likely not to be reversed in the foreseeable future. Deferred income tax assets are recognized for the deductible temporary differences related to the investment of subsidiaries, affiliates and joint ventures, when the temporary difference is likely to turn back in the foreseeable future and the taxable income used to deduct the deductible temporary difference is likely to be obtained in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

On the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income is not obtained to offset the deferred income tax assets, the book value of the deferred income tax assets is written down. If there are sufficient taxable income, the written down value is reversed.

When it has the legal right to net settle and intends to net settle or acquire assets and pay off liabilities simultaneously, the current income tax assets and the current income tax liabilities are reported as the net offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are offset in the net amount when:

- The tax payer has the legal right to net settle the current income tax assets and the current income tax liabilities;

- Deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration department of the same tax subject income tax related or related to different tax subject, but in the future period of every important deferred income tax assets and liabilities, involving the tax subject intention to netting current income tax assets and liabilities or assets, liabilities at the same time.

(31) Lease

Accounting policy after 1 January 2021

Lease refers to a contract in which the lessor gives the use right of the assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration, the contract is a lease or contains a lease.

If the contract also contains a number of separate leases, the Company shall split the contract and treat each lease separately. Where the contract contains both the leased and non-leased parts, the lessee and the lessor shall split the leased and non-leased parts.

For rent reductions and deferred payments on existing lease contracts directly caused by the COVID-19 outbreak, and while meeting the following conditions, the Company will not evaluate any lease changes or reevaluate the classification of lease under simplified method:

The lease consideration after the concession is reduced or basically unchanged before the concession, among which, the lease consideration is not discounted or discounted at the discount rate before the concession;

- The reduction is for the lease payments payable before 30 June 2022 only, the increase or decrease of lease payments due after 30 June 2022 does not affect the satisfaction of the condition; and

- After considering the qualitative and quantitative factors, the other terms and conditions of the lease have no major changes.

1. The Company as the lessee

(1) Right-of-use assets

At the commencement date, the Company recognizes the right-of-use assets for leasing other than short-term leasing and low-value assets. The right-of-use assets are initially measured at costs. The cost of the right-of-use asset shall comprise:

- The amount of the initial measurement of the lease liability;

- Any lease payments made at or before the commencement date, less any lease incentives received (if any);

- Any initial direct costs incurred by the Company;

- Any estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company shall subsequently adopt the straight-line method to depreciate the right-of-use assets. For the ownership of the leased assets at the expiration of the lease term, the Company shall draw depreciation within the remaining useful life of the leased assets; otherwise, the Company shall depreciate the leased assets from the earlier of the lease term or the remaining useful life of such leased assets.

The Company shall determine whether the impairment of the right-of-use assets has occurred in accordance with the principle of note "III. (20) Impairment of long-term asset", and account for the recognized impairment loss.

(2) Lease liabilities

At the commencement date, the Company recognizes the lease liabilities for leasing other than short-term leasing and low-value assets. The lease liabilities are initially measured at the present value of the outstanding lease payments. The lease payment includes:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be payable by the under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company adopts the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, its incremental borrowing interest rate will be used as the discount rate.

The Company calculates the interest expense of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in the current profits and losses or relevant asset costs.

Variable lease payments not included in the measurement of lease liabilities are included into current gains and losses or relevant asset costs upon actual occurrence.

After the commencement date, if the following circumstances occur, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the current profit and loss:

When the appraisal result of the purchase option, renewal option or termination option changes, or the actual exercise of the foregoing option is inconsistent with the original appraisal result, the Company remeasures the lease liabilities at the present value calculated by the changed lease payment and the revised discount rate;

In the event of changes in the substantial fixed payment, the expected amount payable of the guarantee allowance, or the index or ratio used to determine the amount of lease payment, the Company shall remeasure the lease liabilities according to the present value of the changed lease payment and the original discount rate. However, if the change in the lease payment comes from the change in the floating rate, the present value is calculated using the revised discount rate.

(3) Short-term lease and low-value asset leasing

The Company chooses not to recognize the right-of-use assets and lease liabilities for the short-term lease and low-value asset lease, and includes the relevant lease payment into the current profits and losses or the relevant asset cost in the straight-line method during each period of the lease term. Short-term lease refers to a lease at the commencement of lease, not exceeding 12 months and without the purchase option. Low-value asset lease refers to the lease with low value when a single leased asset is a new asset. If the Company sublets or expects to sublet the leased assets, the original lease is not a low-value asset lease.

(4) Lease modifications

If a lease is changed and the following conditions are met, the Company will account for the lease change as a separate lease.

- The lease modification expands the scope of the lease by adding the right to use one or more leased assets;

- The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying value of the right-of-use asset accordingly and recognizes the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Company adjusts the carrying value of the right-of-use asset accordingly.

(5) COVID-19-related rent reductions

For those leases that use the simplified rent reduction method related to COVID-19, the Company does not evaluate whether the lease changes have occurred, and continues to calculate the interest expense of the lease liabilities according to the discount rate consistent with the one before the reduction and include it into the current profits and losses, and continues to depreciate the right-of-use assets in accordance with the same method as the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached to terminate the original rent payment obligation, the Company shall offset the relevant asset cost or expense at the pre-discounted amount and adjust the lease liabilities accordingly; if the rent payment is delayed, the Company shall offset the previously recognized lease liability upon the actual payment.

For short-term lease and low-value asset lease, the Company continues to include the original contract rent into the relevant asset cost or expenses based on the method used prior to the reduction. In case of rent reduction, the Company shall use the reduced rent as the variable lease payment and offset the relevant asset costs or expenses during the reduction period; if the rent payment is delayed, the Company shall recognize the rent payable during the original payment period and offset the previously recognized amount payable upon the actual payment.

2. The Company as the lessor

At the commencement date, the Company divides the lease into finance lease and operating lease. Finance lease refers to a lease that essentially transfers almost all the risks and rewards of the ownership of the leased assets, regardless of whether the ownership is ultimately transferred or not. Operating lease refers to a lease other than a finance lease. When the Company is the sublease lessor, the transfer lease is classified based on the right-of-use assets generated by the original lease.

(1) Accounting treatment of operating leasing

The lease collection amount of the operating lease is recognized as rental income according to the straight-line method during each period of the lease term. The Company will capitalize the initial direct expenses related to the operating lease and apportion them into the current profits and losses during the lease term on the same basis as the rental income recognition. Variable lease payments not included in lease are recorded in the current profits and losses upon actual occurrence. In case of any change in the operating lease, the Company shall treat it as a new lease from the effective date of the change, and the amount received in advance or lease receivable related to the lease before the change shall be regarded as the amount of the new lease.

(2) Accounting treatment of finance leasing

At the commencement date, the Company recognizes the finance lease receivable and stop the recognition of the finance lease assets. When the Company initially measures the financial lease receivable, the net lease investment is the entry value of the financial lease receivable. The net lease investment is the sum of the present value (discounted based on the interest rate implicit in the lease) of the non-guaranteed residual value and the lease amount that is not received at the commencement of the lease.

The Company calculates and recognizes interest income for each period of the lease term at fixed periodic interest rates. The termination of recognition and impairment of finance lease receivables shall be treated in accordance with note "III. (10) Financial Instruments".

Variable lease payments not included in the net lease investment are recorded into the current profits and losses upon actual occurrence.

If the finance lease is changed and meets the following conditions, the Company shall treat the change as a separate lease:

- This change expands the lease scope by increasing the right to use one or more leased assets;

- The added consideration is equal to the separate price of the extended part of the lease adjusted for the circumstances of the contract.

If the change of finance lease is not treated as a separate lease, the Company shall handle the changed lease under the following circumstances:

- If the change takes effect on the beginning date of the lease and the lease will be classified as operating lease, the Company shall account it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the lease assets;

- If the change takes effect on the start date of the lease and the lease will be classified as a finance lease, the Company shall account it in accordance with the policy of this note "III, (10) Financial Instruments" on the modification or re-agreement of the contract.

(3) COVID-19-related rent reductions

For operating lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize original contract rent based on the method used prior to the reduction as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount and reduce the rental income during the reduction periods; if the rent payment is delayed, the Company shall recognize original contract rent as lease receivable and reduce the previously recognized lease receivable upon the actual receipt.

For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize interest income calculated based on previous discount rate as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached, and the original rent payment obligation is waived, the Company shall reduce the previously recognized lease income based on the pre-discounted amount or discounted amount prior to the reduction. The Company records the insufficient offset as investment income and adjusts corresponding lease receivable; if the rent payment is delayed, the Company shall reduce the previously recognized lease receivable upon the actual receipt.

3. Sales and leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale-lease-back transaction is sales according to the principle described in note "III. (27) Revenue".

(1) As the lessee

If the asset transfer in the sale-lease-back transaction is for sale, the Company as the lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the asset transfer in the sale-lease-back transaction is not for sale, the Company shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. For accounting treatment of financial liabilities, see this note "III. (10) Financial Instruments".

(2) As the lessor

If the asset transfer in the sales and leaseback transaction is the sale, the Company as the lessor shall account for the purchase of the asset and for the lease applying the "2. The Company acts as the lessor" policy; If the asset transfer in the sale-lease-back transaction is not for sale, the Company as the lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. For accounting treatment of financial assets, please refer to note "III. (10) Financial Instruments".

Accounting policy before 1 January 2021

Leasing is divided into financial lease and operating lease. A Finance lease is a lease that substantially transfers all the risks and rewards associated with the ownership of the assets. Operating lease refers to a lease other than a financial lease.

As a result of the COVID-19 pandemic, for the current lease contract that rent reduction or rent delay agreement has been reached, and that satisfies the following conditions, the Company shall adopt a simplified method for all lease options and does not evaluate any lease changes or re-evaluate the lease classification:

- The lease consideration after the concession is reduced or essentially unchanged before the concession, among which, the lease consideration is not discounted or discounted at the discount rate before the concession;

- The reduction is only for the lease payments payable before 30,June 2021, the increase of lease payments after 30 June 2021 does not affect the satisfaction of such condition, and the decrease of lease payments after 30 June 2021 does not satisfy such condition; and

- After considering the qualitative and quantitative factors, the other terms and conditions of the lease have no major changes.

1. Accounting treatment of operating leasing

(1) The lease fee paid by the leased assets of the Company shall be apportioned according to the straight-line method during the entire lease period without deducting the lease-free period, and shall be included in the current expenses. The initial direct expenses paid by the Company related to the lease transaction shall be included in the current expenses.

If the asset leaser bears the expenses related to the lease to be borne by the Company, the Company shall deduct this part of the expenses from the total rent amount and share the deducted rent expenses during the lease term and include them in the current expenses.

For operating leases using the simplified method of COVID-19 related rent reduction, the Company continues to include the original contract rent into the relevant asset costs or expenses based on the method used prior to the reduction. In case of rent reduction, the Company shall take the reduced rent into profits and losses during the reduction period; if the rent is delayed, the Company shall recognize the rent payable during the original payment period and offset the previously recognized payable upon the actual payment.

(2) The lease fee charged by the leased assets of the Company shall be apportioned according to the straight-line method during the entire lease period without excluding the lease-free period, and shall be recognized as the lease-related income. The initial direct expenses paid by the Company related to the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and included in the current income based on the same basic income recognized during the entire lease period.

If the Company bears the expenses related to the lease that should be borne by the lessee, the Company shall deduct the expenses from the total rental income and allocate the deducted rent expenses during the lease period.

For operating lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize original contract rent based on the method used prior to the reduction as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount and reduce the rental income during the reduction periods; if the rent payment is delayed, the Company shall recognize original contract rent as lease receivable and reduce the previously recognized lease receivable upon the actual receipt.

2. Accounting treatment of finance leasing

(1) Assets leased in under finance leasing: the Company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as long-term payable, and record the balance between the fair value of the leased assets and the present value of the minimum lease payments in an account as unrecognized financing costs. The Company adopts the effective interest rate method to amortize the unrecognized financing costs during the lease period and record them in the financial costs. The initial direct expenses incurred by the Company shall be recorded in the value of the leased assets.

For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize the unrecognized financing costs as current financing costs according to the discount rate consistent with the one before the reduction, and continues to depreciate the assets leased in under finance leasing in accordance with the same method as the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as contingent rent. When the reduction agreement is reached to terminate the original rent payment obligation, the Company shall include it in current profit or loss, and adjust corresponding long-term payable, or discount it at the discount rate before the reduction and include the same in current profit or loss, as well as adjust the unrecognized financing costs; if the rent payment is delayed, the Company shall offset the previously recognized long-term payable upon the actual payment.

(2) Assets leased out under finance leasing: The Company shall, on the commencement date of the lease, recognize the difference between the sum of the finance lease receivable and unguaranteed residual value and the present value thereof as unrealized financing income and recognize the same as lease income over the periods when rent is received in the future. The initial direct expenses incurred by the Company in relation to leasing transactions shall be recorded in the initial measurement of the finance lease receivable and the amount of income recognized in the lease period shall be reduced.

For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize the unrealized financing income as lease income according to the interest rate embedded in the lease consistent with the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as contingent rent. When the reduction agreement is reached, and the original rent payment obligation is waived, the Company shall reduce the previously recognized lease income and record the insufficient offset as investment income and adjust corresponding long-term receivable, or discount it at the discount rate before the reduction and include the same in current profit or loss, as well as adjust the unrecognized financing income; if the rent payment is delayed, the Company shall reduce the previously recognized long-term receivable upon the actual receipt.

(32) Termination of business operation

Termination is a separate component that meets one of the following conditions and has been disposed of or classified in the category of held for sale by the Company:

(1) The component represents an independent main business or a separate major operating area;

(2) This component is part of a related plan to dispose of a separate main business or a separate major operating area;

(3) This component is a subsidiary company acquired exclusively for resale.

On-going profit and losses are listed separately in the income statement. Operating gains and losses such as impairment loss and turnover amount and disposal gains shall be reported as termination gains and losses. For the termination of operation reported in the current period, the Company shall report the information previously reported as the on-going profits and losses as the termination profit and loss of the comparative accounting period.

IV. Tax

Main taxes and rates

		Tax rate (%)		
Type	**Tax basis**	**2021**	**2020**	**2019**
VAT	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	1,3,5,6,9,13	1,3,5,6,9,13,16	5,6,13,16
Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	5,7	5,7	5,7
Enterprise income tax	Based on taxable profits	15,25	15,25	15,25

Companies subject to different enterprise income tax rates are disclosed as follows:

	Tax rate (%)		
Name of tax payer	**2021**	**2020**	**2019**
Lepu Medical Technology (Beijing) Co., Ltd	15	15	15
Lepu Medical Equipment(Beijing) Co., Ltd.	15	15	15
Beijing Tiandi Hexie Technology Co., Ltd	15	15	15
Lepu Medical Electronics Technology Co., Ltd	15	15	15
Shanghai Shape Memory Alloy Material Co., Ltd	15	15	15
Jiangsu Brightness Medical Device Co., Ltd	15	15	15
Beijing Lepu Medical Technology Co., Ltd.	15	15	15
Lepu (Beijing) Diagnostics Co., Ltd	15	15	15
Yantai Addcare Bio-Tech Limited Company	15	15	15
Shenzhen Sonolepu Medical Technology Co., Ltd	15	15	
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd	15	15	15
Lepu Pharmaceutical Co., Ltd	15	15	15
Lepu Pharmaceutical Technology Co., Ltd	15	15	15
Lepu Hengjiuyuan Pharmaceutical Co., Ltd	15	15	15

Name of tax payer	Tax rate (%)		
	2021	2020	2019
Beijing Yongzheng Pharmaceutical Co., Ltd	15	15	15
Zhejiang Lepu Pharmaceutical Co., Ltd	15	15	15
Lepu Zhiyao Technology Co., Ltd	15	15	15
Beijing Aipuyi Medical Testing Center Co. Ltd	15	15	15
Beijing JWJ Science & Technology Development Co., Ltd	15	15	15
Lepu Medical (Shenzhen) International Development Center Co., Ltd	15	15	
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)	15	15	15
Shenzhen Creative Industry Co., Ltd	15	15	15
Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd	15	15	
Shenzhen Carewell Electronics Co., Ltd	15	15	
Shenzhen Viatom Technology Co., Ltd	15	15	15
Sichuan Xingtai Pule Medical Technology Co., Ltd	15		
Suzhou Bonsmile Medical Technology Co., Ltd	15		
Beijing Huaco Healthcare Technologies Co., Ltd	15		
Changzhou Zhiye Medical Devices Institute Co., Ltd		15	15
Changzhou Resource Medical Devices Co., Ltd		15	15
Wuxi Bokang Medical Apparatus Co., Ltd		15	15
Jiangsu Changzhou Invent Medical Devices Co., Ltd		15	15
IPE Biotechnology Co., Ltd		15	

Tax incentives

(1) The company was approved as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing Taxation Bureau of Taxation in December 2020. The approval certificate of high-tech enterprise is "GR202011004226", and the certificate is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

(2) Lepu Medical Equipment (Beijing) Co., Ltd. was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Bureau of Taxation and Beijing Municipal Local Taxation Bureau in October 2020. The approval certificate of high-tech enterprise is "GR202011002701", and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(3) Beijing Tiandi Hexie Technology Co., Ltd.was approved as high-tech enterprises by Beijing Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing State Taxation Bureau and Beijing Local Taxation Bureau in October 2019. The approval certificate of high-tech enterprises is "GR201911002611" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(4) Lepu Medical Electronics Technology Co., Ltd. was approved as a high-tech enterprise by Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Finance Department and Shaanxi Provincial Taxation Bureau of the State Administration of Taxation in October 2021. The certificate number is "GR202161000568" and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(5) Shanghai Shape Memory Alloy Material Co., Ltd. was approved as a high-tech enterprise by Shanghai Science and Technology Commission, Shanghai Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration in November 2020. The approval certificate number of the high-tech enterprise is "GR202031005228", which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(6) On 30 December 2021, Jiangsu Brightness Medical Device Co., Ltd. was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau on 30 December 2021. The approval certificate of high-tech enterprise is "GR202132006191" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises.

(7) Beijing Lepu Medical Technology Co., Ltd. was approved as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Municipal Tax Service, State Taxation Administration in October 2021. The approval certificate of high-tech enterprise is GR202111000006, and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(8) Lepu (Beijing) Diagnostics Co., Ltd. was jointly recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration in July 2020. The approval certificate of high-tech enterprise is "GR202011001272" and the period is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(9) Yantai Addcare Bio-Tech Limited Company was approved as a high-tech enterprise by Shandong Provincial Department of Science and Technology, Department of Finance of Shandong Province, Shandong Provincial State Taxation Bureau and Shandong Provincial Local Taxation Bureau on 17 August 2020. The approval certificate of high-tech enterprise is "GR202037000937", valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(10) Shenzhen Sonolepu Medical Technology Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Tax Service, State Taxation Administration and Shenzhen Finance Bureau in December 2019. The approval certificate of high-tech enterprise is "GR201944205609" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.

(11) Shenzhen Lepu Intelligent Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Commission and Shenzhen Tax Service, State Taxation Administration in December 2019. The certificate number is "GR201944205802" and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(12) Lepu Pharmaceutical Co., Ltd. was approved as a high-tech enterprise by the Department of Science and Technology of Henan Province, The Department of Finance of Henan Province, The Provincial Taxation Bureau of Henan Province, and the Local Taxation Bureau of Henan Province in October 2021. The approval certificate of the high-tech enterprise is "GR202141002247", valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(13) Lepu Pharmaceutical Technology Co., Ltd. passed the high-tech enterprise certification in September 2020, and received the high-tech enterprise certificate by Henan Provincial Technology Department, Henan Provincial Finance Department, Henan Provincial State Taxation Bureau and Henan Provincial Local Taxation Bureau. The certificate number is "GR202041000353", valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(14) Lepu Hengjiuyuan Pharmaceutical Co., Ltd. which passed the high-tech enterprise certification in September 2020, and received the high-tech enterprise certificate jointly issued by Henan Provincial Department of Technology, Henan Provincial Finance Department, Henan Provincial State Taxation Bureau and Henan Provincial Local Taxation Bureau in September 2020. The certificate number is "GR202041000266", valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(15) Beijing Yongzheng Pharmaceutical Co., Ltd. passed the high-tech enterprise certification in October 2021, and received the high-tech enterprise certificate jointly issued by Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Bureau, Beijing Municipal Bureau of Taxation and the State Administration of Taxation in October 2021. The certificate number is "GR202111002954", valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(16) Zhejiang Lepu Pharmaceutical Co., Ltd. was approved as a high-tech enterprise by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial State Taxation Bureau and Zhejiang Provincial Local Taxation Bureau in December 2020. The approval certificate of high-tech enterprise is "GR202033005652", and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(17) Lepu Zhiyao Technology Co., Ltd. was approved as a high-tech enterprise by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial State Taxation Bureau and Zhejiang Provincial Local Taxation Bureau in December 2021. The approval certificate of high-tech enterprise is "GR202133001464" and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(18) Beijing Aipuyi Medical Inspection Centre Co., Ltd. was recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing State Taxation Bureau in September 2021. The approval certificate of high-tech enterprise is "GR202111004599", which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(19) Beijing JWJ Science & Technology Development Co., Ltd. was recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing State Taxation Bureau in October 2021. The approval certificate number of high-tech enterprise is "GR202111001140", which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(20) Lepu Medical (Shenzhen) International Development Center Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Taxation Bureau of the State Administration of Taxation and Shenzhen Finance Bureau in December 2020. The approval certificate of high-tech enterprise is "GR202044205359" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.

(21) Shanghai Lepu Cloudmed Co., Ltd (former name: Shanghai Yocaly Health Management Co., Ltd) was approved as a high-tech enterprise by Shanghai Science and Technology Commission, Shanghai Finance Commission and Shanghai Taxation Bureau in October 2019. The certificate number is "GR201931002663" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(22) Shenzhen Creative Industry Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Commission and Shenzhen Taxation Bureau of the State Administration of Taxation in December 2021. The certificate number is "GR202144203071" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(23) Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Taxation Bureau in December 2020. The certificate number is "GR202012002228" and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.

(24) Shenzhen Carewell Electronics Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Taxation Bureau of the State Administration of Taxation in December 2020. The certificate number is "GR202044206139" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.

(25) Shenzhen Viatom Technology Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Taxation Bureau in December 2019. The certificate number is "GR201944205028" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

(26) Sichuan Xingtai Pule Medical Technology Co., Ltd. was approved as a high-tech enterprise by Sichuan Department of Science and Technology, Sichuan Department of Finance and Sichuan Taxation Bureau of Taxation in December 2021. The certificate number is "GR202151002878" and is valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.

(27) Suzhou Bonsmile Medical Technology Co., Ltd. was approved as a high-tech enterprise by Jiangsu Province Department of Science and Technology, Jiangsu Province Finance Department and Jiangsu Province Taxation Bureau of the State Administration of Taxation in December 2019. The certificate number is "GR201932005432" and is valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.

(28) Beijing Huaco Healthcare Technologies Co., Ltd. was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, and Beijing Municipal Taxation Bureau of the State Taxation Bureau in December 2021. The approval certificate of high-tech enterprise is "GR202111007086" and valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.

(29) In November 2018, Changzhou Zhiye Medical Devices Institute Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is "GR201832001730" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

(30) In November 2018, Changzhou Resource Medical Devices Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is "GR201832006056" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

(31) In December 2019, Wuxi Bokang Medical Apparatus Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is "GR201932006878" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

(32) In November 2018, Jiangsu Changzhou Invent Medical Devices Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is "GR201832006898" and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

(33) IPE Biotechnology Co., Ltd was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, and Beijing Municipal Taxation Bureau of the State Taxation Bureau in October 2018. The approval certificate of high-tech enterprise is"GR201811005121" and valid for three years. In 2020, it enjoyed the preferential tax rate of 15% for high-tech enterprises.

Other tax incentives

(1) According to the relevant requirements of the *Provisions on Transitional Policies for the Pilot Program of the Collection of Value-Added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36)*, the *Circular on Clarifying the Exemption of Elderly Care Agencies from Value-added Tax and Other Policies (Cai Shui [2019] No. 20)* and the *Announcement of the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of Certain Preferential Tax Policies (Cai Shui [2021] No. 6)*, medical services rendered by a medical institution are exempt from value-added tax. Therefore, Beijing Aipuyi Medical Testing Center Co. Ltd. is exempt from value-added tax, urban construction tax and education surcharge.

(2) According to the *Circular of the Ministry of Finance and the State Taxation Administration on Tax Policies of Medical and Health Institutions (Cai Shui [2000] No. 42)*, medical service income obtained by a non-profit medical institution at prices stipulated by the State is exempt from various taxes. The real estate, land, vehicles and vessels used by a non-profit medical institution are exempt from property tax, urban land use tax and vehicle and vessel use tax. The portion of non-medical service income that is directly used to improve the conditions of medical and health services can be deducted from its taxable income upon review and approval by the tax authorities, and the balance is subject to corporate income tax. According to the *Circular of the Department of Finance of Anhui Province and Anhui Provincial Tax Service, State Taxation Administration on Announcement of the 2015 Provincial-level Non-profit Organization Tax-Exemption Qualification List (Cai Shui [2015] No. 2082)* and *Circular of the Department of Finance of Anhui Province and Anhui Provincial Tax Service, State Taxation Administration on Announcement of the 2020 Provincial-level Non-profit Organization Tax-Exemption Qualification List (Wan Cai Shui Fa [2020] No. 1280)*, Hefei High-tech Cardiovascular Hospital is a non-profit organization qualified for tax exemption and enjoys preferential tax policies for non-profit organizations within five years from the year of recognition.

V. Notes to the Consolidated Financial Statements

(1) Cash at bank and on hand

Item	2021.12.31	2020.12.31	2019.12.31
Cash on hand	534,460.52	553,295.19	1,525,673.61
Bank deposits	3,666,190,504.74	2,383,745,538.34	1,780,761,961.13
Other monetary funds	130,821,863.49	49,679,901.71	171,692,588.77
Total	3,797,546,828.75	2,433,978,735.24	1,953,980,223.51
Including: cash at bank and on hand deposited overseas	372,392,264.10	250,323,655.15	61,967,917.00

Note: As of 31 December 2021, the interest receivable in bank deposits was RMB534,923.53. As of 31 December 2020, the interest receivable in bank deposits was RMB3,011,733.06.

The cash at bank and on hand balances restricted for use due to mortgage, pledge, and frozen, restricted to access due to centralised management of funds, or restricted to be remitted to China from foreign countries are as following:

Item	2021.12.31	2020.12.31	2019.12.31
Deposit for bank acceptance bills	53,008,268.16	27,962,556.34	60,565,521.66
Fixed deposits	59,282,351.55		91,740,000.00
Frozen deposits		133,572.93	10,014,864.36
Margin money		10,198,134.93	
Performance Bond	677,640.48	1,435,478.00	
Total	112,968,260.19	39,729,742.20	162,320,386.02

(2) Financial assets held-for-trading

Item	2021.12.31	2020.12.31	2019.12.31
Financial assets at fair value through profit or loss		20,628,580.82	10,000,000.00
Including: wealth management products		20,628,580.82	10,000,000.00
Total		20,628,580.82	10,000,000.00

(3) Notes receivable

1. Notes receivable by category

Item	2021.12.31	2020.12.31	2019.12.31
Bank acceptance notes	34,766,157.96	12,351,880.00	33,738,075.21
Trade acceptance notes	19,005,193.50	1,916,088.00	418,632.00
Total	53,771,351.46	14,267,968.00	34,156,707.21

2. Outstanding endorsed or discounted notes unmatured at the end of the year

	2021.12.31		2020.12.31		2019.12.31	
Item	Amount derecognized at year end	Amount not derecognized at year end	Amount derecognized at year end	Amount not derecognized at year end	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance notes		19,593,600.00				
Trade acceptance note		18,200,000.00		1,500,000.00		
Total		37,793,600.00		1,500,000.00		

(4) Accounts receivable

1. Ageing analysis of accounts receivable:

Ageing	2021.12.31	2020.12.31	2019.12.31
Within 1 year	1,285,290,038.70	1,607,044,634.97	1,744,722,886.20
1-2 years	230,056,532.64	360,110,213.60	280,175,348.51
2-3 years	131,358,287.55	119,702,649.32	146,175,218.60
3-4 years	61,489,537.16	83,948,594.27	67,506,810.20
4-5 years	56,995,599.49	48,861,205.06	32,038,184.09
Over 5 years	57,291,537.57	50,211,893.55	49,112,014.49
Sub-total	1,822,481,533.11	2,269,879,190.77	2,319,730,462.09
Less: Provision for bad debts	161,359,845.73	169,436,021.08	153,184,283.06
Total	1,661,121,687.38	2,100,443,169.69	2,166,546,179.03

2. Accounts receivable by method of bad debt provision

31 December 2021

	Ending balance		Provision for bad debts		
Category	Amount	Percentage	Amount	Percentage	Carrying Value
		(%)		*(%)*	
Provision for bad debts made on an individual basis	2,027,715.40	0.11	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Including:					
Expected credit loss of grouping basis	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Total	1,822,481,533.11	100.00	161,359,845.73		1,661,121,687.38

31 December 2020

	Ending balance		Provision for bad debts		
Category	Amount	Percentage	Amount	Percentage	Carrying Value
		(%)		*(%)*	
Provision for bad debts made on an individual basis	2,027,715.40	0.09	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis	2,267,851,475.37	99.91	167,408,305.68	7.38	2,100,443,169.69
Including:					
Expected credit loss of grouping basis	2,267,851,475.37	99.91	167,408,305.68	7.38	2,100,443,169.69
Total	2,269,879,190.77	100.00	169,436,021.08		2,100,443,169.69

31 December 2019

Category	Ending balance		Provision for bad debts		Carrying Value
	Amount	Percentage	Amount	Percentage	
		(%)		(%)	
Provision for bad debts made on an individual basis	2,027,715.40	0.09	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis	2,317,702,746.69	99.91	151,156,567.66	6.52	2,166,546,179.03
Including:					
Expected credit loss of grouping basis	2,317,702,746.69	99.91	151,156,567.66	6.52	2,166,546,179.03
Total	2,319,730,462.09	100.00	153,184,283.06		2,166,546,179.03

Provision for bad debts made on an individual basis:

	2021.12.31			
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total	2,027,715.40	2,027,715.40		

	2020.12.31			
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total	2,027,715.40	2,027,715.40		

	2019.12.31			
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total	2,027,715.40	2,027,715.40		

Accounts receivable with provision for bad debts on a grouping basis:

Items of bad debt provided on grouping basis:

31 December 2021

	Ending balance		
Ageing	**Accounts receivables**	**Provision for bad debts**	**Percentage**
			(%)
Within 1 year	1,285,290,038.70	6,426,935.61	0.50
1-2 years	230,056,532.64	23,005,653.35	10.00
2-3 years	131,358,287.55	26,271,657.51	20.00
3-4 years	59,461,821.76	17,838,546.54	30.00
4-5 years	56,995,599.49	28,497,799.75	50.00
Over 5 years	57,291,537.57	57,291,537.57	100.00
Total	1,820,453,817.71	159,332,130.33	

31 December 2020

	Ending balance		
Ageing	**Accounts receivables**	**Provision for bad debts**	**Percentage**
			(%)
Within 1 year	1,607,044,634.97	8,035,223.17	0.50
1-2 years	360,110,213.60	36,011,021.36	10.00
2-3 years	117,674,933.92	23,534,986.78	20.00
3-4 years	83,948,594.27	25,184,578.28	30.00
4-5 years	48,861,205.06	24,430,602.54	50.00
Over 5 years	50,211,893.55	50,211,893.55	100.00
Total	2,267,851,475.37	167,408,305.68	

31 December 2019

	Ending balance		
Ageing	**Accounts receivables**	**Provision for bad debts**	**Percentage**
			(%)
Within 1 year	1,744,722,886.20	8,723,610.96	0.50
1-2 years	278,147,633.11	27,814,763.33	10.00
2-3 years	146,175,218.60	29,235,043.71	20.00
3-4 years	67,506,810.20	20,252,043.09	30.00
4-5 years	32,038,184.09	16,019,092.08	50.00
Over 5 years	49,112,014.49	49,112,014.49	100.00
Total	2,317,702,746.69	151,156,567.66	

Provision, reversal or recovery, and offset or written-off of bad debts during the reporting periods

Type	31/12/2018	Adjustment of changes in accounting policies	1/1/2019	Change in the year			2019.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis	134,942,489.44	14,581,863.24	149,524,352.68	31,984,048.25	940,857.82	31,292,691.09	151,156,567.66
Provision for bad debts made on an individual basis		10,138.58	10,138.58	2,017,576.82			2,027,715.40
Total	134,942,489.44	14,592,001.82	149,534,491.26	34,001,625.07	940,857.82	31,292,691.09	153,184,283.06

Type	2019.12.31	Adjustment of changes in accounting policies	2020.1.1	Change in the year			2020.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis	151,156,567.66		151,156,567.66	38,482,568.47	1,635,863.31	23,866,693.76	167,408,305.68
Provision for bad debts made on an individual basis	2,027,715.40		2,027,715.40				2,027,715.40
Total	153,184,283.06		153,184,283.06	38,482,568.47	1,635,863.31	23,866,693.76	169,436,021.08

Type	2020.12.31	Change in the year			2021.12.31
		Provision accrued	Transferred form consolidation	Offset or written off	
Expected credit loss of grouping basis	167,408,305.68	13,223,865.23	54,975.72	21,355,016.30	159,332,130.33
Provision for bad debts made on an individual basis	2,027,715.40				2,027,715.40
Total	169,436,021.08	13,223,865.23	54,975.72	21,355,016.30	161,359,845.73

3. Accounts receivable written off during the reporting periods

Item	2021	2020	2019
Written-off	21,355,016.30	23,866,693.76	31,292,691.09

4. Top five accounts receivable by ending balance of debtors

	2021.12.31			2020.12.31			2019.12.31		
	Accounts receivable	Percentage of ending balance of total accounts receivable	Provision for bad debts	Accounts receivable	Percentage of ending balance of total accounts receivable	Provision for bad debts	Accounts receivable	Percentage of ending balance of total accounts receivable	Provision for bad debts
		(%)			(%)			(%)	
Total of top five ending balance debtors	151,945,554.41	8.34	760,459.06	184,553,558.84	8.13	2,761,552.64	154,132,365.01	6.64	770,661.83

(5) Receivable financing

Receivable financing

Item	2021.12.31	2020.12.31	2019.12.31
Notes receivable	81,021,515.38	94,902,622.37	84,620,439.23
Total	81,021,515.38	94,902,622.37	84,620,439.23

Notes:

1) The Company and some of its subsidiaries discounts and endorses a portion of its bank acceptance bills more frequently for day-to-day fund management purposes. Therefore, the Company and some of its subsidiaries classified bank acceptance bills with higher remaining credit rating on the books as financial assets measured at fair value through other comprehensive income, and the Company believed that the bank acceptance bills held by it are not subject to significant credit risk and will not incur significant losses due to bank defaults, and therefore no bad debt provision has been recognized.

2) As of 31 December 2021, bank acceptance drafts worth RMB52,421,228.56 were pledged to China Zheshang Bank Co., Ltd for the application of issuing notes payable, and the pledging period was from 28 June 2021 to 28 June 2022; The bank acceptance bill worth RMB1,067,318.56 is pledged to bank of Ningbo for the application of the issuance of notes payable, the pledging period is from 11 August 2021 to 9 March 2022; The bank acceptance bill worth RMB500,000.00 is pledged to Industrial Bank for the application of issuing notes payable, and the pledge period is from 27 May 2021 to 27 May 2022.

3) As of 31 December 2020, bank acceptance drafts worth RMB15,504,955.78 were pledged to China Zheshang Bank Co., Ltd for the application of issuing notes payable, the pledging period is from 7 August 2020 to 31 May 2021; Bank acceptance drafts worth RMB5,453,573.89 have been pledged to bank of Ningbo for application of notes payable from 8 January 2020 to 8 July 2021.

4) As of 31 December 2020, the bank acceptance receivable of the Company, which has been endorsed or discounted and is not yet due on the balance sheet date, is RMB169,474,759.40, and all the acceptance is terminated; As of 31 December 2021, bank acceptance receivable of RMB70,705,228.97, endorsed or discounted by the Company and not yet due at the balance sheet date, is terminated.

(6) Prepayments

1) Ageing of prepayments

	2021.12.31		2020.12.31		2019.12.31	
Ageing	Amount	Percentage	Amount	Percentage	Amount	Percentage
		(%)		*(%)*		*(%)*
Within 1 year	244,929,506.94	86.51	154,903,137.96	91.12	75,612,005.39	85.19
1-2 years	29,169,401.75	10.30	6,207,995.89	3.65	8,559,069.59	9.64
2-3 years	1,670,147.74	0.59	5,694,491.28	3.35	2,067,476.37	2.33
Over 3 years	7,365,299.35	2.60	3,200,411.21	1.88	2,518,297.48	2.84
Total	283,134,355.78	100.00	170,006,036.34	100.00	88,756,848.83	100.00

2) Top five prepayments by supplier based on ending balance

	2021.12.31		2020.12.31		2019.12.31	
Name of the entity	Ending balance	Percentage of total ending balance of prepayments	Ending balance	Percentage of total ending balance of prepayments	Ending balance	Percentage of total ending balance of prepayments
		(%)		*(%)*		*(%)*
Total of the top five ending balance suppliers	47,968,010.38	16.94	18,476,871.11	10.87	15,878,536.51	17.89

(7) Other receivables

Item	2021.12.31	2020.12.31	2019.12.31
Interest receivable			13,354,752.05
Dividend receivable			
Other receivables	178,277,572.38	145,813,919.47	115,444,777.40
Total	178,277,572.38	145,813,919.47	128,799,529.45

1. Interest receivable

(1) Interest receivable by category

Item	2021.12.31	2020.12.31	2019.12.31
Time deposits			6,571,499.27
Loan interest			6,651,082.29
Factoring interest			132,170.49
Sub-total			13,354,752.05
Less: provision for bad debts			
Total			13,354,752.05

2. Other receivables

(1) Ageing analysis:

Ageing	2021.12.31	2020.12.31	2019.12.31
Within 1 year	97,426,184.91	126,169,186.40	127,743,886.46
1-2 years	78,136,800.04	61,354,397.46	111,544,367.63
2-3 years	57,458,874.87	84,734,143.06	5,645,011.89
3-4 years	83,995,938.90	4,541,322.90	7,715,601.54
4-5 years	4,484,292.03	6,119,049.47	2,046,647.77
Over 5 years	21,476,481.91	18,020,318.45	17,212,349.95
Sub-total	342,978,572.66	300,938,417.74	271,907,865.24
Less: Provision for bad debts	164,701,000.28	155,124,498.27	156,463,087.84
Total	178,277,572.38	145,813,919.47	115,444,777.40

(2) Other receivables by method of bad debt provision

31 December 2021

	Book balance		Provision for bad debts		
Type	Amount	Percentage	Amount	Percentage	Carrying value
		(%)		*(%)*	
Provision for bad debts made on an individual basis	129,805,890.71	37.85	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Including:					
Expected credit loss of grouping basis	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Total	342,978,572.66	100.00	164,701,000.28		178,277,572.38

31 December 2020

Type	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage	Amount	Percentage	
		(%)		(%)	
Provision for bad debts made on an individual basis	129,805,890.71	43.13	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis	171,132,527.03	56.87	25,318,607.56	14.79	145,813,919.47
Including:					
Expected credit loss of grouping basis	171,132,527.03	56.87	25,318,607.56	14.79	145,813,919.47
Total	300,938,417.74	100.00	155,124,498.27		145,813,919.47

31 December 2019

Type	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage	Amount	Percentage	
		(%)		*(%)*	
Provision for bad debts made on an individual basis	129,805,890.71	47.74	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis	142,101,974.53	52.26	26,657,197.13	18.76	115,444,777.40
Including:					
Expected credit loss of grouping basis	142,101,974.53	52.26	26,657,197.13	18.76	115,444,777.40
Total	271,907,865.24	100.00	156,463,087.84		115,444,777.40

Other receivables assessed individually for provision for bad debts at the end of the year:

	2021.12.31			
Name	Book balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total	129,805,890.71	129,805,890.71		

	2020.12.31			
Name	Book balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total	129,805,890.71	129,805,890.71		

	2019.12.31			
Name	Book balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total	129,805,890.71	129,805,890.71		

Other receivables with provision for bad debts on a grouping basis:

The project of collective assessment:

31 December 2021

	Ending balance		
Ageing	Other receivables	Provision for bad debts	Percentage
			(%)
Within 1 year	97,426,184.91	487,130.93	0.50
1-2 years	78,136,800.04	7,813,680.00	10.00
2-3 years	6,190,062.09	1,238,012.42	20.00
3-4 years	5,458,860.97	1,637,658.29	30.00
4-5 years	4,484,292.03	2,242,146.02	50.00
Over 5 years	21,476,481.91	21,476,481.91	100.00
Total	213,172,681.95	34,895,109.57	

31 December 2020

	Ending balance		
Ageing	Other receivables	Provision for bad debts	Percentage
			(%)
Within 1 year	126,169,186.40	628,395.94	0.5
1-2 years	10,085,584.68	1,008,558.51	10
2-3 years	6,197,065.13	1,239,413.05	20
3-4 years	4,541,322.90	1,362,396.87	30
4-5 years	6,119,049.47	3,059,524.74	50
Over 5 years	18,020,318.45	18,020,318.45	100.00
Total	171,132,527.03	25,318,607.56	

31 December 2019

	Ending balance		
Ageing	Other receivables	Provision for bad debts	Percentage
			(%)
Within 1 year	62,846,272.92	314,231.36	0.5
1-2 years	46,636,090.46	4,663,609.09	10
2-3 years	5,645,011.89	1,129,002.39	20
3-4 years	7,715,601.54	2,314,680.45	30
4-5 years	2,046,647.77	1,023,323.89	50
Over 5 years	17,212,349.95	17,212,349.95	100
Total	142,101,974.53	26,657,197.13	

(3) Provision for bad debt

Provision for bad debt	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Beginning Balance (1/1/2019)	15,826,779.83			15,826,779.83
Beginning balance for the current year (1/1/2019)	-392,685.39		392,685.39	
— Transfer to stage 2				
— Transfer to stage 3	-392,685.39		392,685.39	
— Transfer back stage 2				
— Transfer back stage 1				
Provision made during the year	6,410,188.98		129,413,205.32	135,823,394.30
Reverse during the year				
Offset during the year				
Written during off the year	880,050.32			880,050.32
Other changes	5,692,964.03			5,692,964.03
Ending Balance (31/12/2019)	26,657,197.13		129,805,890.71	156,463,087.84

Provision for bad debt	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Beginning Balance (31/12/2019)	26,657,197.13		129,805,890.71	156,463,087.84
Beginning balance for the current year (31/12/2019)				
— Transfer to stage 2				
— Transfer to stage 3				
— Transfer back stage 2				
— Transfer back stage 1				
Provision made during the year				
Reverse during the year	630,819.36			630,819.36
Offset during the year				
Written during off the year	2,558,583.79			2,558,583.79
Other changes	1,850,813.58			1,850,813.58
Ending Balance (31/12/2020)	25,318,607.56		129,805,890.71	155,124,498.27

Provision for bad debt	Stage 1 Expected credit losses for next 12 months	Stage 2 Expected credit losses during the whole life span (not credit impaired)	Stage 3 Expected credit losses during the whole life span (credit impaired)	Total
Beginning Balance (31/12/2020)	25,318,607.56		129,805,890.71	155,124,498.27
Beginning balance for the current year (31/12/2020)				
— Transfer to stage 2				
— Transfer to stage 3				
— Transfer back stage 2				
— Transfer back stage 1				
Provision made during the year	9,144,384.80			9,144,384.80
Reverse during the year				
Offset during the year				
Written during off the year	57,950.55			57,950.55
Other changes	490,067.76			490,067.76
Ending Balance (31/12/2021)	34,895,109.57		129,805,890.71	164,701,000.28

(4) Provision for bad debts made, reversed or recovered during the reporting period.

Type	2018.12.31	Adjustment of changes in accounting policies	2019.1.1	Change in the year			2019.12.31
				Accrued	Transferred form consolidation	Offset or written off	
Expected credit loss of grouping basis	15,826,779.83	-392,685.39	15,434,094.44	6,410,188.98	5,692,964.03	880,050.32	26,657,197.13
Provision for bad debts made on an individual basis		392,685.39	392,685.39	129,413,205.32			129,805,890.71
Total	15,826,779.83		15,826,779.83	135,823,394.30	5,692,964.03	880,050.32	156,463,087.84

Type	2019.12.31	Change in the year			2020.12.31
		Accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis	26,657,197.13	-630,819.36	1,850,813.58	2,558,583.79	25,318,607.56
Provision for bad debts made on an individual basis	129,805,890.71				129,805,890.71
Total	156,463,087.84	-630,819.36	1,850,813.58	2,558,583.79	155,124,498.27

Type	2020.12.31	Change in the year			2021.12.31
		Accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis	25,318,607.56	9,144,384.80	490,067.76	57,950.55	34,895,109.57
Provision for bad debts made on an individual basis	129,805,890.71				129,805,890.71
Total	155,124,498.27	9,144,384.80	490,067.76	57,950.55	164,701,000.28

(5) Other receivables actually written off during the reporting period

Item	2021	2020	2019
Written-off	57,950.55	2,558,583.79	880,050.32

(6) Others categorized by nature

Nature of other receivables	Ending balance		
	2021.12.31	2020.12.31	2019.12.31
Come-and-go money	318,551,152.56	263,644,029.18	224,554,191.62
Reserve	12,150,044.54	21,086,939.49	32,986,514.75
Others	12,277,375.56	16,207,449.07	14,367,158.87
Total	342,978,572.66	300,938,417.74	271,907,865.24

(7) Top five other receivables by ending balance of debtors

	2021.12.31			2020.12.31			2019.12.31		
	Other receivables	Percentage of ending balance of total other receivable	Provision for bad debts	Other receivables	Percentage of ending balance of total other receivable	Provision for bad debts	Other receivables	Other receivables	Percentage of ending balance of total other receivable
		(%)			(%)				(%)
Total of the top five ending balance	228,490,249.72	66.62	134,477,747.99	203,626,842.16	67.66	133,746,511.73	156,615,232.96	57.60	139,611,970.00

(8) Inventories

Breakdown of inventories

	2021.12.31			2020.12.31			2019.12.31		
Type	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment of the inventories	Carrying value
Raw materials	779,717,096.05	1,386,152.41	778,330,943.64	562,297,731.41	4,783,904.06	557,513,827.35	367,737,583.60	2,439,827.13	365,297,756.47
Work in progress	351,489,049.94	12,078.72	351,476,971.22	305,112,303.08	13,067.55	305,099,235.53	218,783,880.77		218,783,880.77
Finished goods	819,052,548.38	9,926,674.65	809,125,873.73	573,841,146.15	12,710,468.40	561,130,677.75	431,878,419.63	11,132,471.64	420,745,947.99
Total	1,950,258,694.37	11,324,905.78	1,938,933,788.59	1,441,251,180.64	17,507,440.01	1,423,743,740.63	1,018,399,884.00	13,572,298.77	1,004,827,585.23

Provision for impairment of inventories and provision for impairment of contract performance cost

Item	2018.12.31	Increase for the year		Decrease for the year		2019.12.31
		Provision made	Others	Reversal or writing-off	Others	
Raw materials	2,488,203.59	246,417.63	43,075.54	337,869.63		2,439,827.13
Finished goods	6,652,390.72	5,989,277.74		1,509,196.82		11,132,471.64
Total	9,140,594.31	6,235,695.37	43,075.54	1,847,066.45		13,572,298.77

Item	31/12/2019	Adjustment of changes in accounting policies	1/1/2020	Increase for the year		Decrease for the year		31/12/2020
				Provision made	Others	Reversal or writing-off	Others	
Raw materials	2,439,827.13		2,439,827.13	3,709,226.28		1,365,149.35		4,783,904.06
Work in progress				51,164.61		38,097.06		13,067.55
Finished goods	11,132,471.64		11,132,471.64	2,891,029.13		1,313,032.37		12,710,468.40
Total	13,572,298.77		13,572,298.77	6,651,420.02		2,716,278.78		17,507,440.01

Item	31/12/2020	Increase for the year		Decrease for the year		31/12/2021
		Provision made	Others	Reversal or writing-off	Others	
Raw materials	4,783,904.06	410,389.09		3,808,140.74		1,386,152.41
Work in progress	13,067.55			988.83		12,078.72
Finished goods	12,710,468.40	9,012,056.14	260,779.50	12,056,629.39		9,926,674.65
Total	17,507,440.01	9,422,445.23	260,779.50	15,865,758.96		11,324,905.78

(9) Non-current assets due within one year

Item	2021.12.31	2020.12.31	2019.12.31
Long-term receivables due within one year	16,275,600.92	10,850,026.84	17,551,040.51
Finance lease receivables due within one year	697,871.20	17,135,709.40	56,488,971.84
Loans and advances due within one year	14,880,000.00	28,353,479.77	17,677,402.49
Total	31,853,472.12	56,339,216.01	91,717,414.84

(10) Other current assets

Item	2021.12.31	2020.12.31	2019.12.31
Insurance	1,088,498.90	335,817.84	51,707.98
Advance Payment of Income Tax	115,332,786.84	110,588,675.51	66,969,183.34
Others	5,245,754.22	5,594,573.53	3,954,948.38
Total	121,667,039.96	116,519,066.88	70,975,839.70

(11) Long-term receivables

Information on long-term receivables

Item	2021.12.31			2020.12.31			2019.12.31			Range of discount rate
	Book balance	Provision for bad debts	Carrying Value	Book balance	Provision for bad debts	Carrying Value	Book balance	Provision for bad debts	Carrying Value	
Finance lease payments				3,410,849.94	79,971.96	3,330,877.98	18,637,974.00	237,153.68	18,400,820.32	6%-8%
Including: unrealised financing income				197,704.37		197,704.37	545,647.47		545,647.47	
Receipt in installments for sale of goods	11,129,273.70		11,129,273.70	19,174,681.31		19,174,681.31	23,494,503.54		23,494,503.54	4.75%-6.00%
Total	11,129,273.70		11,129,273.70	22,585,531.25	79,971.96	22,505,559.29	42,132,477.54	237,153.68	41,895,323.86	

(12) Long-term equity investments

Investee	31/12/2018	Change for the year								312/1/2019	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
1. Associates											
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd.		70,000,000.00								70,000,000.00	
Beijing Huaco Healthcare Technologies Co., Ltd.	3,688,320.42			-915,550.26						2,772,770.16	
Beijing Bound-Assegai Technical and Trade Co., Ltd.	148,314,837.31			-10,290,426.90				55,382,668.66		138,024,410.41	138,024,410.41
Shenzhen Viatom Technology Co., Ltd.	33,680,294.15		35,438,365.27	1,758,071.12							

Investee	31/12/2018	Change for the year								312/1/2019	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
Shaanxi Xingtai Biotechnology Co., Ltd.	24,026,668.49			-1,121,443.47						22,905,225.02	
Shanghai Yocaly Health Management Co., Ltd.	206,289,926.40		194,701,702.36	-11,588,224.04							
Beijing Qs Medical Technology Co., Ltd.	73,510,247.70			-1,513,542.56						71,996,705.14	
Sichuan Rekind Medtec Inc.	73,723,740.97			6,558,750.87						80,282,491.84	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	219,246,204.70		217,563,293.88	-1,682,910.82							
Lepu Biopharma Co., Ltd.	184,894,508.44			-52,499,169.52		-58,168,477.82				74,226,861.10	
Beijing Ampulser Technology Co., Ltd.	949,112.66			-592,068.82						357,043.84	
Beijing Elacor Technology Co., Ltd.	9,731.18			-9,731.18							
Beijing Zhongan Yisheng Medical Technology Co., Ltd.		20,000,000.00		-666,331.26						19,333,668.74	
Ningbo Kaisheng Investment Management Center (Limited Partnership)	99,800.35			-77.39						99,722.96	
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership)	99,698.23			-83.99						99,614.24	
Ningbo Jinyi Investment Management Center (limited Partnership)	99,765.64			-88.06						99,677.58	

Investee	31/12/2018	Change for the year								312/1/2019	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
Ningbo Meiunicom Investment Management Center (Limited Partnership).	49,739.21			-87.69						49,651.52	
Aortec Medical Technology Co., Ltd.	50,101,831.91			209,765.60						50,311,597.51	
Star Combo Pharma Limited .	26,955,666.88			-3,780,647.38					1,164,939.76	24,339,959.26	
Waterstone Pharmaceuticals (Wuhan) Co., Ltd.	98,971,388.56			-1,074,254.70					1,350,824.60	99,247,958.46	
Sub-total	1,144,711,483.20	90,000,000.00	447,703,361.51	-77,208,050.45		-58,168,477.82		55,382,668.66	2,515,764.36	654,147,357.78	138,024,410.41
Total	1,144,711,483.20	90,000,000.00	447,703,361.51	-77,208,050.45		-58,168,477.82		55,382,668.66	2,515,764.36	654,147,357.78	138,024,410.41

Notes:

1) In 2019, the company held 9.7659% of the equity of Beijing Yiliankang Technology Co., Ltd. Due to excess losses, the ending balance was zero.

2) The change of Beijing Huaco Healthcare Technologies Co., Ltd. is that the company acquires 70.83% of its equity to 87.5%, making it a holding subsidiary. For details, see "Changes in scope of consolidation in Note VI".

Investee	31/12/2019	Change for the year								31/12/2020	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
1. Associates											
Beijing Bound-Assegai Technical and Trade Co., Ltd.	138,024,410.41									138,024,410.41	138,024,410.41
Waterstone Pharmaceuticals (Wuhan) Co., Ltd.	99,247,958.46			-383,969.15		17,697,706.70			-9,378,201.37	107,183,494.64	
Sichuan Rekind Medtec Inc.	80,282,491.84			11,297,099.14						91,579,590.98	
Lepu Biopharma Co., Ltd.	74,226,861.10	90,000,000.00		-138,336,150.85		196,897,786.95				222,788,497.20	
Beijing Qs Medical Technology Co., Ltd.	71,996,705.14			-4,160,741.75						67,835,963.39	
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd.	70,000,000.00			-110,292.28						69,889,707.72	
Aortec Medical Technology Co., Ltd.	50,311,597.51			-15,319.16						50,296,278.35	
Star Combo Pharma Limited	24,339,959.26			611,542.07		343,863.52			1,376,219.40	26,671,584.25	
Shaanxi Xingtai Biotechnology Co., Ltd.	22,905,225.02			-321,965.31					-22,583,259.71		
Beijing Zhongan Yisheng Medical Technology Co., Ltd.	19,333,668.74			-822,097.53						18,511,571.21	
Beijing Huaco Healthcare Technologies Co., Ltd.	2,772,770.16			-1,514,602.37						1,258,167.79	
Beijing Ampulser Technology Co., Ltd.	357,043.84			-102,780.08						254,263.76	

Investee	31/12/2019	Change for the year								31/12/2020	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
Ningbo Kaisheng Investment Management Center (Limited Partnership)	99,722.96			-45,424.86						54,298.10	
Ningbo Jinyi Investment Management Center (limited Partnership)	99,677.58			-81.73						99,595.85	
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership)	99,614.24			-79.40						99,534.84	
Ningbo Meiunicom Investment Management Center (Limited Partnership)	49,651.52			-79.96						49,571.56	
Xi'an Chaoqian Intelligent Technology Co., Ltd.		50,000,000.00		-1,745,775.15		143,913.79				48,398,138.64	
Beijing Haijinge Medicine Technology Co., Ltd.		100,000,000.00		-6,666,215.62		5,474,511.35				98,808,295.73	
Xinyu Baiaotongda Biotechnology Co., Ltd.		25,000,000.00		-1,670.71						24,998,329.29	
Beijing Purun Medical Equipment Co., Ltd.		10,235,294.12		-450,457.00						9,784,837.12	
Sub-total	654,147,357.78	275,235,294.12		-142,769,061.70		220,557,782.31			-30,585,241.68	976,586,130.83	138,024,410.41
Total	654,147,357.78	275,235,294.12		-142,769,061.70		220,557,782.31			-30,585,241.68	976,586,130.83	138,024,410.41

Note: The change of Shaanxi Xingtai Biotechnology Co., Ltd is mainly for the company to acquire the remaining 75% of its equity and make it a wholly-owned subsidiary. For details, please refer to "VI. Changes in scope of consolidation".

Investee	31/12/2020	Change for the year								31/12/2021	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
1. Associates											
Beijing Bound-Assegai Technical and Trade Co., Ltd.	138,024,410.41									138,024,410.41	138,024,410.41
Waterstone Pharmaceuticals (WUHAN) Co., Ltd.	107,183,494.64			-1,426,116.97						105,757,377.67	
Sichuan Rekind Medtec Inc.	91,579,590.98			12,387,175.71						103,966,766.69	
Lepu Biopharma Co., Ltd.	222,788,497.20			-151,175,742.95	-1,940.44	51,474,729.56				123,085,543.37	
Beijing Qs Medical Technology Co., Ltd.	67,835,963.39			-4,601,392.62		-3,573,868.51				59,660,702.26	
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd.	69,889,707.72			3,287,120.38		-2,573,468.17				70,603,359.93	
Aortec Medical Technology Co., Ltd.	50,296,278.35			634,121.43						50,930,399.78	
Star Combo Pharma Limited	26,671,584.25			-3,187,722.50					-2,069,985.21	21,413,876.54	
Beijing Zhongan Yisheng Medical Technology Co., Ltd.	18,511,571.21			-812,940.26						17,698,630.95	
Beijing Huaco Healthcare Technologies Co., Ltd.	1,258,167.79	26,052,867.38		-627,817.38					-26,683,217.79		
Beijing Ampulser Technology Co., Ltd	254,263.76			-134,693.75						119,570.01	
Ningbo Kaisheng Investment Management Center (Limited Partnership)	54,298.10			201,655.60						255,953.70	

Investee	31/12/2020	Change for the year								31/12/2021	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	Provision of impairment	Others		
Ningbo Jinyi Investment Management Center (limited Partnership) . . .	99,595.85			-82.61						99,513.24	
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership).	99,534.84			82,789.85						182,324.69	
Ningbo Meiunicom Investment Management Center (Limited Partnership).	49,571.56			-79.93						49,491.63	
Xi'an Chaoqian Intelligent Technology Co., Ltd. . . .	48,398,138.64			-2,448,769.57						45,949,369.07	
Beijing Haijinge Medicine Technology Co., Ltd. . . .	98,808,295.73			1,974,104.41		10,721,750.60				111,504,150.74	
Xinyu Baiaotongda Biotechnology Co., Ltd. .	24,998,329.29			-2,349.51						24,995,979.78	
Beijing Purun Medical Equipment Co., Ltd. . . .	9,784,837.12			679,189.91						10,464,027.03	
Tianjin Walkman Biomaterial Co., Ltd. . . .		231,878,534.33		-5,558,901.47						226,319,632.86	
Shenzhen Bone Medical Devices Co., Ltd.		44,716,167.55		-1,508,695.85						43,207,471.70	
Hunan Pinxing Bioengineering Co., Ltd.		55,500,000.00		-14,587.85						55,485,412.15	
Sub-total	976,586,130.83	358,147,569.26		-152,253,735.93	-1,940.44	56,049,143.48			-28,753,203.00	1,209,773,964.20	138,024,410.41
Total	976,586,130.83	358,147,569.26		-152,253,735.93	-1,940.44	56,049,143.48			-28,753,203.00	1,209,773,964.20	138,024,410.41

Note: The differential section between long-term equity investment obtained and the net assets continuously calculated from the acquisition of the subsidiary at the new shareholding ratio enjoyed by Lepu Biopharma Co., Ltd were adjusted into capital reserves. The share of the company shall be adjusted accordingly according to the shareholding ratio.

(13) Investments in other equity instruments

(1) Information on investments in other equity instruments

Item	31/12/2021	31/12/2020	31/12/2019
Beijing Life Insurance Co., Ltd.	300,000,000.00	300,000,000.00	300,000,000.00
Chengdu Shengnuo Biotechnology Co., Ltd.	237,232,800.00	148,500,000.00	148,500,000.00
Suzhou Danqing Phase II Innovative Pharmaceutical Industry Investment Partnership (L.P.)	90,797,968.70	100,000,000.00	55,000,000.00
Beijing Synergetic Yixin Investment Partnership (limited Partnership)	50,000,000.00	50,000,000.00	50,000,000.00
Shanghai Xingze Xinghe Investment Management Center (L.P.)	48,208,964.46	49,957,035.46	50,000,000.00
Suzhou Sinovent Pharmaceuticals Co., Ltd.	45,000,000.00	45,000,000.00	45,000,000.00
Shenzhen City Hechuang Intelligent and Health Venture Investment Fund (L.P.)	44,218,115.69	46,886,680.00	46,886,680.00
Changzhou Shanlan Medical Investment Partnership (limited Partnership)	38,436,955.65	38,436,955.65	39,124,110.92
Beijing Chongde Yingsheng Venture Capital Co., Ltd.	10,000,000.00	10,000,000.00	10,000,000.00
Shanghai Shujia Medical Management Co., Ltd.	10,000,000.00		
Shanghai Magic Sugar Medical Technology Co., Ltd.	200,000.00	200,000.00	200,000.00
Tianjin Walkman Biomaterial Co., Ltd.		96,049,350.51	96,049,350.51
Shenzhen Bone Medical Devices Co., Ltd.		16,033,221.49	16,033,221.49
Zhangjiakou Guorong Equity Investment Fund Center (Limited Partnership)		125,000,000.00	
Genapsys, Inc ("Genapsys")	159,361,220.27	163,481,807.47	173,934,018.14
Gritstone Oncology, Inc ("Gritstone")	155,999,767.55	49,035,923.17	118,761,913.48
Rgenix, Inc ("Rgenix")	79,680,580.04	81,750,000.00	86,966,976.25
Pionyr Immunotherapeutics, Inc ("Pionyr")	57,833,904.72	59,335,918.11	34,786,783.15
Beam Therapeutics, Inc ("Beam")	56,639,729.16	59,532,687.66	34,786,790.50
MeiraGTx, LLC ("MeiraGTx")	45,746,864.77	44,883,771.48	63,138,483.92
Oric Pharmaceuticals, Inc ("Oric")	42,036,807.57	99,313,054.57	55,658,871.76
Cold Genesys, Inc ("Cold")	38,246,617.83	39,240,000.00	41,744,148.60
Vividion Therapeutics ("Vividion")		29,430,000.00	31,308,111.45
Quanterix Corporation ("QTRX")			76,865,801.12
Total	1,509,640,296.41	1,652,066,405.57	1,574,745,261.29

(2) Information on investments in equity instruments not held for trading

31/12/2021

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Chengdu Shengnuo Biotechnology Co., Ltd.		88,732,800.00			According to the management judgment	
Shanghai Xingze Xinghe Investment Management Center (L.P.)		11,851,032.64		11,851,032.64	According to the management judgment	Disposal
Tianjin Walkman Biomaterial Co., Ltd.		1,855,091.08		1,576,827.42	According to the management judgment	Increased shares into long-term equity investment
Shenzhen Bone Medical Devices Co., Ltd.		2,846,950.73		2,419,908.12	According to the management judgment	Increased shares into long-term equity investment
Genapsys, Inc ("Genapsys")			11,977,222.28		According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric")		20,593,645.48			According to the management judgment	
Pionyr Immunotherapeutics, Inc ("Pionyr")		42,001,968.03		5,555,025.08	According to the management judgment	
Beam Therapeutics, Inc ("Beam")		45,059,973.61			According to the management judgment	
Vividion Therapeutics ("Vividion")		75,478,597.99		60,675,643.59	According to the management judgment	
Gritstone Oncology, Inc ("Gritstone")		20,785,738.10			According to the management judgment	
MeiraGTx, LLC ("MeiraGTx")		34,082,490.27		5,954,788.02	According to the management judgment	
Rgenix, Inc ("Rgenix")			5,988,634.38		According to the management judgment	
Cold Genesys, Inc ("Cold")			2,130,952.43		According to the management judgment	

31/12/2020

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Changzhou Shanlan Medical Investment Partnership (limited Partnership)		1,298,056.32		1,298,056.32	According to the management judgment	Sales
Fujian Pingtan Dazheng Investment Partnership (limited Partnership)		2,070,611.36		2,070,611.36	According to the management judgment	Sales
Quanterix Corporation ("QTRX")		56,530,992.56		44,922,388.35	According to the management judgment	Sales
Genapsys, Inc ("Genapsys")			7,843,147.87		According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric")		101,120,148.44		19,769,016.55	According to the management judgment	Sales
Pionyr Immunotherapeutics, Inc ("Pionyr")		90,375,825.04		29,662,081.83	According to the management judgment	Sales
Beam Therapeutics, Inc ("Beam")		102,249,676.45		26,236,992.96	According to the management judgment	Sales
Vividion Therapeutics ("Vividion")			759,127.05		According to the management judgment	
Gritstone Oncology, Inc ("Gritstone")			86,179,535.98		According to the management judgment	
MeiraGTx, LLC ("MeiraGTx")		15,051,645.53			According to the management judgment	
Rgenix, Inc ("Rgenix")			3,921,616.49		According to the management judgment	
Cold Genesys, Inc ("Cold")			1,138,714.35		According to the management judgment	

31/12/2019

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Quanterix Corporation ("QTRX")		87,900,761.96		24,310,789.71	According to the management judgment	Sales
Gritstone Oncology, Inc ("Gritstone")		-14,329,720.47		2,485,695.52	According to the management judgment	Sales
Changzhou Shanlan Medical Investment Partnership (limited Partnership)	4,776,305.24				According to the management judgment	
Fujian Pingtan Dazheng Investment Partnership (limited Partnership)	7,651,477.94				According to the management judgment	
Genapsys, Inc ("Genapsys")		2,595,575.60			According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric")		1,318,710.72			According to the management judgment	
Pionyr Immunotherapeutics, Inc ("Pionyr")		519,104.65			According to the management judgment	
Beam Therapeutics, Inc ("Beam")		519,104.73			According to the management judgment	
Vividion Therapeutics ("Vividion")		1,119,842.47			According to the management judgment	
MeiraGTx, LLC ("MeiraGTx")		33,305,291.68			According to the management judgment	
Rgenix, Inc ("Rgenix")		1,297,761.83			According to the management judgment	
Cold Genesys, Inc ("Cold")		1,366,578.34			According to the management judgment	

Note: the above accumulative gains and accumulative losses are the amounts before the deduction of income tax effects.

(14) Other non-current financial assets

Item	31/12/2021	31/12/2020	31/12/2019
Junshi Biosciences		800,538,100.00	349,532,110.00
Guizhou Yizhiying Technology Co., Ltd.	6,500,000.00	6,500,000.00	
Suzhou Prius Gene Technology Co., Ltd.	10,000,000.00		
Shining 3d Tech Co., Ltd.	77,340,000.00		
Total	93,840,000.00	807,038,100.00	349,532,110.00

Note: In 2019, the Company held 22 million shares of Junshi Biosciences listed in the National SME Share Transfer System. The initial investment cost and the closing price on 31 December 2018 were RMB9.00/share and RMB19.00/share respectively. The Company sold 12.129 million shares in total by means of agreement transfer and market making transfer. The transfer price (after deducting transaction expenses) amounts to RMB301,444,000; In 2019, the total amount of investment income and fair value change income related to Junshi Biosciences was recognized as RMB232,976,100; As of 31 December 2020, the company held 9,871,000 shares of Junshi Biosciences. Since 25 September 2019, it has been suspended in the National SME share transfer system. On 15 July 2020, Junshi Biosciences Transfer Board was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. The lock-up period of the shares held by the company is 12 months from the listing of the Science and Innovation Board. As of 31 December 2021, the Company has disposed of its shareholding in Junshi Biosciences.

(15) Investment properties

Investment properties at cost method

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2018	108,849,957.41	2,929,797.60	111,779,755.01
(2) Increase during the year	70,110,131.82		70,110,131.82
— Transfers from inventories/fixed assets/construction in progress	70,110,131.82		70,110,131.82
(3) Decrease during the year	8,371,661.74		8,371,661.74
— Disposals	843,703.00		843,703.00
— Transfers to fixed assets	7,527,958.74		7,527,958.74
(4) 31/12/2019	170,588,427.49	2,929,797.60	173,518,225.09
2. Accumulated depreciation or amortization			
(1) 31/12/2018	24,038,777.04	270,197.25	24,308,974.29
(2) Increase during the year	13,708,058.07	78,252.42	13,786,310.49
— Provision made or amortization	3,752,674.63	78,252.42	3,830,927.05
— Transfers from fixed assets	9,955,383.44		9,955,383.44
(3) Decrease during the year	2,433,024.37		2,433,024.37
— Disposals	327,286.67		327,286.67
— Transfers to fixed assets	2,105,737.70		2,105,737.70
(4) 31/12/2019	35,313,810.74	348,449.67	35,662,260.41
3. Provision for impairment			
(1) 31/12/2018			
(2) Increase during the year			
— Provision made			

Item	Buildings	Land use rights	Total
(3) Decrease during the year ...			
— Disposals			
(4) 31/12/2019			
4. Carrying value			
(1) Carrying value at 31/12/2019	135,274,616.75	2,581,347.93	137,855,964.68
(2) Carrying value at 31/12/2018	84,811,180.37	2,659,600.35	87,470,780.72

Note: On 11, May 2016, the Company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The principal creditor's right guaranteed is RMB375,000,000, and the mortgage period is from 11 May 2016 to 10 December 2023. The collateral is the building. As of 31 December 2019, housing buildings with a net value of RMB13,491,503.84 were still under mortgage.

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2019	170,588,427.49	2,929,797.60	173,518,225.09
(2) Increase during the year....	174,336,478.06		174,336,478.06
— Purchases	15,888,440.37		15,888,440.37
— Additions due to business combinations involving entities not under common control	158,448,037.69		158,448,037.69
(3) Decrease during the year ...	1,628,088.00		1,628,088.00
— Disposals	1,628,088.00		1,628,088.00
(4) 31/12/2020	343,296,817.55	2,929,797.60	346,226,615.15
2. Accumulated depreciation or amortization			
(1) 31/12/2019	35,313,810.74	348,449.67	35,662,260.41
(2) Increase during the year....	18,523,901.99	78,252.42	18,602,154.41
— Provision made or amortization	10,578,591.58	78,252.42	10,656,844.00
— Additions due to business combinations involving entities not under common control	7,945,310.41		7,945,310.41
(3) Decrease during the year ...	682,990.01		682,990.01
— Disposals	682,990.01		682,990.01
(4) 31/12/2020	53,154,722.72	426,702.09	53,581,424.81
3. Provision for impairment			
(1) 31/12/2019			
(2) Increase during the year....			
— Provision made			
(3) Decrease during the year ...			
— Disposals			
(4) 31/12/2020			
4. Carrying value			
(1) Carrying value at 31/12/2020	290,142,094.83	2,503,095.51	292,645,190.34
(2) Carrying value at 31/12/2019	135,274,616.75	2,581,347.93	137,855,964.68

Note: On 11 May 2016, the Company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The amount of the principal creditor's right guaranteed is RMB375,000,000. The mortgage period starts from 11 May 2016 to 10 December 2023. The collateral is the building. As of 31 December 2020, the housing buildings with a net value of RMB12,839,552.40 are still under mortgage.

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2020	343,296,817.55	2,929,797.60	346,226,615.15
(2) Increase during the year	38,957,815.23		38,957,815.23
— Transfers from inventories/fixed assets/construction in progress	38,957,815.23		38,957,815.23
(3) Decrease during the year	1,490,000.00		1,490,000.00
— Disposals	1,490,000.00		1,490,000.00
(4) 31/12/2021	380,764,632.78	2,929,797.60	383,694,430.38
2. Accumulated depreciation or amortization			
(1) 31/12/2020	53,154,722.72	426,702.09	53,581,424.81
(2) Increase during the year	13,854,373.15	78,252.42	13,932,625.57
— Provision made or amortization	12,697,575.56	78,252.42	12,775,827.98
— Transfers from inventories/fixed assets/construction in progress	1,156,797.59		1,156,797.59
(3) Decrease during the year	1,415,500.00		1,415,500.00
— Disposals	1,415,500.00		1,415,500.00
(4) 31/12/2021	65,593,595.87	504,954.51	66,098,550.38
3. Provision for impairment			
(1) 31/12/2020			
(2) Increase during the year			
— Provision made			
(3) Decrease during the year			
— Disposals			
(4) 31/12/2021			
4. Carrying value			
(1) Carrying value at 31/12/2021	315,171,036.91	2,424,843.09	317,595,880.00
(2) Carrying value at 31/12/2020	290,142,094.83	2,503,095.51	292,645,190.34

Note: On 11 May 2016, the company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The principal creditor's right guaranteed is RMB375,000,000. The mortgage period is from 11 May 2016 to 10, December 2023, and the mortgaged property is house and building. The company has repaid the mortgage in advance in 2021, and the mortgage was removed.

(16) Fixed assets

(1) Fixed assets and disposal of fixed assets

Item	2021.12.31	2020.12.31	2019.12.31
Fixed assets	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33
Disposal of fixed assets			
Total	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33

(2) Breakdown of fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2018	989,143,071.47	871,121,897.46	48,977,337.48	261,614,419.58	2,170,856,725.99
(2) Increase during the year	118,837,020.06	289,288,042.16	2,680,103.25	57,433,990.81	468,239,156.28
— Purchases	8,942,595.44	111,446,701.29	1,700,474.94	36,735,340.42	158,825,112.09
— Transfers from construction in progress	63,831,385.60	131,198,333.86	265,000.76	11,361,718.82	206,656,439.04
— Additions due to business combinations involving entities not under common control	38,535,080.28	46,643,007.01	714,627.55	9,336,931.57	95,229,646.41
— Transfers from investment properties	7,527,958.74				7,527,958.74
(3) Decrease during the year	87,286,062.79	6,330,544.24	2,566,402.49	8,473,441.21	104,656,450.73
— Disposal or retirement	17,175,930.97	6,330,544.24	2,566,402.49	8,473,441.21	34,546,318.91
— Transfers to investment properties	70,110,131.82				70,110,131.82
(4) 31/12/2019	1,020,694,028.74	1,154,079,395.38	49,091,038.24	310,574,969.18	2,534,439,431.54
2. Accumulated depreciation					
(1) 31/12/2018	227,390,664.18	459,393,918.22	31,194,583.25	159,946,986.07	877,926,151.72
(2) Increase during the year	42,834,565.34	97,414,112.84	5,626,224.87	47,823,615.88	193,698,518.93
— Provision made	37,636,658.26	89,962,472.30	5,382,523.16	43,907,340.53	176,888,994.25
— Additions due to business combinations involving entities not under common control	3,092,169.38	7,451,640.54	243,701.71	3,916,275.35	14,703,786.98
— Transfers from investment properties	2,105,737.70				2,105,737.70
(3) Decrease during the year	16,940,469.70	5,220,992.31	2,370,259.01	5,785,254.56	30,316,975.58
— Disposal or retirement	6,985,086.26	5,220,992.31	2,370,259.01	5,785,254.56	20,361,592.14
— Transfers to investment properties	9,955,383.44				9,955,383.44
(4) 31/12/2019	253,284,759.82	551,587,038.75	34,450,549.11	201,985,347.39	1,041,307,695.07
3. Provision for impairment					
(1) 31/12/2018	13,275,844.55	56,592.37		977,028.22	14,309,465.14
(2) Increase during the year					
— Provision made					
(3) Decrease during the year					
— Disposal or retirement					
(4) 31/12/2019	13,275,844.55	56,592.37		977,028.22	14,309,465.14
4. Carrying value					
(1) Carrying value at 31/12/2019	754,133,424.37	602,435,764.26	14,640,489.13	107,612,593.57	1,478,822,271.33
(2) Carrying value at 31/12/2018	748,476,562.74	411,671,386.87	17,782,754.23	100,690,405.29	1,278,621,109.13

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2019	1,020,694,028.74	1,154,079,395.38	49,091,038.24	310,574,969.18	2,534,439,431.54
(2) Increase during the year	542,410,895.27	234,025,865.05	4,421,430.45	98,662,691.44	879,520,882.21
— Purchases	29,271,007.24	75,943,641.47	3,361,858.30	84,295,415.36	192,871,922.37
— Transfers from construction in progress	313,922,374.13	135,677,367.84	457,522.12	6,308,031.49	456,365,295.58
— Additions due to business combinations involving entities not under common control	199,217,513.90	21,754,649.70	602,050.03	8,059,244.59	229,633,458.22
— Transfers from inventories		650,206.04			650,206.04
(3) Decrease during the year	17,018,786.71	47,404,993.71	9,031,475.70	17,806,924.85	91,262,180.97
— Disposal or retirement	17,018,786.71	47,404,993.71	9,031,475.70	17,806,924.85	91,262,180.97
(4) 31/12/2020	1,546,086,137.30	1,340,700,266.72	44,480,992.99	391,430,735.77	3,322,698,132.78
2. Accumulated depreciation					
(1) 31/12/2019	253,284,759.82	551,587,038.75	34,450,549.11	201,985,347.39	1,041,307,695.07
(2) Increase during the year	48,988,042.11	124,283,866.88	5,980,856.29	51,898,530.42	231,151,295.70
— Provision made	40,912,878.66	107,808,913.15	5,420,340.54	46,384,712.10	200,526,844.45
— Additions due to business combinations involving entities not under common control	8,075,163.45	16,474,953.73	560,515.75	5,513,818.32	30,624,451.25
(3) Decrease during the year	6,137,322.85	17,854,032.24	7,425,091.58	10,724,991.82	42,141,438.49
— Disposal or retirement	6,137,322.85	17,854,032.24	7,425,091.58	10,724,991.82	42,141,438.49
(4) 31/12/2020	296,135,479.08	658,016,873.39	33,006,313.82	243,158,885.99	1,230,317,552.28
3. Provision for impairment					
(1) 31/12/2019	13,275,844.55	56,592.37		977,028.22	14,309,465.14
(2) Increase during the year					
— Provision made					
(3) Decrease during the year				967,864.24	967,864.24
— Disposal or retirement				967,864.24	967,864.24
(4) 31/12/2020	13,275,844.55	56,592.37		9,163.98	13,341,600.90
4. Carrying value					
(1) Carrying value at 31/12/2020	1,236,674,813.67	682,626,800.96	11,474,679.17	148,262,685.80	2,079,038,979.60
(2) Carrying value at 31/12/2019	754,133,424.37	602,435,764.26	14,640,489.13	107,612,593.57	1,478,822,271.33

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2020	1,546,086,137.30	1,340,700,266.72	44,480,992.99	391,430,735.77	3,322,698,132.78
(2) Increase during the year	97,213,025.67	193,389,202.27	4,586,595.87	136,884,799.40	432,073,623.21
— Purchases	4,348,153.57	129,227,574.55	2,986,155.76	126,276,921.33	262,838,805.21
— Transfers from construction in progress	83,678,014.58	51,793,670.48	1,238,654.87	5,974,142.00	142,684,481.93
— Additions due to business combinations involving entities not under common control	9,186,857.52	12,323,859.47	361,785.24	2,992,221.59	24,864,723.82
— Transfers from inventories		44,097.77		1,641,514.48	1,685,612.25
(3) Decrease during the year	38,957,815.23	66,180,786.77	2,984,006.40	29,364,755.46	137,487,363.86
— Disposal or retirement		66,180,786.77	2,984,006.40	29,364,755.46	98,529,548.63
— Transfers to investment properties	38,957,815.23				38,957,815.23
(4) 31/12/2021	1,604,341,347.74	1,467,908,682.22	46,083,582.46	498,950,779.71	3,617,284,392.13
2. Accumulated depreciation					
(1) 31/12/2020	296,135,479.08	658,016,873.39	33,006,313.82	243,158,885.99	1,230,317,552.28
(2) Increase during the year	56,656,523.63	127,085,977.98	4,568,542.43	64,895,739.60	253,206,783.64
— Provision made	52,515,506.41	119,033,618.83	4,390,630.68	63,668,223.44	239,607,979.36
— Additions due to business combinations involving entities not under common control	4,141,017.22	8,052,359.15	177,911.75	1,227,516.16	13,598,804.28
(3) Decrease during the year	1,156,797.59	40,193,168.05	2,803,602.50	17,730,863.84	61,884,431.98
— Disposal or retirement		40,193,168.05	2,803,602.50	17,730,863.84	60,727,634.39
— Transfers to investment properties	1,156,797.59				1,156,797.59
(4) 31/12/2021	351,635,205.12	744,909,683.32	34,771,253.75	290,323,761.75	1,421,639,903.94
3. Provision for impairment					
(1) 31/12/2020	13,275,844.55	56,592.37		9,163.98	13,341,600.90
(2) Increase during the year				22,715.61	22,715.61
— Additions due to business combinations involving entities not under common control				22,715.61	22,715.61
(3) Decrease during the year					
— Disposal or retirement					
(4) 31/12/2021	13,275,844.55	56,592.37		31,879.59	13,364,316.51
4. Carrying value					
(1) Carrying value at 31/12/2021	1,239,430,298.07	722,942,406.53	11,312,328.71	208,595,138.37	2,182,280,171.68
(2) Carrying value at 31/12/2020	1,236,674,813.67	682,626,800.96	11,474,679.17	148,262,685.80	2,079,038,979.60

Notes:

(1) The Company signed a RMB fund mortgage contract with Industrial and Commercial Bank of China Limited Beijing Changping Sub-Branch on 21 June 2018. The collateral is the building. As of 31 December 2021, the building with a net value of RMB60,694,333.97 was still under mortgage. Please refer to the note "V. (36) Long-term Loan".

(2) The Company signed a RMB loan mortgage contract with China Development Bank Corporation Beijing Sub-Branch in December 2018, as refer to "V. (36) Long-term Loan" in this note. The collateral involves the buildings and land use rights. As of 31 December 2021, the buildings with a net value of RMB91,066,445.71 and the land use rights of RMB635,166,666.24 are still under mortgage.

(3) On 25 October 2019, Zhejiang Lepu Pharmaceutical Co., Ltd., a subsidiary of the Company, signed a maximum mortgage contract with Industrial and Commercial Bank of China Limited Taizhou Sub-Branch for the amount of RMB163.69 million, during the mortgage period from 25 October 2019 to 11 June 2021.The mortgaged property is the house building and the land use right. As of 31 December 2021, the mortgage was removed.

(3) Breakdown of fixed assets leased through finance lease

31/12/2019

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying value
Machinery and equipment	421,564.95	66,747.80		354,817.15
Total	421,564.95	66,747.80		354,817.15

(17) Construction in progress

Construction in progress and construction materials

Item	2021.12.31	2020.12.31	2019.12.31
Construction in progress	1,158,461,800.35	627,436,957.82	658,485,265.28
Construction materials			
Total	1,158,461,800.35	627,436,957.82	658,485,265.28

1) Breakdown of construction in progress

Item	31/12/2021			31/12/2020			31/12/2019		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Lepu International Center Project. . . .	785,446,391.68		785,446,391.68	398,093,986.70		398,093,986.70	236,796,452.59		236,796,452.59
Other engineering projects of Zhejiang Lepu Pharmaceutical Industry	260,983,406.22		260,983,406.22	98,533,674.79		98,533,674.79	40,430,212.78		40,430,212.78
Liaoning Boao Workshop construction project	2,408,076.36		2,408,076.36	28,118,467.24		28,118,467.24	29,543,717.70		29,543,717.70
Lepu Pharmaceutical Industry, Henan Jinshan Pharmaceutical Innovation Park, 22 # Building	2,385,080.53		2,385,080.53	25,311,972.50		25,311,972.50	449,834.86		449,834.86
40 million powder needle workshop . .	34,413,992.31		34,413,992.31	8,867,965.92		8,867,965.92			
Lepu Medical electric cardiac pacemaker research and development base. .							213,521,213.94		213,521,213.94
Zhejiang Lepu Pharmaceutical solid preparation technical transformation project research and development workshop							26,427,198.13		26,427,198.13

Item	31/12/2021 Book balance	31/12/2021 Provision for impairment	31/12/2021 Carrying value	31/12/2020 Book balance	31/12/2020 Provision for impairment	31/12/2020 Carrying value	31/12/2019 Book balance	31/12/2019 Provision for impairment	31/12/2019 Carrying value
Lepu Pharmaceutical, 3 billion tablets of solid pharmaceutical preparation workshop							20,521,427.07		20,521,427.07
Others	72,850,522.82	25,669.57	72,824,853.25	68,510,890.67		68,510,890.67	90,795,208.21		90,795,208.21
Total	1,158,487,469.92	25,669.57	1,158,461,800.35	627,436,957.82		627,436,957.82	658,485,265.28		658,485,265.28

2) Changes in significant construction in progress

Name of project	Budget	31/12/2018	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	31/12/2019	Ratio of accumulated contribution to the construction to budget (%)	Progress of construction	Accumulated amount of capitalized interest	Including: capitalized amount of interest in the period	Rate of capitalization of interest in the period (%)	Source of funding
Zhejiang Lepu Pharmaceutical Preparation Building	216,000,000.00	10,154,865.47	81,964,637.23	35,337,248.09		56,782,254.61	89.67	Under construction				Other
Lepu Medical electric cardiac pacemaker research and development base	215,000,000.00	185,621,976.19	27,899,237.75			213,521,213.94	99.31	Under construction	4,634,435.50	1,759,333.33	5.00	Other
Lepu International Center Project	1,500,000,000.00	132,749,347.73	104,047,104.86			236,796,452.59	15.79	Under construction	10,207,613.16	7,980,153.37	5.00	Other
3 billion tablets of solid pharmaceutical preparation workshop	120,000,000.00	87,178,319.13	14,234,767.93	80,891,659.99		20,521,427.07	84.51	Under construction				Other
Total	2,051,000,000.00	415,704,508.52	228,145,747.77	116,228,908.08		527,621,348.21			14,842,048.66	9,739,486.70		

Name of project	Budget	31/12/2019	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	31/12/2020	Ratio of accumulated contribution to the construction to budget (%)	Progress of construction	Accumulated amount of capitalized interest	Including: capitalized amount of interest in the period	Rate of capitalization of interest in the period (%)	Source of funding
Lepu International Center Project	1,500,000,000.00	236,796,452.59	161,297,534.11			398,093,986.70	26.54	Under construction	20,385,293.31	10,177,680.15	4.15	Other
Zhejiang Lepu Pharmaceutical Preparation Building	216,000,000.00	56,782,254.61	21,072,700.76	75,107,922.71		2,747,032.66	99.43	The main project has been accepted and transferred into fixed assets, and some fire control project has not been transferred into fixed assets				Other
Lepu Medical electric cardiac pacemaker research and development base	242,000,000.00	213,521,213.94	8,663,553.06	222,184,767.00			100.00	Completed, transferred to fixed assets	6,322,102.14	1,687,666.64	4.15	Other
Lepu Pharmaceutical, 3 billion tablets of solid pharmaceutical preparation workshop	120,000,000.00	20,521,427.07	3,040,382.34	23,561,809.41			100.00	Completed, transferred to fixed assets				Other
Total		527,621,348.21	194,074,170.27	320,854,499.12		400,841,019.36			26,707,395.45	11,865,346.79		

Name of project	Budget	31/12/2020	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	31/12/2021	Ratio of accumulated contribution to the construction to budget	Progress of construction	Accumulated amount of capitalized interest	Including: capitalized amount of interest in the period	Rate of capitalization of interest in the period	Source of funding
							(%)				(%)	
Lepu International Project	2,100,000,000.00	398,093,986.70	387,352,404.98			785,446,391.68	37.40	Under construction	37,051,772.15	16,666,478.84	3.85	Other
Zhejiang Lepu Pharmaceutical Preparation Building	216,000,000.00	2,747,032.66	7,898,467.35	10,645,500.01			100.00	Completed, transferred to fixed assets				Other
Total		400,841,019.36	395,250,872.33	10,645,500.01		785,446,391.68			37,051,772.15	16,666,478.84		

(18) Right-of-use assets

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance (1/1/2021)	108,459,673.00	108,459,673.00
(2) Increase for the year	142,316,309.86	142,316,309.86
— Increase in leases	135,597,071.14	135,597,071.14
— Additions due to business combinations involving entities not under common control	6,719,238.72	6,719,238.72
(3) Decrease for the year	6,376,478.17	6,376,478.17
— Disposal or retirement	6,376,478.17	6,376,478.17
(4) Ending balance (31/12/2021)	244,399,504.69	244,399,504.69
2. Accumulated depreciation		
(1) Beginning balance (1/1/2021)		
(2) Increase for the year	58,081,655.64	58,081,655.64
— Provision made	56,368,953.31	56,368,953.31
— Additions due to business combinations involving entities not under common control	1,712,702.33	1,712,702.33
(3) Decrease for the year	3,004,086.51	3,004,086.51
— Disposal	3,004,086.51	3,004,086.51
(4) Ending balance (31/12/2021)	55,077,569.13	55,077,569.13
3. Provision for impairment		
(1) Beginning balance (1/1/2021)		
(2) Increase for the year		
— Provision made		
(3) Decrease for the year		
— Transfers to fixed assets		
(4) Ending balance (31/12/2021)		
4. Carrying value		
(1) Carrying value at 31/12/2021	189,321,935.56	189,321,935.56
(2) Carrying value at 1/1/2021	108,459,673.00	108,459,673.00

(19) Intangible assets

Breakdown of intangible assets

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2018	1,047,268,454.25	300,934,131.42	245,346,838.96	83,223,696.27	1,676,773,120.90
(2) Increase for the year	68,457,951.55	115,239,083.29	136,375,199.51	5,761,353.82	325,833,588.17
— Purchase	58,274,736.80	2,510,740.92	721,246.16	5,692,753.82	67,199,477.70
— Internal research & development		69,562,042.01	48,611,130.31		118,173,172.32
— Additions due to business combinations involving entities not under common control	10,183,214.75	43,166,300.36	87,042,823.04	68,600.00	140,460,938.15
(3) Decrease for the year	20,173,531.54				20,173,531.54
— Disposal	20,173,531.54				20,173,531.54
(4) 31/12/2019	1,095,552,874.26	416,173,214.71	381,722,038.47	88,985,050.09	1,982,433,177.53

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
2. Accumulated amortization					
(1) 31/12/2018	96,908,753.58	151,443,347.30	62,301,721.47	29,892,467.76	340,546,290.11
(2) Increase for the year	37,418,557.41	71,149,574.89	39,763,182.08	10,808,025.25	159,139,339.63
— Provision made	36,010,053.16	45,254,845.31	37,104,540.45	10,808,025.25	129,177,464.17
— Additions due to business combinations involving entities not under common control	1,408,504.25	25,894,729.58	2,658,641.63		29,961,875.46
(3) Decrease for the year	638,092.26				638,092.26
— Disposal	638,092.26				638,092.26
(4) 31/12/2019	133,689,218.73	222,592,922.19	102,064,903.55	40,700,493.01	499,047,537.48
3. Provision for impairment					
(1) 31/12/2018					
(2) Increase for the year					
— Provision made					
(3) Decrease for the year					
— Disposal					
(4) 31/12/2019					
4. Carrying value					
(1) Carrying value at 31/12/2019	961,863,655.53	193,580,292.52	279,657,134.92	48,284,557.08	1,483,385,640.05
(2) Carrying value at 31/12/2018	950,359,700.67	149,490,784.12	183,045,117.49	53,331,228.51	1,336,226,830.79

As of 31 December 2019, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 11.99% of the balance of intangible assets.

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2019	1,095,552,874.26	416,173,214.71	381,722,038.47	88,985,050.09	1,982,433,177.53
(2) Increase for the year	19,983,757.76	52,264,862.66	38,068,064.59	8,890,088.35	119,206,773.36
— Purchase	4,144,219.60	3,362,319.67	362,773.07	5,086,741.33	12,956,053.67
— Internal research & development		43,407,584.69	37,705,291.52	6,873.02	81,119,749.23
— Additions due to business combinations involving entities not under common control	15,839,538.16	5,494,958.30		3,796,474.00	25,130,970.46
(3) Decrease for the year		4,304,100.09	15,958,862.31	490,390.51	20,753,352.91
— Disposal				33,802.08	33,802.08
— Invalid and terminated confirmation		4,304,100.09	15,958,862.31	456,588.43	20,719,550.83
(4) 31/12/2020	1,115,536,632.02	464,133,977.28	403,831,240.75	97,384,747.93	2,080,886,597.98

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
2. Accumulated amortization					
(1) 31/12/2019	133,689,218.73	222,592,922.19	102,064,903.55	40,700,493.01	499,047,537.48
(2) Increase for the year	38,574,500.66	56,450,448.23	87,434,347.47	19,894,021.51	202,353,317.87
— Provision made	36,693,638.40	56,267,282.95	87,434,347.47	19,876,467.47	200,271,736.29
— Additions due to business combinations involving entities not under common control	1,880,862.26	183,165.28		17,554.04	2,081,581.58
(3) Decrease for the year		4,304,100.09	15,958,862.31	476,104.56	20,739,066.96
— Disposal				19,516.13	19,516.13
— Invalid and terminated confirmation		4,304,100.09	15,958,862.31	456,588.43	20,719,550.83
(4) 31/12/2020	172,263,719.39	274,739,270.33	173,540,388.71	60,118,409.96	680,661,788.39
3. Provision for impairment					
(1) 31/12/2019					
(2) Increase for the year		650,811.61	13,675,370.41		14,326,182.02
— Provision made		650,811.61	13,675,370.41		14,326,182.02
(3) Decrease for the year					
— Disposal					
(4) 31/12/2020		650,811.61	13,675,370.41		14,326,182.02
4. Carrying value					
(1) Carrying value at 31/12/2020	943,272,912.63	188,743,895.34	216,615,481.63	37,266,337.97	1,385,898,627.57
(2) Carrying value at 31/12/2019	961,863,655.53	193,580,292.52	279,657,134.92	48,284,557.08	1,483,385,640.05

As of 31 December 2020, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 15.16% of the balance of intangible assets.

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2020	1,115,536,632.02	464,133,977.28	403,831,240.75	97,384,747.93	2,080,886,597.98
(2) Increase for the year	45,904,943.73	56,643,798.19	69,585,178.05	18,413,494.95	190,547,414.92
— Purchase	37,845,177.73	330,142.99		7,682,228.45	45,857,549.17
— Internal research & development		42,931,244.47	19,630,511.41		62,561,755.88
— Additions due to business combinations involving entities not under common control	8,059,766.00	13,382,410.73	49,954,666.64	10,731,266.50	82,128,109.87

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
(3) Decrease for the year		30,681,190.22	28,913,423.32	11,965.81	59,606,579.35
— Disposal				11,965.81	11,965.81
— Invalid and terminated confirmation		30,681,190.22	28,913,423.32		59,594,613.54
(4) 31/12/2021	1,161,441,575.75	490,096,585.25	444,502,995.48	115,786,277.07	2,211,827,433.55
2. Accumulated amortization					
(1) 31/12/2020	172,263,719.39	274,739,270.33	173,540,388.71	60,118,409.96	680,661,788.39
(2) Increase for the year	38,488,897.13	85,670,386.51	37,173,706.85	16,465,391.39	177,798,381.88
— Provision made	38,025,231.13	82,117,375.78	29,352,373.87	15,949,808.18	165,444,788.96
— Additions due to business combinations involving entities not under common control	463,666.00	3,553,010.73	7,821,332.98	515,583.21	12,353,592.92
(3) Decrease for the year		30,681,190.22	24,330,738.64	3,988.80	55,015,917.66
— Disposal				3,988.80	3,988.80
— Invalid and terminated confirmation		30,681,190.22	24,330,738.64		55,011,928.86
(4) 31/12/2021	210,752,616.52	329,728,466.62	186,383,356.92	76,579,812.55	803,444,252.61
3. Provision for impairment					
(1) 31/12/2020		650,811.61	13,675,370.41		14,326,182.02
(2) Increase for the year					
— Provision made					
(3) Decrease for the year			4,582,684.68		4,582,684.68
— Disposal					
— Invalid and terminated confirmation			4,582,684.68		4,582,684.68
(4) 31/12/2021		650,811.61	9,092,685.73		9,743,497.34
4. Carrying value					
(1) Carrying value at 31/12/2021	950,688,959.23	159,717,307.02	249,026,952.83	39,206,464.52	1,398,639,683.60
(2) Carrying value at 31/12/2020	943,272,912.63	188,743,895.34	216,615,481.63	37,266,337.97	1,385,898,627.57

As of 31 December 2021, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 16.14% of the balance of intangible assets. See "V. (16)" for the mortgage of intangible assets.

(20) Research and development expenses

Item	31/12/2018	Increase for the year		Decrease for the year			31/12/2019	Capitalization start point	Detailed basis for capitalization	Year-end R&D progress
		Internal research and development expense	Additions due to business combinations involving entities not under common control	Recognized as intangible assets	Transferred to current profit or loss	Provision for impairment				
Suitable preparation for diabetes mellitus	47,441,510.20	12,440,410.95	298,978,368.82				358,860,289.97		According to the accounting standards for enterprises: 1, there is no material obstacle in the technical realization of R & D projects; 2, R & D project satisfies the mass production conditions; 3, from expected market demand for the products or services, future economic benefits are expected to flow to the Company; 4, R & D expenditure can be reliably measured and collected; the listed projects satisfy the conditions for R & D expenditure capitalization.	
Heart plugging device	41,821,876.71	13,175,047.90					54,996,924.61			
Fully automatic chemiluminescence equipment, enzyme immunity and software development	10,038,301.42	6,959,589.56		116,986.40			16,880,904.58			
Cardiovascular injection drugs	14,150,943.00						14,150,943.00			
Canyon liver fibroelastic equipment	19,895,792.04	11,238,581.75		20,821,499.62			10,312,874.17			
Molecular diagnostic reagents and other products	9,212,413.33	6,718,151.06		5,709,704.94			10,220,859.45			
Ball bag project		10,717,861.11		532,698.53			10,185,162.58			
Renal artery catheter and equipment	7,416,354.35	781,070.39					8,197,424.74			
Home Smart Medical Devices	9,079,452.93	12,835,412.88		13,752,323.14			8,162,542.67			
Surgical auxiliary instruments	6,352,373.08	1,562,775.86					7,915,148.94			
AI-related software and hardware development		5,977,047.73					5,977,047.73			
The Digital DSA Project	11,087,708.37	2,987,447.41		9,861,657.22			4,213,498.56			
Stent project	67,288,922.83	89,379.64		67,378,302.47						
Research and development of generic cardiovascular solid drugs	36,363,865.97					36,363,865.97				
Others	13,916,880.83	1,439,739.89					15,356,620.72			
Total	294,066,395.06	86,922,516.13	298,978,368.82	118,173,172.32		36,363,865.97	525,430,241.72			

Item	31/12/2019	Increase for the year		Decrease for the year			31/12/2020	Capitalization start point	Detailed basis for capitalization	Year-end R&D progress
		Internal research and development expense	Additions due to business combinations	Recognized as intangible assets	Transferred to current profit	Provision for impairment				
Renal artery catheter and equipment	8,197,424.74	273,118.67					8,470,543.41		According to the accounting standards for enterprises: 1, there is no material obstacle in the technical realization of R & D projects; 2, R & D project satisfies the mass production conditions; 3, from expected market demand for the products or services, future economic benefits are expected to flow to the Company; 4, R & D expenditure can be reliably measured and collected; the listed projects satisfy the conditions for R & D expenditure capitalization.	
Suitable preparation for diabetes mellitus	358,860,289.97	30,955,717.73					389,816,007.70			
Heart plugging device	54,996,924.61	12,046,734.52		24,193,183.83			42,850,475.30			
Surgical auxiliary instruments	7,915,148.94	6,777,864.98					14,693,013.92			
Molecular diagnostic reagents and other products	10,220,859.45			2,661,160.32	7,559,699.13					
The Digital DSA Project	4,213,498.56	514,940.06		3,565,539.16			1,162,899.46			
Fully automatic chemiluminescence equipment, enzyme immunity and software development	16,880,904.58			298,240.76	16,381,147.82		201,516.00			
Canyon liver fibroelastic equipment	10,312,874.17	1,075,489.60		11,388,363.77						
Home Smart Medical Devices	8,162,542.67	3,733,299.13		11,895,841.80						
Ball bag project	10,185,162.58	7,590,256.86		17,775,419.44						
AI-related software and hardware development	5,977,047.73	4,079,440.47		5,474,575.22			4,581,912.98			
Catheter project.		9,071,944.82					9,071,944.82			
Others	29,507,563.72	17,239,997.87		3,867,424.93			42,880,136.66			
Total	525,430,241.72	93,358,804.71		81,119,749.23	23,940,846.95		513,728,450.25			

Item	31/12/2020	Increase for the year		Decrease for the year			31/12/2021	Capitalization start point	Detailed basis for capitalization	Year-end R&D progress
		Internal research and development expense	Additions due to business combinations involving entities not under common control	Recognized as intangible assets	Transferred to current profit or loss	Provision for impairment				
Suitable preparation for diabetes mellitus	389,816,007.70	28,477,583.04		1,800,000.00			416,493,590.74		According to the accounting standards for enterprises: 1, there is no material obstacle in the technical realization of R & D projects; 2, R & D project satisfies the mass production conditions; 3, from expected market demand for the products or services, future economic benefits are expected to flow to the Company; 4, R & D expenditure can be reliably measured and collected; the listed projects satisfy the conditions for R & D expenditure capitalization.	
Heart plugging device	42,850,475.30	34,201,898.02		23,739,678.60			53,312,694.72			
Catheter project.	9,071,944.82	45,290,847.40		3,218,352.05			51,144,440.17			
Valvular project.		39,325,527.45					39,325,527.45			
Digital project platform construction		22,730,178.82					22,730,178.82			
Renal artery catheter and equipment	8,470,543.41	469,323.23					8,939,866.64			
Surgical auxiliary instruments	14,693,013.92	3,809,877.39		9,836,252.92			8,666,638.39			
The Digital DSA Project	1,162,899.46	4,310,207.99					5,473,107.45			
AI-related software and hardware development	4,581,912.98	5,326,596.11		7,259,480.36			2,649,028.73			
Fully automatic chemiluminescence equipment, enzyme immunity and software development	201,516.00			201,516.00						
Others	42,880,136.66	18,477,153.78	57,907,271.65	16,506,475.95			102,758,086.14			
Total	513,728,450.25	202,419,193.23	57,907,271.65	62,561,755.88			711,493,159.25			

(21) Goodwill

Changes in goodwill

Investee Companies or matters forming goodwill	31/12/2018	Increase during the year	Decrease during the year		31/12/2019
		Business combinations	Provision made	Disposal	
Book value					
Shanghai Shape Memory Alloy Material Co., Ltd.	48,281,830.04				48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd..	9,342,820.07				9,342,820.07
Beijing Star GK Medical Device Co., Ltd.	121,871,085.31				121,871,085.31
Comed B.V..	18,585,245.77				18,585,245.77
Lepu Medical Electronics Technology Co., Ltd.	47,855,359.94				47,855,359.94
Lepu Pharmaceutical Co., Ltd.	310,645,774.09				310,645,774.09
Beijing Haihetian Technology Development Co., Ltd.	84,686,478.35				84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd.	20,119,884.31				20,119,884.31
Beijing Lejian Medical Investment Co., Ltd.	58,498,557.73				58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd.	374,821,392.22				374,821,392.22
Yantai Addcare Bio-Tech Limited Company	161,437,254.14				161,437,254.14
Hainan MSD Pharmaceutical Co., Ltd.	10,028,862.19				10,028,862.19
Ningbo Bingkun Medical Technology Co., Ltd.	532,643,436.89				532,643,436.89
Beijing Yongzheng Pharmaceutical Co., Ltd.	102,648,567.78				102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd.	81,138,405.26				81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd.	39,517,205.84				39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.	46,445,203.02				46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd.	63,095,761.52				63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd.	6,222,591.99				6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd.	5,630,100.00				5,630,100.00
Shenzhen Carewell Electronics Co., Ltd.	38,074,178.51				38,074,178.51
Shenzhen Creative Industry Co., Ltd.	44,440,139.86				44,440,139.86

Investee Companies or matters forming goodwill	31/12/2018	Increase during the year	Decrease during the year		31/12/2019
		Business combinations	Provision made	Disposal	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.		258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.)		339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd.		66,708,602.76			66,708,602.76
Sub-total	2,226,030,134.83	665,352,460.04	10,028,862.19		2,891,382,594.87
Provision for impairment					
Comed B.V.	18,585,245.77				18,585,245.77
Beijing Yongzheng Pharmaceutical Co., Ltd.	35,889,505.24				35,889,505.24
Hainan MSD Pharmaceutical Co., Ltd.	10,028,862.19				10,028,862.19
Beijing Star GK Medical Device Co., Ltd.			60,186,381.16		60,186,381.16
Lepu Medical Electronics Technology Co., Ltd.			47,855,359.94		47,855,359.94
Sub-total	64,503,613.20		108,041,741.10		172,545,354.30
Carrying value	2,161,526,521.63		557,310,718.94		2,718,837,240.57

Investee Companies or matters forming goodwill	31/12/2019	Increase during the year	Decrease during the year	31/12/2020
		Business combinations	Disposal	
Book value				
Shanghai Shape Memory Alloy Material Co., Ltd.	48,281,830.04			48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd.	9,342,820.07			9,342,820.07
Beijing Star GK Medical Device Co., Ltd.	121,871,085.31			121,871,085.31
Comed B.V.	18,585,245.77			18,585,245.77
Lepu Medical Electronics Technology Co., Ltd.	47,855,359.94			47,855,359.94
Lepu Pharmaceutical Co., Ltd.	310,645,774.09			310,645,774.09
Beijing Haihetian Technology Development Co., Ltd.	84,686,478.35			84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd.	20,119,884.31			20,119,884.31
Beijing Lejian Medical Investment Co., Ltd.	58,498,557.73			58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd.	374,821,392.22			374,821,392.22
Yantai Addcare Bio-Tech Limited Company	161,437,254.14			161,437,254.14
Hainan MSD Pharmaceutical Co., Ltd.	10,028,862.19		10,028,862.19	
Ningbo Bingkun Medical Technology Co., Ltd.	532,643,436.89			532,643,436.89

Investee Companies or matters forming goodwill	31/12/2019	Increase during the year: Business combinations	Decrease during the year: Disposal	31/12/2020
Beijing Yongzheng Pharmaceutical Co., Ltd.	102,648,567.78			102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd.	81,138,405.26			81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd.	39,517,205.84			39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.	46,445,203.02			46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd.	63,095,761.52			63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd.	6,222,591.99			6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd.	5,630,100.00			5,630,100.00
Shenzhen Carewell Electronics Co., Ltd.	38,074,178.51			38,074,178.51
Shenzhen Creative Industry Co., Ltd.	44,440,139.86			44,440,139.86
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.)	339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd.	66,708,602.76			66,708,602.76
Shaanxi Xingtai Biotechnology Co., Ltd.		43,619,177.73		43,619,177.73
IPE Biotechnology Co., Ltd		2,778,719.69		2,778,719.69
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd)		6,372,201.50		6,372,201.50
Sub-total	2,891,382,594.87	52,770,098.92	10,028,862.19	2,934,123,831.60
Provision for impairment				
Comed B.V.	18,585,245.77			18,585,245.77
Beijing Yongzheng Pharmaceutical Co., Ltd.	35,889,505.24			35,889,505.24
Hainan MSD Pharmaceutical Co., Ltd.	10,028,862.19		10,028,862.19	
Beijing Star GK Medical Device Co., Ltd.	60,186,381.16			60,186,381.16
Lepu Medical Electronics Technology Co., Ltd.	47,855,359.94			47,855,359.94
Sub-total	172,545,354.30		10,028,862.19	162,516,492.11
Carrying value	2,718,837,240.57	52,770,098.92		2,771,607,339.49

Investee Companies or matters forming goodwill	31/12/2020	Increase during the year: Business combinations	Decrease during the year: Disposal	31/12/2021
Original carrying amount				
Shanghai Shape Memory Alloy Material Co., Ltd.	48,281,830.04			48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd.	9,342,820.07			9,342,820.07
Beijing Star GK Medical Device Co., Ltd.	121,871,085.31			121,871,085.31
Comed B.V.	18,585,245.77			18,585,245.77
Lepu Medical Electronics Technology Co., Ltd.	47,855,359.94			47,855,359.94
Lepu Pharmaceutical Co., Ltd.	310,645,774.09			310,645,774.09
Beijing Haihetian Technology Development Co., Ltd.	84,686,478.35			84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd.	20,119,884.31			20,119,884.31
Beijing Lejian Medical Investment Co., Ltd.	58,498,557.73			58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd.	374,821,392.22			374,821,392.22
Yantai Addcare Bio-Tech Limited Company	161,437,254.14			161,437,254.14
Ningbo Bingkun Medical Technology Co., Ltd.	532,643,436.89			532,643,436.89
Beijing Yongzheng Pharmaceutical Co., Ltd.	102,648,567.78			102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd.	81,138,405.26			81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd.	39,517,205.84			39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.	46,445,203.02			46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd.	63,095,761.52			63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd.	6,222,591.99			6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd.	5,630,100.00			5,630,100.00
Shenzhen Carewell Electronics Co., Ltd.	38,074,178.51			38,074,178.51
Shenzhen Creative Industry Co., Ltd.	44,440,139.86			44,440,139.86
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.)	339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd.	66,708,602.76			66,708,602.76
Shaanxi Xingtai Biotechnology Co., Ltd.	43,619,177.73			43,619,177.73
IPE Biotechnology Co., Ltd	2,778,719.69			2,778,719.69
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd)	6,372,201.50			6,372,201.50

Investee Companies or matters forming goodwill	31/12/2020	Increase during the year: Business combinations	Decrease during the year: Disposal	31/12/2021
Aonuo (Qingdao) Pharmaceutical Co., Ltd.		85,693,914.06		85,693,914.06
Suzhou Bonsmile Medical Technology Co., Ltd.		122,553,625.20		122,553,625.20
Tianjin Jiumijiu Optometry Technology Co., Ltd.		153,974,707.22		153,974,707.22
Beijing Huaco Healthcare Technologies Co., Ltd.		139,648,752.70		139,648,752.70
Sub-total	2,934,123,831.60	501,870,999.18		3,435,994,830.78
Provision for impairment				
Comed B.V.	18,585,245.77	18,585,245.77		
Beijing Yongzheng Pharmaceutical Co., Ltd.	35,889,505.24			35,889,505.24
Beijing Star GK Medical Device Co., Ltd.	60,186,381.16			60,186,381.16
Lepu Medical Electronics Technology Co., Ltd.	47,855,359.94			47,855,359.94
Sub-total	162,516,492.11			162,516,492.11
Carrying value	2,771,607,339.49	501,870,999.18		3,273,478,338.67

Note: The ending balance of the Company's goodwill accounts for 15.81% of the total assets in the consolidated financial statements of the Company.

1) In December 2021, the Company acquired 70.00% of equity of Jiumijiu Optometry through capital increase at RMB300,000,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Jiumijiu Optometry's identifiable assets and liabilities. The Company recognized goodwill of RMB153,974,707.22 from acquiring Jiumijiu Optometry.

2) In October 2021, the Company acquired 87.50% of the equity of Huaco Healthcare through capital increase at RMB226,223,228.00. The goodwill is measured as the excess of the cost of the business combination (RMB296,936,884.64) over the net fair value of Huaco Healthcare's identifiable assets and liabilities. The Company recognized goodwill of RMB139,648,752.70 from acquiring Huaco Healthcare. See the note "VIII. Changes of Consolidation Scope" for details.

3) In August 2021, the Company acquired 73.43% of the equity of Suzhou Bonsmile through capital increase at RMB254,634,348.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Suzhou Bonsmile's identifiable assets and liabilities. The Company recognized goodwill of RMB122,553,625.20 from acquiring Suzhou Bonsmile.

4) In July 2021, the Company acquired 100.00% of the equity of Qingdao Aonuo at RMB70,000,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Qingdao Aonuo's identifiable assets and liabilities. The Company recognized goodwill of RMB85,693,914.06 from acquiring Qingdao Aonuo.

5) In August 2020, the Company acquired 100% of the equity of Shaanxi Xingtai at RMB36,774,800.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Shaanxi Xingtai's identifiable assets and liabilities. The Company recognized goodwill of RMB43,619,177.73 from acquiring Shaanxi Xingtai.

6) In July 2020, the Company acquired 100% of equity of Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd) at RMB1,750,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Lepu Youkang (Hainan) Health Industry Co., Ltd.'s identifiable assets and liabilities. The Company recognized goodwill of RMB6,372,201.50 from acquiring Lepu Youkang (Hainan) Health Industry Co., Ltd.

7) In April 2020, the Company acquired 57.00% of the equity of IPE Biotechnology at RMB161,526,600.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of IPE Biotechnology's identifiable assets and liabilities. The Company recognized goodwill of RMB2,778,719.79 from acquiring IPE Biotechnology.

8) At the end of 2019, the Company conducts systematic impairment tests on the goodwill and related assets from all investments in accordance with the relevant requirements of the Accounting Regulatory Risk Alert No. 8—Goodwill Impairment issued by the CSRC and the Accounting Standards for Enterprises, and employs an independent professional evaluation agency to evaluate specific companies. The new goodwill impairment provision in the year of 2019 is: RMB47.855,000 for the acquisition of Lepu Medical Electronic Instruments Co., Ltd., with the full impairment provision; RMB121,871,100 for the acquisition of Beijing Star GK Medical Device Co., Ltd., and the impairment provision is RMB60,186,400.

9) In the impairment test of goodwill-relating relevant asset group or an asset group portfolio, when there are indications of impairment of goodwill-relating asset group or an asset group portfolio, first conduct the impairment test of asset group or an asset group portfolio, excluding any goodwill, calculate the recoverable amount, and compare it with the relevant carrying amount. If the carrying amount of the asset group or the portfolio exceeds the recoverable amount of the asset group or the portfolio, the Company shall recognize the impairment loss. Then conduct the impairment test of the asset group or the portfolio to which goodwill has been allocated, compare the carrying amount, including the goodwill with its recoverable amount. If the carrying amount of the unit exceeds the recoverable amount of the asset group or the portfolio, the Company shall recognize the impairment loss. Once the above impairment losses of assets are recognized, they will not be recovered during the later accounting period.

10) Composition of asset group or asset group portfolio: for the carrying amount of goodwill from business combination, it is allocated to the relevant asset group in a reasonable basis from the date of acquisition; if it is difficult to allocate to the relevant asset group, allocate it to the relevant asset group portfolio. When the carrying amount of goodwill is apportioned to the relevant asset group or asset group portfolio, it shall be apportioned according to the proportion of the fair value of each asset group or asset group portfolio to the total fair value of the relevant asset group or asset group portfolio. If the fair value is difficult to measure reliably, it shall be apportioned according to the proportion of the carrying amount of each asset group or asset group portfolio to the total carrying amount of the relevant asset group or asset group portfolio.

11) Expected value of future cash flows of the asset group (recoverable amount): The recoverable amount is estimated using the "present value of expected future net cash flow" model. The weighted average cost of capital before tax (WACC) is used as the discount rate of the enterprise free cash flow by discounting the present value of future cash flow of the asset group allocated.

12) Determining and measuring recoverable amount

    (1) Important assumptions and basis

        ① assumes that the enterprise continues to operate according to the actual situation of the assets on the base date of appraisal.

        ② assumes that the company will have even cash outflow and cash inflow after the base date and cash outflow.

        ③ assumes that on the basis of the existing management mode and management level, the company's business scope and mode are consistent with the current direction.

        ④ no major changes occur to the in relevant interest rates, exchange rates, tax benchmarks and tax rates, and policy collection fees.

    (2) Key parameters: The cash flow projections used for calculation is based on the five-year period financial budgets (or profit forecasts) approved by management, and pre-tax discount tax with a range of 11.84% to 15.73%. The detailed forecast period for the cash flow projections of the asset group is 5 years, and the cash flow remains stable in the sixth and subsequent years. The gross margin and sales are used as the key parameters in determining the cash flow projections of the asset group to which goodwill is allocated. The management determines that the budget gross margin and sales are based on the gross margin and sales realized before the budget period, and the management's expectations of the development of the industry and the expected operating situation in the future years.

(3) Discount rate (weighted average cost of capital WACC) (before tax) confirmation basis:

The discount rate R was determined by using the weighted average cost of capital model WACC (before tax)

R=Ke*[E/(E+D)]+Kd*(1-T)*[D/(E+D)]

Notes:

T: income tax rate

Kd: Debt cost (interest rate for loans over five years)

Ke: Equity capital cost, the equity capital cost is determined by the Capital Asset Pricing Model (CAPM); the calculation formula is as follows: $\mathbf{K_e=R_f + ERP * \beta_1 + R_c}$

Notes:

$\mathbf{R_f}$: risk-free return rate (risk-free yield rate over 10 years)

ERP: Market risk premium

$\mathbf{\beta_1}$: Financial leverage risk factor

$\mathbf{R_c}$: Enterprise-specific risk value

(22) Long-term deferred expenses

Item	2018.12.31	Additions during the period	Amortization for the period	Other decreases	2019.12.31
Renovation costs	78,581,975.40	61,315,806.43	23,080,731.34		116,817,050.49
Financing consulting fee	19,377,106.83		4,166,145.40		15,210,961.43
Mould	15,045,565.05	8,444,287.62	5,076,587.70		18,413,264.97
Others	11,030,091.59	19,890,682.07	8,249,013.78		22,671,759.88
Total	124,034,738.87	89,650,776.12	40,572,478.22		173,113,036.77

Item	2019.12.31	Additions during the period	Amortization for the period	Other decreases	2020.12.31
Renovation costs	116,817,050.49	21,074,712.55	29,050,142.08		108,841,620.96
Financing consulting fee	15,210,961.43	10,556,552.54	5,715,017.63		20,052,496.34
Mould	18,413,264.97	6,921,064.99	6,523,276.07		18,811,053.89
Others	22,671,759.88	11,412,711.71	13,631,001.14		20,453,470.45
Total	173,113,036.77	49,965,041.79	54,919,436.92		168,158,641.64

Item	2020.12.31	Additions during the period	Amortization for the period	Other decreases	2021.12.31
Renovation costs	108,841,620.96	37,664,521.99	30,479,035.60		116,027,107.35
Financing consulting fee	20,052,496.34	2,971,698.11	9,976,510.33		13,047,684.12
Mould	18,811,053.89	15,158,518.61	9,810,721.75		24,158,850.75
Others	20,453,470.45	46,656,579.79	22,565,054.76		44,544,995.48
Total	168,158,641.64	102,451,318.50	72,831,322.44		197,778,637.70

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

1) Deferred income tax assets not offset

Item	2021.12.31		2020.12.31		2019.12.31	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	515,845,522.52	86,890,227.18	603,729,331.55	104,991,003.50	603,640,544.75	105,417,374.12
Unrealized financing income	1,499,310.50	224,896.58	2,744,134.37	434,338.09	3,184,241.95	539,960.24
Unrealized Internal Income	109,480,367.38	16,654,290.41	90,482,216.67	17,252,682.52	58,003,426.52	10,927,862.57
Deductible tax loss	68,911,067.78	14,348,597.59	94,930,059.14	17,016,089.71	75,555,089.30	16,638,676.73
Deferred income	52,929,454.01	7,939,418.10	58,332,687.41	8,749,903.11	44,582,752.18	6,687,412.83
Refundable payable			128,000,000.00	19,200,000.00		
Gains or losses arising from the equity held prior to the purchase date are re-measured at fair value	17,741,733.33	2,661,260.00	17,741,733.33	2,661,260.00		
Others	56,881,382.51	8,836,165.32	64,380,718.91	9,822,742.00	27,721,707.51	4,158,256.13
Total	823,288,838.03	137,554,855.18	1,060,340,881.38	180,128,018.93	812,687,762.21	144,369,542.62

2) Deferred income tax liabilities not offset

Item	2021.12.31		2020.12.31		2019.12.31	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Appraisal and value appreciation of consolidated assets of enterprises not under common control	888,069,202.29	162,773,807.56	849,690,064.00	154,744,443.76	697,685,659.95	139,013,944.09
Changes in the fair value of financial assets	245,442,241.79	49,083,076.23	766,519,143.16	120,178,059.20	260,693,110.00	39,103,966.50
Gains or losses arising from the equity held prior to the purchase date re-measured at fair value	213,728,382.80	32,059,257.42	169,698,003.90	25,454,700.59	169,698,003.90	25,454,700.59
Others	144,622,403.94	20,854,560.54	167,325,258.11	23,833,879.97	23,519,833.01	3,527,974.95
Total	1,491,862,230.82	264,770,701.75	1,953,232,469.17	324,211,083.52	1,151,596,606.86	207,100,586.13

(24) Other non-current assets

Item	2021.12.31			2020.12.31			2019.12.31		
	Book balance	Provision of impairment	Carrying value	Book balance	Provision of impairment	Carrying value	Book balance	Provision of impairment	Carrying value
Prepaid project payment and equipment payment	195,846,524.54		195,846,524.54	153,688,144.34		153,688,144.34	215,441,108.92		215,441,108.92
Equity investment preparation funds	60,000,000.00		60,000,000.00	60,000,000.00		60,000,000.00	140,610,499.41		140,610,499.41
Loans							128,706,331.13		128,706,331.13
Others	42,524,595.73		42,524,595.73	27,719,891.51		27,719,891.51	4,557,331.62		4,557,331.62
Total	298,371,120.27		298,371,120.27	241,408,035.85		241,408,035.85	489,315,271.08		489,315,271.08

(25) Short-term borrowings

Short-term borrowings by category

Item	2021.12.31	2020.12.31	2019.12.31
Pledge loans	55,058,819.45		
Mortgage borrowings		59,389,241.76	98,000,000.00
Guaranteed borrowings	175,236,694.43	405,626,163.23	687,838,209.73
Credit loans	353,624,241.42	1,436,878,167.83	678,200,000.00
Total	583,919,755.30	1,901,893,572.82	1,464,038,209.73

Notes:

1) On 31 December 2021, the Company's short-term borrowings include RMB2,327,799.22 of interest payable on short-term borrowings. On 31 December 2020, the Company's short-term borrowings include RMB4,346,085.75 of interest payable on short-term borrowings.

2) Short-term borrowings include the corresponding amount of discounted and outstanding notes receivable that have not been derecognized totaling RMB18,000,000.00.

3) The pledge of the pledge loans is a fixed deposit of RMB59,282,351.55 abroad.

4) For details of the mortgage of short-term borrowings, please refer to "V.(16)".

(26) Financial liabilities held-for-trading

Item	2019.12.31	Increase	Decrease	2020.12.31
Financial liabilities held-for-trading		329,740.12		329,740.12
Including: Trading bonds issued				
Others		329,740.12		329,740.12
Total		329,740.12		329,740.12

Item	2020.12.31	Increase	Decrease	2021.12.31
Financial liabilities held-for-trading	329,740.12		329,740.12	
Including: Trading bonds issued				
Others	329,740.12		329,740.12	
Total	329,740.12		329,740.12	

(27) Notes payable

Types	2021.12.31	2020.12.31	2019.12.31
Bank acceptance bills	228,532,548.74	66,398,584.13	84,558,954.73
Total	228,532,548.74	66,398,584.13	84,558,954.73

(28) Accounts payable

Breakdown of accounts payable

Item	2021.12.31	2020.12.31	2019.12.31
Within one year (inclusive)	1,055,871,678.51	705,984,246.74	646,061,198.95
1-2 years	47,695,551.72	30,574,990.79	80,372,449.79
2-3 years	20,173,469.65	12,432,856.73	3,373,459.34
Over 3 years	10,889,103.44	5,650,268.55	7,899,251.42
Total	1,134,629,803.32	754,642,362.81	737,706,359.50

(29) Advance from customers

Breakdown of advance from customers

Item	2021.12.31	2020.12.31	2019.12.31
Within one year (inclusive)			126,969,945.25
1-2 years			20,024,125.80
2-3 years			6,329,729.41
Over 3 years			10,452,669.79
Total			163,776,470.25

(30) Contract liabilities

Breakdown of contract liabilities

Item	2021.12.31	2020.12.31
Within one year (inclusive)	318,356,225.65	247,045,305.91
1-2 years	21,021,288.52	9,025,919.19
2-3 years	4,528,141.98	5,567,251.40
Over 3 years	10,055,870.79	7,574,015.61
Total	353,961,526.94	269,212,492.11

(31) Employee benefits payable

1) Breakdown of employee benefits payable

Item	2018.12.31	Increase	Decrease	2019.12.31
Short-term remuneration	83,015,545.54	1,104,928,105.76	1,086,093,741.71	101,849,909.59
Post-employment benefits — defined contribution plans	1,178,769.63	119,176,827.65	119,098,859.71	1,256,737.57
Termination benefits		2,184,045.39	2,184,045.39	
Total	84,194,315.17	1,226,288,978.80	1,207,376,646.81	103,106,647.16

Item	2019.12.31	Increase	Decrease	2020.12.31
Short-term remuneration	101,849,909.59	1,384,462,197.67	1,326,799,633.68	159,512,473.58
Post-employment benefits — defined contribution plans	1,256,737.57	33,720,640.30	34,165,815.83	811,562.04
Termination benefits		4,508,626.19	4,508,626.19	
Total	103,106,647.16	1,422,691,464.16	1,365,474,075.70	160,324,035.62

Item	2020.12.31	Increase	Decrease	2021.12.31
Short-term remuneration	159,512,473.58	1,784,454,035.61	1,745,897,001.97	198,069,507.22
Post-employment benefits — defined contribution plans	811,562.04	139,730,146.61	139,063,276.42	1,478,432.23
Total	160,324,035.62	1,924,184,182.22	1,884,960,278.39	199,547,939.45

2) Breakdown of short-term employee benefits

Item	2018.12.31	Increase	Decrease	2019.12.31
(1) Salaries, bonuses, allowances and subsidies	79,949,868.15	931,014,493.59	912,981,137.26	97,983,224.48
(2) Employee benefits		40,855,478.01	40,855,478.01	
(3) Social insurance contribution	707,578.05	58,690,106.17	58,617,638.86	780,045.36
Including: Medical insurance contribution	576,225.02	51,690,644.01	51,592,720.48	674,148.55
Work-related injury insurance contribution	98,195.90	3,027,852.02	3,068,690.09	57,357.83
Maternity insurance contribution	33,157.13	3,971,610.14	3,956,228.29	48,538.98
(4) Housing Provident Fund	362,972.68	59,874,451.74	59,792,139.12	445,285.30
(5) Labour union & employee education funds	1,995,126.66	14,493,576.25	13,847,348.46	2,641,354.45
Total	83,015,545.54	1,104,928,105.76	1,086,093,741.71	101,849,909.59

Item	2019.12.31	Increase	Decrease	2020.12.31
(1) Salaries, bonuses, allowances and subsidies	97,983,224.48	1,194,456,533.66	1,138,083,978.33	154,355,779.81
(2) Employee benefits		54,601,636.40	54,601,636.40	
(3) Social insurance contribution	780,045.36	54,670,212.13	54,141,093.56	1,309,163.93
Including: Medical insurance contribution	674,148.55	52,178,494.33	51,554,208.74	1,298,434.14
Work-related injury insurance contribution	57,357.83	1,432,827.28	1,482,124.43	8,060.68
Maternity insurance contribution	48,538.98	1,058,890.52	1,104,760.39	2,669.11
(4) Housing Provident Fund	445,285.30	60,775,090.72	60,401,747.16	818,628.86
(5) Labour union & employee education funds	2,641,354.45	19,958,724.76	19,571,178.23	3,028,900.98
Total	101,849,909.59	1,384,462,197.67	1,326,799,633.68	159,512,473.58

Item	2020.12.31	Increase	Decrease	2021.12.31
(1) Salaries, bonuses, allowances and subsidies	154,355,779.81	1,532,106,330.38	1,492,916,747.89	193,545,362.30
(2) Employee benefits		72,394,275.42	72,394,275.42	
(3) Social insurance contribution	1,309,163.93	83,751,321.05	84,171,489.00	888,995.98
Including: Medical insurance contribution	1,298,434.14	78,317,956.69	78,818,218.79	798,172.04
Work-related injury insurance contribution	8,060.68	4,460,663.19	4,381,131.14	87,592.73
Maternity insurance contribution	2,669.11	972,701.17	972,139.07	3,231.21
(4) Housing Provident Fund	818,628.86	76,972,031.30	77,186,793.08	603,867.08
(5) Labour union & employee education funds	3,028,900.98	19,230,077.46	19,227,696.58	3,031,281.86
Total	159,512,473.58	1,784,454,035.61	1,745,897,001.97	198,069,507.22

3) Breakdown of defined contribution plans

Item	2018.12.31	Increase	Decrease	2019.12.31
Basic pension insurance	1,134,334.08	115,252,731.85	115,179,538.25	1,207,527.68
Unemployment insurance contribution	44,435.55	3,924,095.80	3,919,321.46	49,209.89
Total	1,178,769.63	119,176,827.65	119,098,859.71	1,256,737.57

Item	2019.12.31	Increase	Decrease	2020.12.31
Basic pension insurance	1,207,527.68	32,011,192.42	32,437,678.51	781,041.59
Unemployment insurance contribution	49,209.89	1,709,447.88	1,728,137.32	30,520.45
Total	1,256,737.57	33,720,640.30	34,165,815.83	811,562.04

Item	2020.12.31	Increase	Decrease	2021.12.31
Basic pension insurance	781,041.59	134,520,754.68	133,877,224.95	1,424,571.32
Unemployment insurance contribution	30,520.45	5,209,391.93	5,186,051.47	53,860.91
Total	811,562.04	139,730,146.61	139,063,276.42	1,478,432.23

(32) Taxes payable

Item	2021.12.31	2020.12.31	2019.12.31
Value-added tax	72,766,315.73	54,248,499.84	53,248,541.23
Enterprise income tax	119,292,005.74	51,343,491.12	58,595,748.12
Individual income tax	4,785,780.79	3,704,905.16	2,926,062.35
City maintenance and construction tax	4,595,179.51	3,433,855.49	4,389,117.04
Educational surcharge	3,478,057.97	2,736,887.02	3,760,963.53
Others	5,844,315.27	6,004,439.25	5,043,699.61
Total	210,761,655.01	121,472,077.88	127,964,131.88

(33) Other payables

Item	2021.12.31	2020.12.31	2019.12.31
Interest payable			18,578,241.34
Dividends payable	4,293,781.40	2,355,943.51	2,796,800.00
Other payable	323,108,965.23	281,729,205.01	245,876,590.99
Total	327,402,746.63	284,085,148.52	267,251,632.33

1. Interest payable

Item	2021.12.31	2020.12.31	2019.12.31
Interest on long-term borrowings with interest paid by installments and principal repaid at maturity			9,303,032.20
Corporate bond interest			7,311,666.67
Interest payable for short-term borrowings			1,963,542.47
Total			18,578,241.34

2. Dividends payable

Item	2021.12.31	2020.12.31	2019.12.31
Dividends for ordinary shares	1,626,800.00	1,626,800.00	1,626,800.00
Dividends payable by subsidiaries to minority shareholders	2,666,981.40	729,143.51	1,170,000.00
Total	4,293,781.40	2,355,943.51	2,796,800.00

3. Other payable

(1) Other payable by nature

Item	2021.12.31	2020.12.31	2019.12.31
Deposit	110,820,981.80	120,030,080.60	148,048,363.71
Current payments	115,631,032.13	95,400,923.22	49,657,792.77
Equity payments	60,000,000.00	48,397,853.79	21,015,487.50
Land and project funds	24,829,153.87	3,781,769.36	6,684,895.89
Others	11,827,797.43	14,118,578.04	20,470,051.12
Total	323,108,965.23	281,729,205.01	245,876,590.99

(34) Non-current liabilities due within one year

Item	2021.12.31	2020.12.31	2019.12.31
Long-term borrowings due within one year	184,250,000.00	1,091,750,000.00	754,655,000.00
Bonds payable due within one year			598,392,119.87
Long-term payable due within one year		10,084,883.59	6,054,880.44
Lease liabilities due within one year	65,489,598.07		
Total	249,739,598.07	1,101,834,883.59	1,359,102,000.31

(35) Other current liabilities

Item	2021.12.31	2020.12.31	2019.12.31
Output value-added tax payable	24,039,717.73	22,213,170.60	
Refunds payable		128,000,000.00	
Endorsed outstanding notes	19,793,600.00	1,500,000.00	
Short-term bonds payable			802,998,904.11
Total	43,833,317.73	151,713,170.60	802,998,904.11

1. In November 2019, the company issued short-term financing bonds of RMB800,000,000.00. After deducting the underwriting fee of RMB1,200,000.00, the actual net amount issued was RMB798,800,000.00, which had been repaid by 31 December 2020.

2. In October 2020, the Joint Procurement issued the Document of State-organized Centralized Procurement of Coronary Stents, which since then started national implementation of the volume-based procurement of high-value consumables. On 5 November, proposed bid results of national volume-based procurement of high-value medical consumables were announced. In the centralized procurement, the bid product of the Company was cobalt-based alloy rapamycin elution stent system ("cobalt base stents"), the bidding price was RMB645/strip and entered into 143,907 the contracts of centralized procurement.

In light of the implementation of the above national centralized procurement policy, through friendly negotiation between the Company and the distributor, the Company re-signed supplementary agreements for products that have been sold but not implanted, and the Company arranged product returns for distributors. The Company made provision of RMB128 million under other current liabilities on exchange and return of stents due to significant changes of national policy.

Increase and decrease of short-term bonds payable:

2019

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2018.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	2019.12.31
18 Leap SCP002 . .	100.00	2018/7/19	270 days	600,000,000.00	615,971,730.16		10,240,438.37	373,584.91	626,585,753.44	
19 Leap SCP001 . .	100.00	2019/3/29	270 days	600,000,000.00		598,650,000.00	21,334,426.23	1,350,000.00	621,334,426.23	
19 Leap SCP002 . .	100.00	2019/11/21	180 days	800,000,000.00		798,800,000.00	3,998,904.11	200,000.00		802,998,904.11
Total				2,000,000,000.00	615,971,730.16	1,397,450,000.00	35,573,768.71	1,923,584.91	1,247,920,179.67	802,998,904.11

2020

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2019.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	2020.12.31
19 Leap SCP002 . .	100.00	2019/11/21	180 days	800,000,000.00	802,998,904.11		13,509,292.61	1,000,000.00	817,508,196.72	
Total				800,000,000.00	802,998,904.11		13,509,292.61	1,000,000.00	817,508,196.72	

Note 1: The Company issued short-term financing bond of RMB600,000,000.00 in July 2018. Net actual issuance was RMB598,650,000.00 after deducting underwriting fees of RMB1,350,000.00. The bond was repaid as at 31 December 2019.

Note 2: The Company issued short-term financing bond of RMB600,000,000.00 in March 2019. Net actual issuance was RMB598,650,000.00 after deducting underwriting fees of RMB1,350,000.00. The bond was repaid as at 31 December 2019.

Note 3: The Company issued short-term financing bond of RMB800,000,000.00 in November 2019. Net actual issuance was RMB798,800,000.00 after deducting underwriting fees of RMB1,200,000.00. The bond was repaid as at 31 December 2020.

(36) Long-term borrowings

Long-term borrowings by category:

Item	2021.12.31	2020.12.31	2019.12.31
Pledge loans	245,366,819.44	459,190,211.97	877,980,000.00
Mortgage borrowings	440,767,666.67	240,293,574.61	170,000,000.00
Credit loans	523,370,998.64	415,732,487.25	1,410,000,000.00
Total	1,209,505,484.75	1,115,216,273.83	2,457,980,000.00

Notes:

1) On 24 January 2019, the Company signed a loan contract of RMB250 million with Ping An Bank Co., Ltd. Beijing Branch. According to the contract, the loan interest rate is 20% above the benchmark interest rate, and the pledge period is from 29 January 2019 to 29 January 2024. The pledge is 35% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by Shanghai Shape Memory Alloy Material Co., Ltd., a subsidiary of the company. As of 31 December 2019, the balance of the loan was RMB218.98 million, among which the long-term loan of RMB50 million, which is due within one year, has been reclassified to the non-current liability due within one year.

2) On 27 December 2018, the Company entered into a borrowing contract of RMB760 million with Beijing Branch of China Development Bank, with a borrowing rate of benchmark interest rate, a pledge period from 27 December 2018 to 26 December 2027, and a pledge of the land parcel No. T501-0082 and buildings thereon of Lepu International, a subsidiary of the Company. Meanwhile, 7 buildings of the Company at Chaoqian Road No. 37, Changping District, Beijing, were also pledged for a period from 27 December 2018 to 26 December 2027. As of 31 December 2021, the balance of such borrowing was RMB510 million, of which long-term borrowings due within one year were RMB70 million and were reclassified to non-current liabilities due within one year.

3) On 21 June 2018, the Company entered into a borrowing contract of RMB520 million with Beijing Changping Branch of Industrial and Commercial Bank of China Limited, with a borrowing rate of benchmark interest rate, a pledge period from 21 June 2018 to 31 December 2025, and a pledge of the Company's 45% equity interest in Zhejiang Lepu Pharmaceutical. Meanwhile, a property of the Company was also pledged for a period from 14 June 2018 to 31 December 2025. As of 31 December 2021, the balance of such borrowing was RMB245 million.

4) On 31 October 2017, the Company signed a mortgage loan contract of RMB150 million with China Development Bank. According to the contract, the loan interest rate is 5% above the benchmark interest rate. The mortgage period is from 14 December 2017 to 13 December 2020. The mortgaged property is Building 7 No. 37 Chaoqian Road, Changping District, Beijing. As of 31 December 2019, the balance of this loan was RMB140 million, among which the long-term loan of RMB140 million due within one year has been reclassified to non-current liabilities due within one year.

5) On 9 May 2016, the Company signed a loan contract of RMB375 million with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The loan interest rate is the benchmark interest rate, and the pledge period is from 16 May 2016 to 30 June 2024. The pledge is Ningbo Bingkun 63.05% equity of held by the Company. Meanwhile, a property of the Company shall be mortgaged from 11 May 2016 to 10 December 2023. As of 31 December 2020, the loan balance is RMB165 million. Among them, the long-term borrowings of RMB63.75 million that will mature within one year have been reclassified to non-current liabilities that will mature within one year.

6) On 28 July 2015, the Company signed a pledge loan contract of RMB310 million with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. It is agreed in the contract that the loan interest rate is 10% lower than the benchmark interest rate, and the pledge period is from 1 August 2015 to 31 December 2022. Pledge is 51% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company. As of 31 December 2020, the loan balance is RMB124 million. Among them, RMB62 million of long-term borrowings due within one year have been reclassified to non-current liabilities due within one year.

7) As of 31 December 2021, long-term borrowings included interest on long-term borrowings of RMB2,255,484.75. As of 31 December 2020, the Company's long-term borrowings include long-term borrowing interest of RMB2,966,273.83.

(37) Bonds payable

1. Breakdown of bonds payable

Item	2021.12.31	2020.12.31	2019.12.31
Medium-term notes	1,222,260,046.39	1,218,633,729.61	
Convertible bonds	1,451,136,827.90		
Total	2,673,396,874.29	1,218,633,729.61	

2. *Increase or decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)*

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2018.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	Reclassified as non-current liabilities due within one year	2019.12.31
First batch of the medium-term notes 2017	100.00	2017/10/11	3 years	600,000,000.00	596,592,119.87			1,800,000.00		598,392,119.87	
Total				600,000,000.00	596,592,119.87			1,800,000.00		598,392,119.87	

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2019.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Capitalisation of debt in current period	Redemption in current period	2020.12.31
Convertible corporate bonds.	100.00	2020/1/3	5 years	750,000,000.00		631,417,541.86	1,430,136.99	16,977,623.20	637,883,255.19	11,942,046.86	
First batch of the medium-term notes 2020	100.00	2020/4/13	3 years	600,000,000.00		594,600,000.00	17,941,643.83	1,579,245.27			614,120,889.10
Second batch of the medium-term notes 2020	100.00	2020/9/3	3 years	600,000,000.00		594,600,000.00	9,193,972.60	718,867.91			604,512,840.51
Total				1,950,000,000.00		1,820,617,541.86	28,565,753.42	19,275,736.38	637,883,255.19	11,942,046.86	1,218,633,729.61

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2020.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Capitalisation of debt in current period	Redemption in current period	2021.12.31
First batch of the medium-term notes 2020	100.00	2020/4/9	3 years	600,000,000.00	614,120,889.10		24,900,000.00	1,698,113.16	24,900,000.00		615,819,002.26
Second batch of the medium-term notes 2020	100.00	2020/9/1	3 years	600,000,000.00	604,512,840.51		28,200,000.00	1,928,203.62	28,200,000.00		606,441,044.13
Convertible corporate bonds	100.00	2021/3/30	5 years	1,638,000,000.00		1,407,331,781.94	3,675,402.71	40,290,244.93		160,601.68	1,451,136,827.90
Total				2,838,000,000.00	1,218,633,729.61	1,407,331,781.94	56,775,402.71	43,916,561.71	53,100,000.00	160,601.68	2,673,396,874.29

Description:

1) As approved by the China Securities Regulatory Commission under license No. [2021] 741, the Company publicly issued 16,380,000 convertible corporate bonds with par value of RMB100 each on 30 March 2021, for a total issue amount of RMB1,638 million, with coupon rates of 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year and 1.8% in the fifth year.

   The term of the convertible bonds under the issuance is five years from the date of issuance, i.e. from 30 March 3 2021 to 29 March 2026; the conversion period commences on the first trading day following the expiry of the six-month period after the date of the issuance of the convertible bonds, and end on the maturity date of the Convertible Bonds., i.e. from 8 October 2021 to 29 March 2026. The initial conversion price of the convertible bonds is RMB29.73 per share. The conversion price shall be adjusted upon the issuance in case of certain events of the Company, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares or rights issue or distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the convertible bonds under the issuance). As approved at the 2020 annual general meeting, the Company carried out the profit distribution plan for 2020 and the conversion price of the convertible bonds was adjusted from RMB29.73 per share to RMB29.50 per share. The total amount of proceeds to be raised from the issuance of the convertible corporate bonds will be RMB1.638 billion. After deduction of issuance expenses, the fair value of financial liability component as at the issuance date of RMB1,407,331,781.94 will be included into bonds payable, and the fair value of equity instrument component of RMB214,790,321.83 will be included into other equity instruments. The convertible bonds under the issuance entered the conversion period from October 8, 2021. The total number of share converted was 6,193 in 2021.

2) As approved by the China Securities Regulatory Commission under license No. [2019] 2699, the Company publicly issued 7,500,000 convertible corporate bonds with par value of RMB100 each on January 3, 2020, for a total issue amount of RMB750 million, with coupon rates of 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year and 1.8% in the fifth year. The term of the convertible bonds under the issuance is five years from the date of issuance, i.e. from January 3, 2020 to January 2, 2025; the conversion period commences on the first trading day following the expiry of the six-month period after the date of the issuance of the convertible bonds, and end on the maturity date of the Convertible Bonds., i.e. from 9 July 2020 to January 2, 2025. The initial conversion price of the convertible bonds is RMB32.39 per share. The conversion price shall be adjusted upon the issuance in case of certain events of the Company, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares or rights issue or distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the convertible bonds under the issuance). As approved at the 2019 annual general meeting, the Company carried out the profit distribution plan for 2019 and the conversion price of the convertible bonds was adjusted from RMB32.39 per share to RMB32.19 per share. The total amount of proceeds to be raised from the issuance of the convertible corporate bonds will be RMB750 million. After deduction of issuance expenses, the fair value of financial liability component as at the issuance date of RMB631,417,541.86 will be included into bonds payable, and the fair value of equity instrument component of

RMB108,190,948.71 will be included into other equity instruments. The Resolution on Early Redemption of All Issued Convertible Corporate Bonds was considered and approved at the eighth meeting of the fifth session of the Board of Directors and the seventh meeting of the fifth session of the Supervisory Committee held by the Company on 30 July 2020, and the Company was allowed to exercise the early redemption right of the Lepu Convertible Bonds and redeem all the Lepu Convertible Bonds registered after the close of business on the redemption registration date at the price of the par value of the bonds plus the accrued interest for the current period. After the conversion and redemption, the "Lepu Convertible Bonds" issued by the Company were delisted from Shenzhen Stock Exchange on 30 August 2020.

3) In April 2020, the Company issued the 2020 first tranche of medium-term notes at an issue price of RMB100.00 par value, with a total issue amount of RMB600 million, an interest rate of 4.15% and a term of 3 years.

4) In September 2020, the Company issued the 2020 second tranche of medium-term notes at an issue price of RMB100.00 par value, with a total issue amount of RMB600 million, an interest rate of 4.7% and a term of 3 years.

(38) Lease liabilities

Item	2021.12.31
Lease payment amount	210,631,946.11
Less: Unrecognized financing cost	20,030,847.48
Less: Lease liabilities due within one year	65,489,598.07
Total	125,111,500.56

(39) Long-term payable

Item	2021.12.31	2020.12.31	2019.12.31
Long-term payable		3,663,119.05	10,320,465.41
Total		3,663,119.05	10,320,465.41

Long-term payable

Item	2021.12.31	2020.12.31	2019.12.31
Deposits and tax of finance leasing business payable		3,663,119.05	10,320,465.41
Total		3,663,119.05	10,320,465.41

(40) Deferred income

Item	2018.12.31	Increase	Decrease	2019.12.31	Cause of formation
Government grants	131,856,950.38	11,773,484.96	9,101,163.62	134,529,271.72	
Transfer of distribution right of 75mg clopidogrel bisulfate tablets	1,271,823.61		363,378.19	908,445.42	
Total	133,128,773.99	11,773,484.96	9,464,541.81	135,437,717.14	

Item	2019.12.31	Increase	Decrease	2020.12.31	Cause of formation
Government grants	134,529,271.72	19,008,546.36	7,729,458.54	145,808,359.54	
Transfer of distribution right of 75mg clopidogrel bisulfate tablets	908,445.42		908,445.42		
Total	135,437,717.14	19,008,546.36	8,637,903.96	145,808,359.54	

Item	2020.12.31	Increase	Decrease	2021.12.31	Cause of formation
Government grants	145,808,359.54	7,907,800.00	13,689,376.72	140,026,782.82	
Total	145,808,359.54	7,907,800.00	13,689,376.72	140,026,782.82	

Projects with government grants:

Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
Support funds for enterprise development	39,350,000.00	2,838,000.00		-426,860.04	41,761,139.96	Relating to assets
Special subsidies for heart pacemaker R&D and production base	34,300,000.00				34,300,000.00	Relating to assets
Enterprise development funds	10,251,724.20		207,454.79		10,044,269.41	Relating to assets
Novel fully degradable polymer scaffolds	6,300,000.00	4,700,000.00	1,833,333.33		9,166,666.67	Relating to assets
Central government funds for infrastructure investment	8,188,999.97		431,000.04		7,757,999.93	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain	4,500,000.00				4,500,000.00	Relating to assets
"Clinical research funding for catheter drug (paclitaxel) elation balloon catheter (coronary artery)"	4,000,000.00				4,000,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project of Lepu pharmaceutical	4,080,000.00		161,716.55		3,918,283.45	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform	3,840,000.00				3,840,000.00	Relating to assets
Land subsidies		1,985,484.96	20,639.14		1,964,845.82	Relating to assets

Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center	2,100,000.00		300,000.00		1,800,000.00	Relating to assets
Industrialization of aspartic insulin		1,500,000.00			1,500,000.00	Relating to assets
Medical safety inspection and testing public service platform project funds	1,483,333.33		99,999.97		1,383,333.36	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment	2,066,666.67	733,700.61	1,533,700.65		1,266,666.63	Relating to assets
New generation of fully degradable polymer scaffolds	1,000,000.00				1,000,000.00	Relating to assets
Research and development of implantable dual-chamber pacemakers	1,485,000.00		540,000.00		945,000.00	Relating to assets
Special funds for project on development of nano-film single-rivet occluders	1,226,465.00		313,140.00		913,325.00	Relating to assets
Special funds of Baoji Municipal Government	970,575.00		129,410.00		841,165.00	Relating to assets
Conformance evaluation of benzene sulfonic acid	1,039,999.97		260,000.04		779,999.93	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises	916,816.27		145,239.52		771,576.75	Relating to assets
Subsidies for insulin glargine industrialization		750,000.00			750,000.00	Relating to assets
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface and traditional occluders	931,666.62		260,000.04		671,666.58	Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface	823,333.27		260,000.04		563,333.23	Relating to assets
Clean energy projects	115,000.00		25,000.00		90,000.00	Relating to assets

Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
Appropriation of funds for key science and technology R&D program of Jiangyin Finance Bureau	3,250.08		3,250.08			Relating to assets
Boiler renovation project of Economic and Information Technology Commission	191,000.00		191,000.00			Relating to assets
Land requisition and demolition allowance	2,593,120.00		2,593,120.00			Relating to assets
Technology support — left atrial appendage occluder system	100,000.00		100,000.00			Relating to revenue
Total	131,856,950.38	12,507,185.57	9,408,004.19	-426,860.04	134,529,271.72	

Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Support funds for enterprise development	41,761,139.96			-853,720.08	40,907,419.88	Relating to assets
Special funds for heart pacemaker R&D and production base	34,300,000.00				34,300,000.00	Relating to assets
Enterprise development funds	10,044,269.41		207,454.79		9,836,814.62	Relating to assets
Novel fully degradable polymer scaffolds	9,166,666.67	2,805,684.00	2,200,000.00		9,772,350.67	Relating to assets
Industrialization of aspartic insulin	3,000,000.00	5,000,000.00			8,000,000.00	Relating to assets
Central government funds for infrastructure investment	7,757,999.93		431,000.04		7,326,999.89	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain	4,500,000.00				4,500,000.00	Relating to assets
Clinical research funding for paclitaxel-eluting balloon catheters	4,000,000.00				4,000,000.00	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform	3,840,000.00		24,481.32		3,815,518.68	Relating to assets
Renal artery ultrasound ablation system		3,600,000.00			3,600,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project	3,918,283.45		388,119.66		3,530,163.79	Relating to assets

Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Esomeprazole sodium for injection production and construction project		2,600,000.00			2,600,000.00	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment	1,266,666.63	2,000,000.00	911,111.18		2,355,555.45	Relating to assets
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center	1,800,000.00		300,000.00		1,500,000.00	Relating to assets
New generation of fully degradable polymer scaffolds	1,000,000.00	500,000.00			1,500,000.00	Relating to assets
Medical safety Inspection and Testing public service platform project funds	1,383,333.36		99,999.96		1,283,333.40	Relating to assets
Cardiovascular system regeneration and repair key product development project		1,259,514.12			1,259,514.12	Relating to revenue
Land subsidies	1,214,845.82		49,533.93		1,165,311.89	Relating to assets
Special funds of Baoji Municipal Government	841,165.00		129,410.00		711,755.00	Relating to assets
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials		670,000.00	33,500.00		636,500.00	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises	771,576.75		145,239.52		626,337.23	Relating to assets
Special funds for project on development of nano-film single-rivet occluders	913,325.00		313,140.00		600,185.00	Relating to assets
Conformance evaluation — Benzene sulfonic acid	779,999.93		260,000.04		519,999.89	Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface and traditional sealing device	671,666.58		260,000.04		411,666.54	Relating to assets

Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Research and development of implantable dual-chamber pacemakers	945,000.00		540,000.00		405,000.00	Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement		310,600.30			310,600.30	Relating to revenue
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface	563,333.23		260,000.04		303,333.19	Relating to assets
Clean energy projects	90,000.00		60,000.00		30,000.00	Relating to assets
Total	134,529,271.72	18,745,798.42	6,612,990.52	-853,720.08	145,808,359.54	

Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Support funds for enterprise development	40,907,419.88			-853,720.08	40,053,699.80	Relating to assets
Heart pacemaker R&D and production base	34,300,000.00		280,000.00		34,020,000.00	Relating to assets
Enterprise development fund	9,836,814.62		207,454.79		9,629,359.83	Relating to assets
Industrialization of aspartic insulin	8,000,000.00				8,000,000.00	Relating to assets
Central government funds for infrastructure investment	7,326,999.89		431,000.04		6,895,999.85	Relating to assets
Novel fully degradable polymer scaffolds	9,772,350.67		3,086,005.48		6,686,345.19	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain	4,500,000.00				4,500,000.00	Relating to assets
Clinical research funding for paclitaxel-eluting balloon catheters	4,000,000.00				4,000,000.00	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform	3,815,518.68	430,000.00	425,044.32		3,820,474.36	Relating to assets
Renal artery ultrasound ablation system	3,600,000.00				3,600,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project	3,530,163.79		388,119.65		3,142,044.14	Relating to assets

Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Research and development of digestive ultrasonic electronic endoscopy system and core components		2,720,000.00	20,000.00		2,700,000.00	Relating to assets
Esomeprazole sodium for injection production and construction project	2,600,000.00		193,749.60		2,406,250.40	Relating to assets
New generation of fully degradable polymer scaffolds	1,500,000.00				1,500,000.00	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment	2,355,555.45		1,133,333.29		1,222,222.16	Relating to assets
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center	1,500,000.00		300,000.00		1,200,000.00	Relating to assets
Subsidies for the inspection center project	1,283,333.40		99,999.96		1,183,333.44	Relating to assets
Land subsidies	1,165,311.89		49,533.93		1,115,777.96	Relating to revenue
Modeling and monitoring of data-driven surgical actuator interaction with digestive tract soft tissue		1,113,000.00	53,000.00		1,060,000.00	Relating to revenue
Special funds of Baoji Municipal Government	711,755.00		129,410.00		582,345.00	Relating to assets
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials	636,500.00		66,999.94		569,500.06	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises	626,337.23		145,239.52		481,097.71	Relating to assets
Design and research and development of microdiagnostic instrument for early gastrointestinal carcinoma		417,000.00			417,000.00	Relating to assets
Special funds for project on development of nano-film single-rivet occluders	600,185.00		313,140.00		287,045.00	Relating to assets

Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Conformance evaluation — Benzene sulfonic acid	519,999.89		260,000.04		259,999.85	Relating to assets
Cardiovascular system regeneration and repair key product development project	1,259,514.12	1,087,800.00	2,148,025.70		199,288.42	Relating to revenue
Study on system Integration and control strategy of digestive endoscopy surgery robot		170,000.00			170,000.00	Relating to revenue
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface and traditional occluders	411,666.54		260,000.04		151,666.50	Relating to assets
Special funds for 120 ambulance equipment		130,000.00			130,000.00	Relating to assets
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface	303,333.19		260,000.04		43,333.15	Relating to assets
Clean energy subsidies	30,000.00		30,000.00			Relating to assets
Research and development of implantable dual-chamber pacemakers	405,000.00		405,000.00			Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement	310,600.30		310,600.30			Relating to assets
Research and development of ultrasonic electronic composite imaging system in respiratory cavity		710,000.00	710,000.00			Relating to assets
Research and development of digestive ultrasonic endoscopy and key components — development of high-frequency ultrasonic endoscopy system		1,130,000.00	1,130,000.00			Relating to revenue
Total	145,808,359.54	7,907,800.00	12,835,656.64	-853,720.08	140,026,782.82	

Note: Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Scientech (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to "V (43) Capital reserve" in the note.

(41) Other non-current liabilities

Item	2021.12.31	2020.12.31	2019.12.31
Financial liabilities measured at amortized cost	679,985,509.35		
Total	679,985,509.35		

Note: Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Scientech Medical Technology (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to "V (43) Capital reserve" in the note.

(42) Share capital

		Increase (+) or decrease (-) during the period					
Item	2018.12.31	Issuance of new shares	Bonus issuance	Conversion from reserve	Others	Sub-total	2019.12.31
Total number of shares	1,781,652,921.00						1,781,652,921.00

		Increase (+) or decrease (-) during the period					
Item	2019.12.31	Issuance of new shares	Bonus issuance	Conversion from reserve	Others	Sub-total	2020.12.31
Total number of shares	1,781,652,921.00				22,928,196.00	22,928,196.00	1,804,581,117.00

Note: On 29 July 2020, the eighth meeting of the fifth Board of Directors of the Company deliberated and approved the proposal on *Early Redemption of All Issued Convertible Corporate Bonds*, agreed to exercise the right of early redemption, redeem all "Lepu convertible bonds" registered on the redemption registration date (19 August 2020) at the book value of this convertible bond plus the accrued interest of the current period (RMB100.19/sheet). From 20 August 2020, the trading and stock conversion of "Lepu convertible bonds" will be suspended. The company increased its share capital by RMB22,928,200 due to the exercise and conversion of convertible bond by convertible bond holders.

		Increase (+) or decrease (-) during the period					
Item	2020.12.31	Issuance of new shares	Bonus issuance	Conversion from reserve	Others	Sub-total	2021.12.31
Total number of shares	1,804,581,117.00				6,193.00	6,193.00	1,804,587,310.00

Note: Please refer to the Note" V. (37) Bonds payable" for changes in the share capital of the Company.

(43) Other equity instruments

The changes of outstanding financial instruments such as preferred shares and perpetual bonds at the end of the period.

Financial instruments outstanding	2020.12.31		Increase		Decrease		2021.12.31	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible corporate bonds			16,380,000.00	214,790,321.83	1,853.00	23,956.53	16,378,147	214,766,365.30
Total			16,380,000	214,790,321.83	1,853	23,956.53	16,378,147	214,766,365.30

(44) Capital reserve

Item	2018.12.31	Increase	Decrease	2019.12.31
Capital premium (shares premium)	30,419,814.76		30,419,814.76	
Other capital reserve	60,254,463.62		58,168,477.82	2,085,985.80
Total.	90,674,278.38		88,588,292.58	2,085,985.80

Note: Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Scientech Medical Technology (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to "V (43) Capital reserve" in the note.

Item	2019.12.31	Increase	Decrease	2020.12.31
Capital premium (shares premium)		737,226,927.54	692,121.57	736,534,805.97
Other capital reserve	2,085,985.80	220,557,782.31		222,643,768.11
Total.	2,085,985.80	957,784,709.85	692,121.57	959,178,574.08

Notes:

1) On 29 July 2020, the eighth meeting of the fifth Board of Directors of the Company deliberated and approved the Motion on *Early Redemption of All Issued Convertible Corporate Bonds*, agreed to exercise the right of early redemption, redeem all "Lepu convertible bonds" registered on the redemption registration date (19 August 2020) at the book value of this convertible bond plus the accrued interest of the current period (RMB100.19/sheet). From 20 August 2020, the trading and stock conversion of "Lepu convertible bonds" will be suspended. The equity premium of the company increased by RMB723,171,719.31 as a result of the exercise and conversion of convertible bond by convertible bond holders.

2) In 2020, the Company, through its subsidiary Beijing Lepu Medical Technology Co., Ltd. (hereinafter referred to as "Lepu Diagnostics"), implemented equity incentive on Ningbo Shanhai and Ningbo Xiran as the shareholding platform, affecting capital reserve of RMB976,675.62. See "X. Share-based payment" for details.

3) In 2020, other changes in the Company's capital premium are detailed in "VII. (2) Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary remains under control".

4) For changes in other capital reserves, see "V. (12) Long-term equity investments".

Item	2020.12.31	Increase	Decrease	2021.12.31
Capital premium (shares premium)	736,534,805.97	37,396,384.67	112,295,979.23	661,635,211.41
Other capital reserve	222,643,768.11	99,426,954.62		322,070,722.73
Total.	959,178,574.08	136,823,339.29	112,295,979.23	983,705,934.14

Notes:

1) The Company entered into an agreement with Vivo Capital Fund IX, L.P., SCC Growth VI Holdco AF Ltd. on 28 May 2021, Ltd., Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership), Huaihua Haozhi Enterprise Management Partnership (Limited Partnership) and CDH Supermatrix D Limited (be called by "Capital Increase Party") signed the *Capital increase Agreement for* Lepu Scientech (Shanghai) Co., Ltd. The capital increase party shall subscribe 29,558,155 shares issued by Lepu Scientech (Shanghai) Co., Ltd. with USD95,177,260.66 or equivalent RMB, and the newly added shares account for 9.1146% of the total share capital of Lepu Scientech (Shanghai) Co., Ltd. after the completion of the capital increase. According to the agreement, in the "liquidation event" and "sale event" of Lepu Scientech (Shanghai) Co., Ltd., the capital increasing party has the right to require Lepu Scientech (Shanghai) Co., Ltd. to return the investment in accordance with the investment amount and the annual yield of 10%. For this priority right, the relevant capital increase is recognized as a financial liability measured at amortized cost and listed as "other non-current liabilities" in the financial statements. The difference between it and the capital increase received shall correspond to the reduced capital reserve of RMB61,766,977.03 of the company's shareholding ratio.

2) Lepu Conversion bonds will enter the stock conversion period on 8 October 2021, and part of the stock conversion will be recorded in the capital premium of RMB175,754.15.

3) For other changes in the capital premium, see note "VII. (2) Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary remains under control".

4) The company, through its subsidiary Lepu Scientech Medical Technology (Shanghai) Co., Ltd, respectively, takes Ningbo Jiacheng Enterprise Management Partnership (Limited Partnership) (hereinafter referred to as "Ningbo Jiacheng") and Ningbo Jiadu Business Management Partnership (Limited Partnership) (hereinafter referred to as "Ningbo Jiadu") as an employee stock ownership platform to implement equity incentive, taking Ningbo Shanhai Enterprise Management Partnership (Limited Partnership), Ningbo Xiran Investment Management Center (Limited Partnership) as an employee stock ownership platform to implement equity incentive through its subsidiary Lepu Diagnostics, thereby increasing the capital reserve of 43,377,811.14 yuan, see "XI, share payment" in the note.

5) Other increases in other capital reserves are mainly caused by the increase in equity due to the dilution of shareholding ratio caused by the introduction of other capital increasing parties. For details, see "V. (12) Long-term Equity Investment" in this note.

(45) Treasury shares

Item	2018.12.31	Increase	Decrease	2019.12.31
Treasury shares.	95,995,791.07	158,286,298.88		254,282,089.95
Total.	95,995,791.07	158,286,298.88		254,282,089.95

Note: On 18 November 2018 and 7 December 2018, the 18th meeting of the fourth Board of Directors of the Company and the third extraordinary general meeting of shareholders in 2018 respectively reviewed and approved the *Plan on the Company's Repurchase of Part of the Public Shares* and other relevant motions, agreed that the company shall use no less than RMB300 million and no more than RMB500 million of its own funds to buy back part of the company's public shares through centralized bidding, and the repurchase price shall not be higher than RMB35 per share.

The company held the 28th meeting of the fourth board of Directors on 6 December 2019 to review and approve the proposal on adjusting the *Plan for the Repurchase of the Shares of the Company*. Adjusted the share buyback plan is: the company use its own funds by way of centralized competitive trading to buy back part of the social public company shares, the repurchase price is not higher than RMB35 per share, repurchase total amount not less than RMB250 million and not more than RMB500 million, the buyback period from the date of the shareholders meeting examined and approved the buyback plan 12 months. The shares to be repurchased will be used to convert convertible corporate bonds issued by the company into shares.

At the end of 2019, the term of share buyback will expire and the company's buyback plan will be completed.

Item	2019.12.31	Increase	Decrease	2020.12.31
Treasury shares.	254,282,089.95			254,282,089.95
Total.	254,282,089.95			254,282,089.95

Item	2020.12.31	Increase	Decrease	2021.12.31
Treasury shares.	254,282,089.95	109,909,846.27		364,191,936.22
Total.	254,282,089.95	109,909,846.27		364,191,936.22

Note: The 24th meeting of the fifth Board of Directors and the 21st meeting of the fifth Board of Supervisors held on 2 November 2021 reviewed and approved the *Resolution on Plan for the Repurchase of the Shares of the Company*, agreed the company to buy back part of the social public company shares for not less than RMB300 million and not more than RMB500 million of its own funds by way of centralized competitive trading. The repurchase price shall not be higher than RMB35 per share. The implementation period of the share buyback shall not exceed 12 months from the date when the board of Directors approves the buyback plan.

In 2021, the company will repurchase 5,022,000 shares of the company through centralized bidding trading with the repurchase special securities account, accounting for 0.2783% of the total share capital of the company. The highest and lowest transaction prices are RMB22.97 per share and RMB21.17 per share.

(46) Other comprehensive income

Item	2018.12.31	Adjustment due to the changes of accounting policy	2019.1.1	2019						2019.12.31
				Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after taxbutable to the Company after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit or loss		108,298,887.46	108,298,887.46	-7,027,780.95		26,796,485.23		-29,013,429.08	21,985,648.13	52,488,973.15
Including: Changes in fair value of other equity instruments		108,298,887.46	108,298,887.46	-7,027,780.95		26,796,485.23		-29,013,429.08	21,985,648.13	52,488,973.15
2. Other comprehensive income that will be subsequently reclassified to profit or loss	342,205,910.69	-295,298,887.46	46,907,023.23	14,367,411.93				13,780,181.41	587,230.52	60,687,204.64
Including: Profit or loss on changes in fair value of financial assets available for sale	295,298,887.46	-295,298,887.46								
Exchange differences arising from translation of foreign currency	46,907,023.23		46,907,023.23	14,367,411.93				13,780,181.41	587,230.52	60,687,204.64
Total other comprehensive income	342,205,910.69	-187,000,000.00	155,205,910.69	7,339,630.98		26,796,485.23		-15,233,247.67	22,572,878.65	113,176,177.79

Item	2019.12.31	2020						2020.12.31
		Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after taxbutable to the Company after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit or loss	52,488,973.15	193,201,047.95		123,959,147.37	13,889,858.85	-23,574,783.78	78,926,825.51	28,914,189.37
Including: Changes in fair value of other equity instruments	52,488,973.15	193,201,047.95		123,959,147.37	13,889,858.85	-23,574,783.78	78,926,825.51	28,914,189.37
2. Other comprehensive income that will be subsequently reclassified to profit or loss	60,687,204.64	-55,449,572.38				-52,144,243.71	-3,305,328.67	8,542,960.93
Including: Exchange differences arising from translation of foreign currency	60,687,204.64	-55,449,572.38				-52,144,243.71	-3,305,328.67	8,542,960.93
Total other comprehensive income	113,176,177.79	137,751,475.57		123,959,147.37	13,889,858.85	-75,719,027.49	75,621,496.84	37,457,150.30

Item	2020.12.31	2021						2021.12.31
		Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to the Company after tax	Amount attributable to minority interests after taxbutable to the Company after tax	
1. Other comprehensive income that may not be subsequently reclassified to profit or loss . .	28,914,189.37	274,983,246.46		88,781,389.40	57,212,372.54	118,599,326.69	10,390,157.83	147,513,516.06
Including: Changes in fair value of other equity instruments	28,914,189.37	274,983,246.46		88,781,389.40	57,212,372.54	118,599,326.69	10,390,157.83	147,513,516.06
2. Other comprehensive income that will be subsequently reclassified to profit or loss . .	8,542,960.93	-29,427,072.35				-27,153,541.54	-2,273,530.81	-18,610,580.61
Including: Other comprehensive income that can be transferred to profit or loss under the equity method		-1,940.44				-1,940.44		-1,940.44
Exchange differences arising from translation of foreign currency. .	8,542,960.93	-29,425,131.91				-27,151,601.10	-2,273,530.81	-18,608,640.17
Total other comprehensive income .	37,457,150.30	245,556,174.11		88,781,389.40	57,212,372.54	91,445,785.15	8,116,627.02	128,902,935.45

(47) Surplus reserve

Item	2018.12.31	Adjustment due to the changes of accounting policy	2019.1.1	Increase	Decrease	2019.12.31
Statutory surplus reserve	393,752,382.23		393,752,382.23	67,707,009.31	38,095,632.45	423,363,759.09
Total	393,752,382.23		393,752,382.23	67,707,009.31	38,095,632.45	423,363,759.09

Item	2019.12.31	Adjustment due to the changes of accounting policy	2020.1.1	Increase	Decrease	2020.12.31
Statutory surplus reserve	423,363,759.09		423,363,759.09	65,499,551.62	86,328,730.06	402,534,580.65
Total	423,363,759.09		423,363,759.09	65,499,551.62	86,328,730.06	402,534,580.65

Item	2020.12.31	Increase	Decrease	2021.12.31
Statutory surplus reserve	402,534,580.65	182,635,595.90		585,170,176.55
Total	402,534,580.65	182,635,595.90		585,170,176.55

(48) Retained earnings

Item	2021	2020	2019
Retained earnings as at the end of last year before adjustment	6,923,321,919.53	5,416,779,818.86	3,849,339,911.52
Beginning adjustment to undistributed profits ("+" for plus; "-" for less)			174,970,513.35
Retained earnings as at the beginning of the year after adjustment	6,923,321,919.53	5,416,779,818.86	4,024,310,424.87
Add: Net profit attributable to shareholders of the Company for the year	1,719,324,578.02	1,801,932,532.92	1,725,306,191.17
Transfer from other comprehensive income to retained earnings	69,526,006.81	123,959,147.37	26,796,485.23
Less: Statutory surplus reserve set aside	182,635,595.90	65,499,551.62	67,707,009.31
Dividend payable on ordinary shares	408,616,643.08	353,850,028.00	291,926,273.10
Retained earnings as at the end of the year	8,120,920,265.38	6,923,321,919.53	5,416,779,818.86

(49) Operating revenue and operating cost

Breakdown of operating revenue and operating cost

Item	2021		2020		2019	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal business. .	10,612,994,292.70	4,130,196,130.16	7,992,054,216.26	2,623,052,990.08	7,759,243,124.97	2,145,419,013.37
Other businesses . .	46,740,582.37	26,440,829.58	46,613,324.71	30,720,908.34	36,286,261.37	19,776,346.61
Total	10,659,734,875.07	4,156,636,959.74	8,038,667,540.97	2,653,773,898.42	7,795,529,386.34	2,165,195,359.98

(50) Taxes and surcharges

Item	2021	2020	2019
City maintenance and construction tax	47,213,145.14	37,796,287.38	43,356,140.18
Educational surcharge.	39,829,289.77	31,254,393.62	35,278,573.79
Property tax.	14,689,706.80	11,746,417.72	7,816,532.24
Land use tax	3,195,089.17	2,719,388.46	2,067,627.04
Vehicle usage tax	144,137.01	112,607.65	112,578.32
Stamp duty	8,403,858.29	6,180,261.77	4,036,517.47
Others	304,467.82	669,035.48	3,562,182.94
Total	113,779,694.00	90,478,392.08	96,230,151.98

(51) Selling expenses

Item	2021	2020	2019
Market fee.	1,088,538,307.17	980,917,212.24	1,238,565,012.06
Employee benefit expense.	605,737,965.25	466,491,261.88	417,979,550.12
Traveling expense	109,279,826.10	109,195,197.22	161,353,278.70
Exhibition fee	59,537,530.07	58,751,707.63	83,087,407.66
Business expenditure	69,412,573.78	71,649,126.31	75,640,133.05
Advertising publicity fee	76,042,345.74	76,084,939.41	66,136,996.13
Transportation fee			31,137,549.07
Depreciation expense	40,674,581.86	26,562,776.63	21,866,039.10
Business fee	16,823,700.96	12,947,149.87	17,884,487.81
Property rental fee	5,550,504.68	12,927,460.21	8,607,712.02
Others	37,593,298.86	23,255,847.59	49,419,263.04
Total	2,109,190,634.47	1,838,782,678.99	2,171,677,428.76

(52) Administrative expenses

Item	2021	2020	2019
Employee benefit expense.	309,898,731.59	269,299,468.52	239,588,485.42
Depreciation expense	118,990,573.52	125,592,674.80	107,956,777.16
Consult service fee.	109,253,561.81	40,189,201.44	54,374,113.88
Traveling expense	20,165,224.94	17,383,722.78	23,830,857.99
Business fee	45,590,325.55	28,327,511.70	34,763,822.69
Property rental fee	25,930,434.29	33,397,393.20	27,191,450.85
Business entertainment expense.	20,935,128.07	13,926,967.24	14,478,958.37
Amortization fee	27,951,074.43	24,898,331.88	18,864,534.40
Water, electricity and steam	9,577,523.99	6,626,702.36	6,876,414.22
Others	60,051,053.32	47,033,899.51	58,070,703.88
Total	748,343,631.51	606,675,873.43	585,996,118.86

(53) Research and development expenses

Item	2021	2020	2019
Employee benefit expense	396,855,629.61	311,927,071.17	231,988,346.08
Materials consumed, energy expense, and testing expense	249,471,294.94	203,291,279.22	129,495,177.14
Depreciation and amortization expense	90,046,759.40	73,746,650.62	30,383,120.78
Design and clinical trial fee	64,031,118.43	35,568,468.98	42,401,196.19
Commissioned external research and development expense	39,628,885.60	53,257,279.61	54,340,364.11
Others	67,907,649.67	58,343,420.52	55,305,735.22
Total	907,941,337.65	736,134,170.12	543,913,939.52

(54) Financial expenses

Item	2021	2020	2019
Interest expenses	228,486,195.36	268,918,253.85	321,704,202.89
Including: Interest expenses for lease liabilities	7,542,571.33		
Less: Interest income	57,585,210.52	43,160,025.55	44,351,724.18
Net exchange losses/gains	-6,577,845.21	26,956,566.95	-6,815,755.16
Unrealized financing income	-998,247.37	-1,141,713.63	-1,582,912.72
Service fee	8,435,519.36	15,092,113.13	10,919,205.55
Total	171,760,411.62	266,665,194.75	279,873,016.38

(55) Other income

Item	2021	2020	2019
Government grants	77,552,473.79	58,845,892.48	24,720,695.22
Additional deductions for input VAT	870,881.07	594,895.43	2,724,096.68
Withholding individual income tax commission	1,094,915.05	1,519,663.13	416,523.03
Others	374.99	226,867.26	
Total	79,518,644.90	61,187,318.30	27,861,314.93

Government grants involved into other income

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Hainan Ecological Software Park subsidy	10,046,692.40			Relating to revenue
The technical transformation project with annual output of 300 tons of atorvastatin intermediate A8, 500 tons of key intermediate L1, and 300 tons of atorvastatin calcium L4	5,534,000.00			Relating to revenue
Software tax return	4,633,803.19			Relating to revenue
Tax reduction and exemption	4,307,157.35			Relating to revenue
Industrial support subsidy	4,250,698.33			Relating to revenue
Subsidies for innovative development	3,974,048.00	1,303,350.00		Relating to revenue
Tax refund	3,498,651.77	7,364,904.35	7,815,138.52	Relating to revenue
Novel fully degradable polymer scaffolds	3,086,005.48	2,200,000.00	1,833,333.33	Relating to assets
Specialized and special Little Giant project	2,550,000.00			Relating to revenue
Funds for science and technology development	2,400,000.00	3,184,900.00	1,050,300.00	Relating to revenue
Financial subsidies for R&D projects	2,179,000.00	1,786,002.00	446,198.00	Relating to revenue
Cardiovascular system regeneration and repair key product development project	2,148,025.70			Relating to revenue
High-quality development support funds for enterprises	2,045,209.00			Relating to revenue
Financial subsidies of governments at all levels	1,748,174.31			Relating to revenue
Subsidies for vocational skills training	1,318,000.00			Relating to revenue
The first batch of funds for biomedical industry international market access certification project in 2020	1,312,327.89			Relating to revenue
Rewards for enterprises' efforts for economic development	1,290,000.00	847,000.00		Relating to revenue
High-level talent development funds	1,270,000.00	1,634,049.66	230,046.59	Relating to revenue
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment	1,133,333.29			Relating to assets

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Development of digestive ultrasonic endoscopy and key components—development of high-frequency ultrasonic endoscopy system	1,130,000.00			Relating to revenue
Patent subsidy	1,039,475.00	463,640.00	566,437.00	Relating to revenue
Provincial advanced manufacturing industry development special fund recognition (Certification reward)	1,000,000.00			Relating to revenue
The intellectual property leader of zhongguancun and the key demonstration enterprise high-end propulsion project support funds	1,000,000.00			Relating to revenue
The exhibition subsidies	983,451.40			Relating to revenue
Others	980,144.37	803,866.17	569,571.96	Relating to revenue
Research and development of electronic composite imaging system in respiratory cavity	710,000.00			Relating to revenue
Subsidies for stabilizing employment	633,513.74	2,682,091.51		Relating to revenue
Research and development funds of enterprises	618,000.00			Relating to revenue
2020 Meritorious enterprise award	500,000.00			Relating to revenue
Subsidies for certified high-tech enterprises	500,000.00	750,000.00		Relating to revenue
Special grants for intellectual property	468,145.00	996,300.00	5,000.00	Relating to revenue
Central government funds for infrastructure investment	431,000.04	431,000.04	431,000.04	Relating to assets
Lepu pharmaceutical innovative drug R&D service platform	425,044.32			Relating to assets
Research and development of implantable dual-chamber pacemakers	405,000.00	540,000.00	540,000.00	Relating to assets
Enterprise recruitment subsidy	401,537.10			Relating to revenue
The second batch of municipal special funds in 2021	400,000.00			Relating to revenue
Innovation voucher subsidy funds	394,131.00	322,828.00	197,124.00	Relating to revenue
Annual output of 3 billion tablets of solid preparation project	388,119.65	388,119.66	161,716.55	Relating to assets
Special support subsidies for producer services and cultural and creative industries	380,000.00			Relating to revenue

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Supporting funds for improving the international operation capacity of foreign trade enterprises in Beijing	378,866.00			Relating to revenue
Unemployment compensation	320,974.98			Relating to revenue
Postdoctoral program subsidy	320,000.00			Relating to revenue
Special fund of nanomembrane single riveting sealing device development project	313,140.00			Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement	310,600.30			Relating to revenue
National interventional cardiology medical instruments & engineering technology research center	300,000.00			Relating to assets
Heart pacemaker R&D and production base	280,000.00			Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickle-free surface	260,000.04	260,000.04	260,000.04	Relating to assets
Special fund of product industrialization project of new single riveting surface nickel-free sealing device	260,000.04	260,000.04	260,000.04	Relating to assets
Conformance evaluation—Benzene sulfonic acid	260,000.04			Relating to assets
2020 manufacturing high-quality "one excellent two strong" competition to reward goods procurement subsidies	253,619.47			Relating to revenue
Foreign trade subsidies	248,176.00	700,096.00		Relating to revenue
Municipal academician work cooperation project subsidy	240,000.00			Relating to revenue
Enterprise development fund	207,454.79			Relating to assets
The funds to support the insurance subsidies of the medical device section in Zhongguancun Demonstration Zone and the foreign registration certification project	204,200.00			Relating to revenue
National high-tech enterprise revenue incremental contribution award	200,000.00			Relating to revenue

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Esomeprazole sodium for injection production and construction project	193,749.60			Relating to assets
Vaccination site subsidies	153,500.00			Relating to revenue
Special funds for business development	151,896.00	1,534,573.97		Relating to revenue
Subsidies for technological upgrading projects of small and medium-sized enterprises	145,239.52	145,239.52	145,239.52	Relating to assets
Science and technology award fund of Wujin National High-tech Zone in 2020	138,200.00			Relating to revenue
Special funds of Baoji Municipal Government	129,410.00	129,410.00	129,410.00	Relating to assets
Childbirth allowance	114,933.69			Relating to revenue
Industry reform leader by output value per acre in Jiaojiang District for 2020	100,000.00			Relating to revenue
Enterprise informatization project subsidy	100,000.00			Relating to revenue
Scale rewards for small and micro enterprises	100,000.00	400,000.00		Relating to revenue
Subsidies for the inspection center project	99,999.96			Relating to assets
Subsidies for job-for-training	67,600.00	183,500.00		Relating to revenue
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials	66,999.94			Relating to assets
Land subsidies	49,533.93			Relating to assets
Unemployment insurance benefits refunded by the government	41,691.16	774,887.05		Relating to revenue
Clean energy subsidies	30,000.00			Relating to assets
"Specialization and innovation" subsidy		450,000.00		Relating to revenue
Special bonus of volatile organic compounds treatment project for 2018		100,000.00		Relating to revenue
Supporting funds for the node construction of Huoju Development Zone health and pharmaceutical industry introduction project for 2019		474,000.00		Relating to revenue

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Supporting funds for the second batch of Industrial Design Development Support Scheme for 2020		140,000.00		Relating to revenue
Conformance evaluation—Benzene sulfonic acid		260,000.04	476,000.04	Relating to assets
Capital subsidies for manufacturers of epidemic prevention materials		6,000,000.00		Relating to revenue
Research on key technologies in the field of implantable interventional devices and equipment for heart disease in China National Interventional Cardiology Medical Instruments & Engineering Technology Research Center		300,000.00	300,000.00	Relating to assets
Special fund of nanomembrane single riveting sealing device development project		313,140.00	313,140.00	Relating to assets
Others		267,515.21	123,889.19	Relating to assets
Salary subsidy for enterprise talent introduction and recommendation		714,104.20		Relating to revenue
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment of Shenzhen Finance Committee		911,111.18	1,533,700.65	Relating to assets
Provincial enterprise technology center subsidy		150,000.00		Relating to revenue
Enterprise above designated size of four categories rewards		200,000.00		Relating to revenue
Online technology market subsidies		480,000.00		Relating to revenue
Item [2011] No. 6: Funds for supporting enterprise development—land repayment		207,454.79	207,454.79	Relating to assets
Funds for industry incentive projects		599,000.00		Relating to revenue
Government subsidy for sewage pipe reconstruction project of medical and chemical enterprise		249,400.00		Relating to revenue
Park tax rebate support		16,351,679.88		Relating to revenue
Reduction and exemption of self-employment retired soldiers		412,500.00	356,250.00	Relating to revenue

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Zhejiang University 13th Five-Year Project		180,229.17		Relating to revenue
Shanghai special fund for guiding the development of service industry			800,000.00	Relating to revenue
Special fund for technological innovation capacity construction of Zhongguancun National Independent Innovation Demonstration Zone			758,146.50	Relating to revenue
Subsidy from Shenzhen Science, Technology and Innovation Commission			723,000.00	Relating to revenue
Project subsidy for enhancing international operation capacity			518,195.00	Relating to revenue
Project fund of Beijing Municipal Science and Technology Commission			500,000.00	Relating to revenue
Losartan potassium hydrochlorothiazide tablet process improvement technology special fund subsidy			500,000.00	Relating to revenue
Manufacturing industry support funds for 2019			500,000.00	Relating to revenue
Jiaojiang District Finance Bureau Zero balance Account Jiaojiang District Commerce Bureau (at the same level)			448,200.00	Relating to revenue
Beijing Municipal Commission of Commerce government subsidy			408,574.00	Relating to revenue
Short-term export insurance credit insurance support funds			385,235.00	Relating to revenue
Taizhou Jiaojiang District economic informatization pharmaceutical industry development special fund			300,000.00	Relating to revenue
Zhongguancun technical standard support fund			247,500.00	Relating to revenue
Foreign trade reward			114,500.00	Relating to revenue
Social security bureau subsidy			104,008.48	Relating to revenue
Technology support—left atrial appendage occluder system			100,000.00	Relating to revenue

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Special fund for supporting gazelle enterprises in the financial center of Baoji High-tech Industrial Development Zone			100,000.00	Relating to revenue
Taizhou Jiaojiang District Economic Informatization and Science and Technology Bureau Lepu Pharmaceutical supporting funds			100,000.00	Relating to revenue
Domestic market development project of Shenzhen Small and Medium Enterprise Service Bureau			93,320.00	Relating to revenue
Social security bureau subsidy			69,065.98	Relating to revenue
Total	77,552,473.79	58,845,892.48	24,720,695.22	

(56) Investment income

Item	2021	2020	2019
Gain on long-term equity investments accounted for using equity method	-152,253,735.93	-142,769,061.70	-77,208,050.45
Investment income from disposal of long-term equity investments	289,413.99	1,051,515.23	257,452.01
Investment income from disposal of financial assets held-for-trading	8,934,906.81	3,588,336.78	
Investment income received from investments in other equity instruments during holding period	67,132.09		12,427,783.18
Investment income from disposal of other non current financial assets	-297,809,977.57		70,993,008.72
Others	43,888,865.82	-15,669,666.64	188,590,399.55
Total	-396,883,394.79	-153,798,876.33	195,060,593.01

Notes:

1) Other investment gains obtained in 2021 mainly include the loss of RMB44,030,378.85 caused by the re-measurement of the original equity held by Beijing Huaco Healthcare Technologies Co., Ltd. in accordance with the fair value before the purchase date, which is realized by the Company step by step to merge enterprises under different control. See "VI. Changes in scope of consolidation" for details.

2) Other investment gains in 2020 mainly include the loss of RMB10,324,993.04 resulting from the re-measurement of the original equity held by Shaanxi Xingtai Biotechnology Co., Ltd. according to the fair value before the purchase date, which is realized by the Company step by step to merge enterprises not under the same control. For details, see "VI Changes in scope of consolidation". The investment income obtained from the disposal of other non-current financial assets is the impact of the disposal of 9,871,000 Junshi Biosciences shares on the year 2020.

3) Other investment gains obtained in 2019 are mainly gains of RMB189,208,541.06 from the re-measurement of the original equity held by the Company according to the fair value before the purchase date of enterprise merger under different control. For details, see "VI. Changes in scope of consolidation".

(57) Gain/loss on change in fair value

Source of gain on change in fair value	2021	2020	2019
Financial assets held-for-trading		628,580.82	
Other non-current financial assets	29,340,000.00	451,005,990.00	161,983,110.00
Financial liabilities held-for-trading		223,459.88	
Total	29,340,000.00	451,858,030.70	161,983,110.00

(58) Loss on impairment of credit

Item	2021	2020	2019
Loss on bad debts of accounts receivable	13,223,865.23	38,482,568.47	34,001,625.07
Loss on bad debts of other receivables	9,144,384.80	-630,819.36	135,823,394.30
Loss on bad debts of long-term receivables (including due within 1 year)	7,539,314.55	-314,900.42	4,036,095.59
Loss on bad debts of interest receivable			530,790.44
Total	29,907,564.58	37,536,848.69	174,391,905.40

(59) Loss on impairment of assets

Item	2021	2020	2019
Loss on impairment of inventories/contract performance cost	9,422,445.23	6,651,420.02	6,235,695.37
Loss on impairment of construction in process	25,669.57		
Loss on impairment of intangible asset		14,326,182.02	
Loss on impairment of long-term equity investments			55,382,668.66
Loss on impairment of goodwill			108,041,741.10
Loss on impairment of research and development expenditure			36,363,865.97
Total	9,448,114.80	20,977,602.04	206,023,971.10

(60) Gains from disposal of assets

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Gain or loss from disposal of non-current assets	19,900,661.89	2,288,329.64	4,119,193.02	19,900,661.89	2,288,329.64	4,119,193.02
Total	19,900,661.89	2,288,329.64	4,119,193.02	19,900,661.89	2,288,329.64	4,119,193.02

(61) Non-operating income

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Government grants	58,827,227.61	67,753,991.00	103,958,532.55	58,827,227.61	67,753,991.00	103,958,532.55
Others	4,825,925.00	5,068,134.34	2,903,444.58	4,825,925.00	5,068,134.34	2,903,444.58
Total	63,653,152.61	72,822,125.34	106,861,977.13	63,653,152.61	72,822,125.34	106,861,977.13

Breakdown of government grants included into non-operating income

Grant Item	2021	2020	2019	Relating to assets/revenue
Support funds for enterprise development	54,546,600.00	59,822,100.00	76,105,897.47	Relating to revenue
Special fund for local technology development guided by the central government in 2021	2,000,000.00			Relating to revenue
Financial subsidies for R&D projects	950,000.00	1,810,000.00		Relating to revenue
Subsidies received from Xinyi Municipal Government for investment promotion subsidy	436,693.00	1,856,173.00	2,178,096.00	Relating to revenue
Others	307,914.61			Relating to revenue
City's industrial and economic development award fund in 2019	300,000.00			Relating to revenue
Park Reward	120,000.00			Relating to revenue
Subsidies for vocational skills training	97,040.00	110,928.00	314,107.41	Relating to revenue
Creation academician expert workstation project subsidy	30,000.00			Relating to revenue
Technician subsidy	25,000.00	130,000.00		Relating to revenue
Talent Development Fund	10,680.00			Relating to revenue
Refund of disability insurance	3,300.00	1,800.00		Relating to revenue
Subsidy funds for emergency supplies		3,340,000.00		Relating to revenue
Municipal industrial and economic development award funds		300,000.00		Relating to revenue
Park tax rebate support		116,000.00		Relating to revenue
Award and subsidy project of Zhoukou science and technology plan in 2019		100,000.00		Relating to revenue
Return of sewage charges		51,792.00		Relating to revenue

Grant Item	2021	2020	2019	Relating to assets/revenue
Epidemic prevention subsidies		25,315.00		Relating to revenue
Subvention of Beijing Shunyi District Market Supervision Administration		23,000.00		Relating to revenue
Budget of provincial award funds for Science and technology Awards of Henan Province and state science and technology awards in 2018		20,000.00		Relating to revenue
"Development and Progress Award" of Shanghai Xinmin economic development company		20,000.00		Relating to revenue
Patent subsidy		17,100.00		Relating to revenue
Subsidy of market supervision administration		4,550.00		Relating to revenue
Shunyi District Bureau of economy and information technology		2,100.00		Relating to revenue
High-level talent development fund		1,733.00		Relating to revenue
Employment security subsidy		1,400.00		Relating to revenue
Taizhou Jiaojiang district employment management service office unemployment insurance return			3,964,386.03	Relating to revenue
Atorvastatin calcium tablet one-off evaluation subsidy award of Taizhou Jiaojiang District Market Supervision Administration			3,000,000.00	Relating to revenue
Government subsidy for science and technology little giant project			3,000,000.00	Relating to revenue
Hainan Ecological Software Park subsidy			7,494,765.59	Relating to revenue
Special subsidies for development of pharmaceutical enterprises			2,060,000.00	Relating to revenue
R&D subsidies for enterprise			1,940,000.00	Relating to revenue
Provincial advanced manufacturing industry development special fund			1,000,000.00	Relating to revenue
Subsidies for stabilizing employment			716,331.95	Relating to revenue
High-tech enterprise rewards			530,000.00	
Foreign trade development funds			434,300.00	Relating to revenue

Grant Item	2021	2020	2019	Relating to assets/revenue
Jiaojiang Financial Enterprise Meritorious Service Award			360,000.00	Relating to revenue
Science and technology awards			200,000.00	Relating to revenue
Taizhou Jiaojiang District People's Government Haimen Sub-district office enterprise economic work award			122,000.00	Relating to revenue
Subsidy for foreign trade exhibitors of Wujin High-tech Zone			106,400.00	Relating to revenue
Government rewards			65,267.86	Relating to revenue
International exhibition subsidy of Shenzhen Economic, Trade and Information Commission			60,000.00	Relating to revenue
Rent subsidies for small and micro enterprises			52,900.00	Relating to revenue
Postdoctoral work supporting funds of Changping District			50,000.00	Relating to revenue
Supporting subsidies for the development of self-owned brands			50,000.00	Relating to revenue
Subsidies for improving international operation capacity			40,774.00	Relating to revenue
Social Security Bureau maternity subsidy			38,878.76	Relating to revenue
International exhibition government subsidy of Zhongshan Municipal Bureau of Commerce			24,840.00	Relating to revenue
Acre contribution award of High-tech Zone Management Committee			20,000.00	Relating to revenue
Financial leasing support funds			12,837.48	Relating to revenue
Rewards for commended enterprise at the Annual Industry Promotion Conference			10,000.00	Relating to revenue
Beijing Changping District Disabled Persons' Federation subsidy			3,750.00	Relating to revenue
Zhongguancun promotion innovation subsidy			3,000.00	Relating to revenue
Total	58,827,227.61	67,753,991.00	103,958,532.55	

(62) Non-operating expenses

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Donation	19,107,063.13	10,194,402.95	1,739,805.00	19,107,063.13	10,194,402.95	1,739,805.00
Loss on retirement of damaged non-current assets	2,368,972.12	2,661,493.58	502,402.44	2,368,972.12	2,661,493.58	502,402.44
Others	40,627,575.00	5,830,723.66	2,615,920.89	40,627,575.00	5,830,723.66	2,615,920.89
Total	62,103,610.25	18,686,620.19	4,858,128.33	62,103,610.25	18,686,620.19	4,858,128.33

(63) Income tax expense

1) Breakdown of income tax expense

Item	2021	2020	2019
Current income tax expenses	432,089,045.12	296,444,645.40	359,585,754.56
Deferred tax expenses	-66,355,711.49	29,789,977.32	-20,121,920.32
Total	365,733,333.63	326,234,622.72	339,463,834.24

2) Accounting profit and income tax expense adjustment process

Item	2021	2020	2019
Total profit	2,146,151,981.06	2,203,313,189.91	2,063,255,554.12
Income tax expenses calculated at statutory/applicable tax rate	536,537,995.26	550,504,202.34	515,813,888.53
Impact of different tax rates for subsidiaries	-257,612,985.59	-215,819,184.21	-188,443,300.18
Impact of adjustment for income tax for previous period			
Impact of non-taxable income			-2,584,454.74
Impact of non-deductible costs, expenses and losses	92,047,065.06	58,090,410.06	39,882,776.03
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognized	-14,470,688.86	-13,424,810.89	-2,629,819.73
Impact of deductible temporary differences for which no deferred tax assets are recognized for the year or deductible losses	95,599,153.54	20,024,295.06	28,425,119.78
Other additional deductible expense under the tax regulations	-138,008,955.26	-68,811,174.96	-50,885,328.29
Change in the beginning deferred income tax asset/liability balance due to tax rate adjustment	51,641,749.48	-4,329,114.68	
Others			-115,047.16
Income tax expense	365,733,333.63	326,234,622.72	339,463,834.24

(64) Items of cash flow statements

1) Cash received relating to other operating activities

Item	2021	2020	2019
Interest income	52,864,902.24	43,445,572.72	32,971,848.40
Government grants	34,773,373.65	53,104,714.66	77,869,794.32
Transactions received	82,788,671.30	77,986,193.65	52,778,166.54
Total	170,426,947.19	174,536,481.03	163,619,809.26

2) Cash paid relating to other operating activities

Item	2021	2020	2019
Payments of selling, administrative and research expenses	2,273,785,841.22	2,103,534,256.93	2,195,176,167.76
Transactions paid	49,638,852.50	118,310,573.47	79,795,761.99
Total	2,323,424,693.72	2,221,844,830.40	2,274,971,929.75

3) Cash received relating to other investing activities

Item	2021	2020	2019
Financing product recovered	133,729,898.59	313,000,000.00	
Loans and interest recovered	58,251,200.00	162,299,604.11	
Equity transfer fund recovered			2,000,000.00
Investment deposits recovered			3,978,333.33
Total	191,981,098.59	475,299,604.11	5,978,333.33

4) Cash paid relating to other investing activities

Item	2021	2020	2019
Lending funds	145,998,384.94	58,600,000.00	133,268,812.78
Financing product paid	113,729,898.59	333,000,000.00	
Performance bond paid		1,435,478.00	
Others		1,937,500.00	
Total	259,728,283.53	394,972,978.00	133,268,812.78

5) Cash received relating to other financing activities

Item	2021	2020	2019
Capital increment with liquidation preference	609,740,000.00		
Note margin recovered		8,556,722.49	7,199,277.48
Private placement deposits received		134,000,000.00	
Other deposit received		91,740,000.00	80,000,000.00
Others	10,000,000.00	22,650,000.00	
Total	619,740,000.00	256,946,722.49	87,199,277.48

6) Cash payments for other financing activities

Item	2021	2020	2019
Financing intermediary fees paid		10,000,000.00	6,970,000.00
Payment for the acquisition of minority interests	121,879,281.08	173,752,308.41	263,899,132.57
Stock repurchase	109,909,846.27		158,286,298.88
Payment for the loan of the original shareholders of the subsidiary			3,866,585.00
Payment for capital increment deposit		134,000,000.00	
Payment for notes deposit	41,250,723.59		
Payment for financial deposit	59,282,351.55		
Payment for rental fee	78,890,625.72		
Others	7,823,191.15	17,664,236.00	
Total	419,036,019.36	335,416,544.41	433,022,016.45

(65) Supplementary information on consolidated cash flow statement

1) Supplementary information on consolidated cash flow statement

Supplementary information	2021	2020	2019
1. Reconciliation of net profit and cash flows from operating activities:			
Net profit	1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
Add: Loss on impairment of credit	29,907,564.58	37,536,848.69	174,391,905.40
Loss on impairment of assets	9,448,114.80	20,977,602.04	206,023,971.10
Depreciation of fixed assets	252,383,807.34	211,183,688.45	180,719,921.30
Depreciation of oil and gas assets			
Depreciation of right-of-use assets	56,368,953.31		
Amortization of intangible assets	139,989,433.94	177,024,740.27	103,770,797.41
Amortization of long-term deferred expenses	72,831,322.44	54,919,436.92	40,572,478.22
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	-19,900,661.89	-2,288,329.64	-4,119,193.02
Loss on retirement of fixed assets (gain expressed with "-")	2,368,972.12	2,661,493.58	502,402.44
Loss on changes in fair value (gain expressed with "-")	-29,340,000.00	-451,858,030.70	-161,983,110.00
Financial expenses (gain expressed with "-")	228,486,195.36	268,918,253.85	321,704,202.89
Loss on investments (gain expressed with "-")	396,883,394.79	153,798,876.33	-195,060,593.01
Decrease in deferred income tax assets (increase expressed with "-")	42,573,163.75	-35,758,476.31	-47,164,104.93
Increase in deferred income tax liabilities (decrease expressed with "-")	-108,928,875.24	65,548,453.63	27,042,184.61

Supplementary information	2021	2020	2019
Decrease in inventories (increase expressed with "-")	-494,734,589.73	-422,851,296.64	-205,590,839.93
Decrease in operating receivables (increase expressed with "-")	42,846,201.68	-32,719,040.47	-252,498,192.58
Increase in operating payable (decrease expressed with "-")	660,390,207.03	165,526,517.70	78,151,513.71
Others			
Net cash flows from operating activities	3,061,991,851.71	2,089,699,304.89	1,990,255,063.49
2. Significant investing and financing activities not involving cash receipts or payments:			
Conversion of debts into capital			
Convertible corporate bonds due within one year			
Fixed assets acquired under financing lease arrangement			
3. Net changes in cash and cash equivalents			
Ending balance of cash	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Less: Beginning balance of cash	2,391,237,259.98	1,791,659,837.49	1,997,082,431.24
Add: Ending balance of cash equivalents			
Less: Beginning balance of cash equivalents			
Net increase in cash and cash equivalents	1,292,806,385.05	599,577,422.49	-205,422,593.75

2) Net cash paid during the period for acquiring subsidiaries

	2021	2020	2019
Cash or cash equivalents paid during the period for acquiring subsidiaries	542,685,658.94	127,364,430.00	291,894,162.08
Including: Aonuo (Qingdao) Pharmaceutical Co.Ltd	70,000,000.00		
Beijing Huaco Healthcare Technologies Co., Ltd	102,276,155.38		
Suzhou Bonsmile Medical Technology Co., Ltd	138,178,603.00		
Tianjin Jiumijiu Optometry Technology Co.Ltd	120,000,000.00		
Xizang Tianqiong Technology Development Co., Ltd	112,230,900.56		
IPE Biotechnology Co., Ltd		88,839,630.00	
Shaanxi Xingtai Biotechnology Co., Ltd. Shaanxi Co., Ltd.		36,774,800.00	
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd		1,750,000.00	
Liaoning Bo'ao Biopharmaceutical Co., Ltd			120,000,000.00

	2021	2020	2019
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)			171,894,162.08
Shenzhen Viatom Technology Co., Ltd			
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	89,679,757.32	14,422,823.48	50,998,928.20
Including: Aonuo (Qingdao) Pharmaceutical Co.Ltd	447,476.56		
Beijing Huaco Healthcare Technologies Co., Ltd	118,933.28		
Suzhou Bonsmile Medical Technology Co., Ltd	5,321,172.30		
Tianjin Jiumijiu Optometry Technology Co.Ltd	83,791,711.52		
Xizang Tianqiong Technology Development Co., Ltd	463.66		
IPE Biotechnology Co., Ltd		12,763,758.06	
Shaanxi Xingtai Biotechnology Co., Ltd. Shaanxi Co., Ltd.		1,623,461.44	
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd		35,603.98	
Liaoning Bo'ao Biopharmaceutical Co., Ltd			4,290,504.31
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)			41,196,701.00
Shenzhen Viatom Technology Co., Ltd			5,511,722.89
Add: Cash or cash equivalents paid in current period for acquisition occurred in prior periods			
Net cash paid during the period for acquiring subsidiaries	453,005,901.62	112,941,606.52	240,895,233.88

3) Net cash received for the disposal of subsidiaries during the reporting period

	2021	2020	2019
Cash and cash equivalents received in relation to the disposal of subsidiaries during the year	191,030.79	5,895,200.00	
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd	191,030.79		
Hainan MSD Pharmaceutical Co., Ltd		5,895,200.00	
Less: Cash and cash equivalents held by subsidiaries at the date of loss of control	38,429.20	2,640,613.60	

	2021	2020	2019
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd.	38,429.20		
Hainan MSD Pharmaceutical Co., Ltd.		2,640,613.60	
Add: Cash or cash equivalents received in current period for disposal occurred in prior periods .			
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd			
Hainan MSD Pharmaceutical Co., Ltd			
Net cash received from the disposal of subsidiaries	152,601.59	3,254,586.40	

4) Cash and cash equivalents

Item	2021.12.31	2020.12.31	2019.12.31
I. Cash	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Including: Cash on hand.	534,460.52	553,295.19	1,525,673.61
Bank deposits available for use on demand	3,665,546,009.77	2,380,733,805.28	1,780,761,961.13
Other cash at bank and on hand for use on demand	17,963,174.74	9,950,159.51	9,372,202.75
II. Cash equivalents			
Including: Investments in bonds maturing within three months			
III. Cash and cash equivalents at the end of the year	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Including: Restricted cash and cash equivalents used by the Company or intra-group subsidiaries.			

(66) Assets subject to restrictions in ownership or use right

Item	Carrying value			Reasons for restrictions
	2021.12.31	2020.12.31	2019.12.31	
Cash at bank and on hand	112,968,260.19	39,729,742.20	162,320,386.02	Acceptance deposit, fixed deposit and frozen funds
Receivable financing.	53,988,547.12	20,958,529.67	23,413,152.62	Pledge billing
Notes receivable . . .			6,074,593.42	Pledge billing
Fixed assets	151,760,779.68	190,405,194.25	234,112,506.68	Mortgage, financing
Intangible assets . . .	635,166,666.24	680,847,041.76	706,920,023.28	Long-term loan collateral for infrastructure projects

Item	Carrying value			Reasons for restrictions
	2021.12.31	2020.12.31	2019.12.31	
Long-term equity investments	757,499,286.26	2,244,134,156.98	2,729,787,742.34	M&A loan corresponding to the pledge of the target company's equity
Investment properties		12,839,552.40	13,491,503.84	M&A loan mortgage
Total	1,711,383,539.49	3,188,914,217.26	3,876,119,908.20	

Notes:

1) The long-term equity investment with limited ownership in 2021 mainly consists of the 45% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company.

2) Long-term equity investment with limited ownership in 2020 mainly consists of 96% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. and 98.05% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by the Company.

3) The long-term equity investment with limited ownership in 2019 mainly consists of 96% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company and 98.05% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by Shanghai Shape Memory Alloy Material Co., Ltd., a secondary subsidiary of the Company.

(67) Foreign currency monetary items

Foreign currency monetary items

31 December 2021

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand			663,050,365.62
Including: USD	100,405,532.42	6.3757	640,155,553.05
EUR	2,145,652.07	7.2197	15,490,964.25
HKD	63,421.03	0.8176	51,853.03
INR	53,076,266.14	0.0857	4,548,636.01
SGD	444,635.60	4.7179	2,097,746.30
JPY	8,047,625.00	0.0554	445,959.14
GBP	15,637.23	8.6064	134,580.26
AUD	27,060.49	4.6220	125,073.58
Accounts receivable			116,398,653.34
Including: USD	16,932,417.01	6.3757	107,956,011.10
EUR	311,986.38	7.2197	2,252,448.07
INR	72,230,970.51	0.0857	6,190,194.17
Other receivables			315,039.74
Including: USD	8,611.87	6.3757	54,906.70
EUR	21,900.60	7.2197	158,115.76
INR	1,190,400.00	0.0857	102,017.28
Accounts payable			35,284,384.35
Including: USD	2,531,580.24	6.3757	16,140,596.14
EUR	2,641,933.23	7.2197	19,073,965.34

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
HKD	3,530.00	0.8176	2,886.13
INR	781,058.82	0.0857	66,936.74
Other payables			5,680,338.68
Including: USD	561,337.38	6.3757	3,578,918.73
EUR	257,362.91	7.2197	1,858,083.00
INR	2,839,404.34	0.0857	243,336.95
Other non-current assets			571,156,845.38
Including: USD	89,583,394.04	6.3757	571,156,845.38

31 December 2020

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand			461,919,352.80
Including: USD	69,606,610.82	6.5249	454,176,174.91
EUR	632,562.04	8.0250	5,076,310.37
HKD	6,897.26	0.8416	5,805.01
INR	29,864,680.69	0.0891	2,661,062.51
Accounts receivable			100,183,580.91
Including: USD	13,838,633.57	6.5249	90,295,700.21
EUR	599,035.83	8.0250	4,807,262.57
INR	57,018,968.10	0.0891	5,080,618.13
Other receivables			6,994,039.01
Including: USD	689,598.11	6.5249	4,499,558.69
EUR	294,396.79	8.0250	2,362,534.23
INR	1,480,810.00	0.0891	131,946.09
Accounts payable			24,072,030.63
Including: USD	3,360,766.63	6.5249	21,928,666.20
EUR	226,092.19	8.0250	1,814,389.82
JPY	4,266,139.00	0.0632	269,619.98
INR	666,127.51	0.0891	59,354.63
Other payables			1,181,594.59
Including: USD	136,141.00	6.5249	888,306.43
EUR	18,136.20	8.0250	145,543.02
INR	1,658,120.22	0.0891	147,745.14

Note: As of 31 December 2020, the bank loan balance contains EUR23 million euros and USD10 million, which have been locked in the exchange rate through the agreement. The converted exchange rate is 7.7487 and 7.70740 respectively, and the converted amount is RMB178.2201 million and RMB70.7400 million respectively.

31 December 2019

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand			235,721,224.03
Including: USD	28,570,258.84	6.9762	199,311,839.72
EUR	4,354,593.84	7.8155	34,033,328.13
HKD	6,897.26	0.8958	6,178.43
SGD	579.16	5.1739	2,996.52
INR	24,147,105.26	0.0979	2,364,943.34
AUD	396.76	4.8843	1,937.89
Accounts receivable			127,431,663.79
Including: USD	16,574,004.71	6.9762	115,623,571.66
EUR	883,309.63	7.8155	6,903,506.42
INR	50,077,963.96	0.0979	4,904,585.71
Other receivables			2,580,515.73
Including: USD	22,786.74	6.9762	158,964.86
EUR	309,839.53	7.8155	2,421,550.87
HKD			
Other non current assets			114,962,801.00
Including: USD	15,660,935.00	6.9762	109,253,814.75
EUR	730,469.74	7.8155	5,708,986.25
Accounts payable			16,429,559.35
Including: USD	309,877.70	6.9762	2,161,768.81
EUR	1,825,576.17	7.8155	14,267,790.54
Other payables			5,375,098.70
Including: USD	593,973.17	6.9762	4,143,675.66
EUR	155,934.17	7.8155	1,218,703.51
INR	129,872.00	0.0979	12,719.53
Long term loans			78,154,999.96
Including: EUR	10,000,000.00	7.8155	78,154,999.96

Note: The Company's subsidiaries, Lepu Medical (Europe) Coöperatief U.A and Netherlands Comed B.V, were located in the Netherlands, using EUR as their accounting currency. Its subsidiary, LepuCare (India) Vascular Solutions Private Limited, operates mainly in India and adopts INR as its accounting currency. Lepu Holdings Limited, G Fund and Lepu (Hong Kong) Co.,Limited adopt USD dollar as their accounting standard currency. At the end of the period, foreign currency statements shall be converted in accordance with the accounting Standards for Enterprises.

(68) Government grants

1) Government grants relating to assets

Item	Amount	Item presented	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
			2021	2020	2019	
Novel fully degradable polymer scaffolds	13,805,684.00	Deferred income	3,086,005.48	2,200,000.00	1,833,333.33	Other income
SIAT-40 Research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment	4,400,000.00	Deferred income	1,133,333.29	911,111.18	1,533,700.65	Other income
Support funds for enterprise development	42,188,000.00	Deferred income	853,720.08	853,720.08	426,860.04	Construction in process
Central government funds for infrastructure investment	8,620,000.00	Deferred income	431,000.04	431,000.04	431,000.04	Other income
Lepu Pharmaceutical innovative drug R&D service platform	4,270,000.00	Deferred income	425,044.32	24,481.32		Other income
Research and development of implantable dual-chamber pacemakers	2,700,000.00	Deferred income	405,000.00	540,000.00	540,000.00	Other income
Annual output of 3 billion tablets of solid preparation project	4,080,000.00	Deferred income	388,119.65	388,119.66	161,716.55	Other income
Special funds for project on development of nano-film single-rivet occluders	1,565,700.00	Deferred income	313,140.00	313,140.00	313,140.00	Other income
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center	2,400,000.00	Deferred income	300,000.00	300,000.00	300,000.00	Other income
Heart pacemaker R&D and production base	34,300,000.00	Deferred income	280,000.00			Other income
Conformance evaluation—Benzene sulfonic acid	1,300,000.00	Deferred income	260,000.04	260,000.04		Other income

Item	Amount	Item presented	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
			2021	2020	2019	
Special funds for the product industrialization project of new type of single-rivet occluders with nickle-free surface.	1,300,000.00	Deferred income	260,000.04	260,000.04	260,000.04	Other income
Special funds for the industrialization project of new type of single-rivet occluders with nickle-free surface.	1,300,000.00	Deferred income	260,000.04	260,000.04	260,000.04	Other income
Enterprise development fund	10,286,300.00	Deferred income	207,454.79	207,454.79	207,454.79	Other income
Esomeprazole sodium for injection production and construction project . . .	2,600,000.00	Deferred income	193,749.60			Other income
Subsidies for technological upgrading projects of small and medium-sized enterprises	916,816.27	Deferred income	145,239.52	145,239.52	145,239.52	Other income
Special funds of Baoji Municipal Government.	1,294,100.00	Deferred income	129,410.00	129,410.00	129,410.00	Other income
Subsidies for the inspection center project.	3,000,000.00	Deferred income	99,999.96			Other income
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials . .	670,000.00	Deferred income	66,999.94	33,500.00		Other income
Land subsidies	7,661,247.59	Deferred income	49,533.93	49,533.93	198,135.72	Other income
Clean energy subsidies. . .	300,000.00	Deferred income	30,000.00	60,000.00	60,000.00	Other income
Special funds for 120 ambulance equipment . .	130,000.00	Deferred income				
Medical safety inspection and testing public service platform project funds.	3,000,000.00	Deferred income		99,999.96	99,999.97	Other income

2) Government grants relating to revenue

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Support funds for enterprise development	114,368,700.00	54,546,600.00	59,822,100.00	76,105,897.47	Non-operating income
Hainan Ecological Software Park subsidy	10,046,692.40	10,046,692.40		7,494,765.59	Other income
The technical transformation project with annual output of 300 tons of atorvastatin intermediate A8, 500 tons of key intermediate L1, and 300 tons of atorvastatin calcium L4	5,534,000.00	5,534,000.00			Other income
Software tax return	4,633,803.19	4,633,803.19			Other income
Tax reduction and exemption	4,307,157.35	4,307,157.35			Other income
Industrial support subsidy	4,250,698.33	4,250,698.33			Other income
Subsidies for innovative development	5,277,398.00	3,974,048.00	1,303,350.00		Other income
Tax refund	10,863,556.12	3,498,651.77	7,364,904.35	7,815,138.52	Other income
Specialized and special Little Giant project	2,550,000.00	2,550,000.00			Other income
Funds for science and Technology development	5,584,900.00	2,400,000.00	3,184,900.00	1,050,300.00	Other income
Financial subsidies for R&D projects	3,965,002.00	2,179,000.00	1,786,002.00	446,198.00	Other income
Cardiovascular system regeneration and repair key product development project	2,148,025.70	2,148,025.70			Other income
High-quality development support funds for enterprises	2,045,209.00	2,045,209.00			Other income
Special fund for local technology development guided by the central government in 2021	2,000,000.00	2,000,000.00			Non-operating income
Financial subsidies of governments at all levels	1,748,174.31	1,748,174.31			Other income
Subsidies for vocational skills training	1,318,000.00	1,318,000.00			Other income
The first batch of funds for biomedical industry international market access certification project in 2020	1,312,327.89	1,312,327.89			Other income
Rewards for enterprises' efforts for economic development	2,137,000.00	1,290,000.00	847,000.00		Other income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
High-level talent development funds	2,904,049.66	1,270,000.00	1,634,049.66	230,046.59	Other income
Development of digestive ultrasonic endoscopy and key components—development of high-frequency ultrasonic endoscopy system	1,130,000.00	1,130,000.00			Other income
Patent subsidy	1,503,115.00	1,039,475.00	463,640.00	566,437.00	Other income
Provincial Advanced Manufacturing Development Special Fund Recognition (Certification reward)	1,000,000.00	1,000,000.00			Other income
The intellectual property leader of zhongguancun and the key demonstration enterprise high-end propulsion project support funds	1,000,000.00	1,000,000.00			Other income
Exhibition subsidies	983,451.40	983,451.40			Other income
Others	1,776,560.54	980,144.37	796,416.17	690,206.04	Other income
Research and development subsidies	2,760,000.00	950,000.00	1,810,000.00	1,940,000.00	Non-operating income
Research and development of ultrasonic electronic composite imaging system for respiratory cavity	710,000.00	710,000.00			Other income
Subsidies for stabilizing employment	3,315,605.25	633,513.74	2,682,091.51		Other income
Research and development funds of enterprises	618,000.00	618,000.00			Other income
2020 Meritorious Enterprise Award	500,000.00	500,000.00			Other income
Subsidies for certified high-tech enterprises	1,250,000.00	500,000.00	750,000.00		Other income
Special grants for intellectual property	1,464,445.00	468,145.00	996,300.00	5,000.00	Other income
Subsidies received from Xinyi Municipal Government for investment promotion subsidy	2,292,866.00	436,693.00	1,856,173.00	2,178,096.00	Non-operating income
Enterprise recruitment subsidy	401,537.10	401,537.10			Other income
The second batch of municipal special funds in 2021	400,000.00	400,000.00			Other income
Innovation voucher subsidy funds	716,959.00	394,131.00	322,828.00	197,124.00	Other income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Special support subsidies for producer services and cultural and creative industries	380,000.00	380,000.00			Other income
Supporting funds for the project of improving the international operation capacity of foreign trade enterprises in Beijing	378,866.00	378,866.00		518,195.00	Other income
Unemployment compensation	320,974.98	320,974.98			Other income
Postdoctoral program subsidy	320,000.00	320,000.00			Other income
Special funds for research and development of medical materials and tissue and organ repair and replacement	310,600.30	310,600.30			Other income
Others	476,704.61	307,914.61	168,790.00		Non-operating income
Municipal industrial and economic development award funds	600,000.00	300,000.00	300,000.00		Non-operating income
2020 manufacturing high-quality "one excellent two strong" competition to reward goods procurement subsidies	253,619.47	253,619.47			Other income
Foreign trade subsidies	948,272.00	248,176.00	700,096.00		Other income
Municipal academician work cooperation project subsidy	240,000.00	240,000.00			Other income
The funds to support the insurance subsidies of the medical device section in Zhongguancun Demonstration Zone and the foreign registration of the certification project	204,200.00	204,200.00			Other income
National high-tech enterprise revenue incremental contribution award	200,000.00	200,000.00			Other income
Vaccination site subsidies	153,500.00	153,500.00			Other income
Special funds for business development	1,686,469.97	151,896.00	1,534,573.97	408,574.00	Other income
Science and technology award fund of Wujin National High-tech Zone in 2020	138,200.00	138,200.00			Other income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Park Reward	120,000.00	120,000.00			Non-operating income
Childbirth allowance	114,933.69	114,933.69			Other income
Industry reform leader by output value per acre in Jiaojiang District for 2020	100,000.00	100,000.00			Other income
Enterprise informatization project subsidy	100,000.00	100,000.00			Other income
Scale rewards for small and micro enterprises	500,000.00	100,000.00	400,000.00		Other income
Vocational training subsidy	207,968.00	97,040.00	110,928.00	314,107.41	Non-operating income
Subsidies for job-for-training	251,100.00	67,600.00	183,500.00		Other income
Unemployment insurance benefits refunded by the government	816,578.21	41,691.16	774,887.05		Other income
Academician expert workstation creation project subsidy	30,000.00	30,000.00			Non-operating income
Technician subsidy	155,000.00	25,000.00	130,000.00		Non-operating income
Talent Development Fund	10,680.00	10,680.00			Non-operating income
Refund of disability insurance	5,100.00	3,300.00	1,800.00		Non-operating income
Capital subsidies for manufacturers of epidemic prevention materials	6,000,000.00		6,000,000.00		Other income
Salary subsidy for enterprise talent introduction and recommendation	714,104.20		714,104.20		Other income
Provincial enterprise technology center subsidy	150,000.00		150,000.00		Other income
Enterprise above designated size of four categories enterprise rewards	200,000.00		200,000.00		Other income
Online technology market subsidies	480,000.00		480,000.00		Other income
New industry projects incentive	599,000.00		599,000.00		Other income
Government subsidy for sewage pipe reconstruction project of medical and chemical enterprise	249,400.00		249,400.00		Other income
Park tax rebate support	16,351,679.88		16,351,679.88		Other income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Reduction and exemption of self-employment retired soldiers	412,500.00		412,500.00	356,250.00	Other income
Zhejiang University 13th Five-Year Project	180,229.17		180,229.17		Other income
"Specialization and innovation" subsidy	450,000.00		450,000.00		Other income
Supporting funds for the second batch of Industrial Design Development Support Scheme	140,000.00		140,000.00		Other income
Special rewards for volatile organic compounds treatment Project.	100,000.00		100,000.00		Other income
Supporting funds for the node construction of Huoju Development Zone health and pharmaceutical industry introduction project	474,000.00		474,000.00		Other income
Health and pharmaceutical industry introduction project district government rent subsidy	7,450.00		7,450.00	474,000.00	Other income
Subsidy funds for emergency supplies	3,340,000.00		3,340,000.00		Non-operating income
Park tax return support	116,000.00		116,000.00		Non-operating income
Taizhou Jiaojiang District Employment Management Service office unemployment insurance return				3,964,386.03	Non-operating income
Taizhou Jiaojiang District Market Supervision Administration of atorvastatin calcium tablet one-off evaluation subsidy award				3,000,000.00	Non-operating income
Science and Technology Little Giant project government subsidy				3,000,000.00	Non-operating income
Special subsidies for development of pharmaceutical enterprises				2,060,000.00	Non-operating income
Provincial advanced manufacturing industry development special fund				1,000,000.00	Non-operating income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Special fund for technological innovation capacity construction of Zhongguancun National Independent Innovation Demonstration Zone				758,146.50	Other income
Subsidy from Shenzhen Science, Technology and Innovation Commission				723,000.00	Other income
Subsidies for stabilizing employment				716,331.95	Non-operating income
Shanghai Special Fund for guiding the development of service industry				800,000.00	Other income
High-tech Enterprise Award				530,000.00	Non-operating income
Project fund of Beijing Science and Technology Commission				500,000.00	Other income
Losartan potassium hydrochlorothiazide tablet process improvement technology special fund subsidy				500,000.00	Other income
Manufacturing industry support funds				500,000.00	Other income
Jiaojiang District Finance Bureau Zero balance Account Jiaojiang District Commerce Bureau (at the same level)				448,200.00	Other income
Foreign trade development Funds				434,300.00	Non-operating income
Short-term export insurance credit insurance support funds				385,235.00	Other income
Jiaojiang Financial Enterprise Meritorious Service Award				360,000.00	Non-operating income
Taizhou Jiaojiang District economic informatization pharmaceutical industry development special fund				300,000.00	Other income
Zhongguancun technical standard support fund				247,500.00	Other income
Science and technology awards				200,000.00	Non-operating income

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Taizhou Jiaojiang District People's Government Haimen Sub-district Office enterprise economic work award				122,000.00	Non-operating income
Foreign trade reward				114,500.00	Other income
Foreign trade exhibition subsidy of Wujin High-tech Zone				106,400.00	Non-operating income
Social security bureau subsidy				104,008.48	Other income

(69) Leases

1) As lessee

Item	2021
Interest expense of lease liabilities	7,542,571.33
Expense of short-term leases included in the relevant asset cost or the current profit or loss under simplified treatment	9,558,788.68
Total cash outflow related to leases	78,890,625.72

There is no anticipated cash outflows from leases committed but not yet commenced of the company in future years.

VI. Changes in scope of consolidation

(1) Business combinations not under common control

1. Business combinations not under common control that occurred during the reporting period

2019

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	2019/7/31	440,000,000.00	55.00	Cash	2019/7/31	Achieved effective control and completed business registration changes		-2,446,064.83
Shanghai Yocaly Health Management Co., Ltd.	2019/7/31	444,806,064.66	61.27	Cash	2019/7/31	Achieved effective control and completed business registration changes	15,448,659.16	-15,537,345.82
Shenzhen Viatom Technology Co., Ltd.	2019/12/31	110,000,000.00	100.00	Cash; Equity	2019/12/31	Achieved effective control and completed business registration changes		

2020

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
IPE Biotechnology Co., Ltd	2020/4/1	161,526,600.00	57.00	Cash	2020/4/1	Achieved effective control and completed business registration changes	44,443,961.13	9,207,496.91
Shaanxi Xingtai Biotechnology Co., Ltd.	2020/8/21	49,033,066.67	100.00	Cash	2020/8/21	Achieved effective control and completed business registration changes		-1,917,260.09
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd..	2020/7/28	1,750,000.00	100.00	Cash	2020/7/28	Achieved effective control and completed business registration changes	1,372,483.18	417,483.31

2021

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
Aonuo (Qingdao) Pharmaceutical Co., Ltd..	2021/7/20	70,000,000.00	100.00	Cash	2021/7/20	Achieved effective control and completed business registration changes	477,268.11	-1,110,090.41
Tibet Tiandome Technology Development Co., Ltd.	2021/9/10	112,230,900.60	100.00	Cash	2021/9/10	Achieved effective control and completed business registration changes		-1,489,590.33
Beijing Huaco Healthcare Technologies Co., Ltd.	2021/10/1	296,936,884.64	87.50	Cash	2021/10/1	Achieved effective control and completed business registration changes	551,344.37	-10,474,825.28
Suzhou Bonsmile Medical Technology Co., Ltd.	2021/8/23	254,634,348.00	73.43	Cash	2021/8/23	Achieved effective control and completed business registration changes	2,812,331.79	-6,330,844.41
Tianjin Jiumijiu Optometry Technology Co., Ltd.	2021/12/27	300,000,000.00	70.00	Cash	2021/12/27	Achieved effective control and completed business registration changes		

2. Cost of combination and goodwill

2019

	Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	Shanghai Yocaly Health Management Co., Ltd.	Shenzhen Viatom Technology Co., Ltd.
Combination cost			
— Cash	120,000,000.00	171,894,162.09	
— Fair value of non-cash assets			
— Fair value of debt issued or assumed			
— Fair value of equity securities issued			66,000,000.00
— Fair value of contingent consideration			
— Fair value of equity interests held before purchase date on acquisition date	320,000,000.00	272,911,902.57	44,000,000.00
— Others			
Total consolidation cost	440,000,000.00	444,806,064.66	110,000,000.00
Less: fair value share of identifiable net assets obtained	181,053,482.27	105,108,725.11	43,291,397.24
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired	258,946,517.73	339,697,339.55	66,708,602.76

2020

	IPE Biotechnology Co., Ltd	Shaanxi Xingtai Biotechnology Co., Ltd.	Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd.
Combination cost			
— Cash	161,526,600.00	36,774,800.00	1,750,000.00
— Fair value of non-cash assets			
— Fair value of debt issued or assumed			
— Fair value of equity securities issued			
— Fair value of contingent consideration			
— Fair value of equity interests held before purchase date on acquisition date		12,258,266.67	
— Others			
Total consolidation cost	161,526,600.00	49,033,066.67	1,750,000.00
Less: fair value share of identifiable net assets obtained	158,747,880.31	5,413,888.94	-4,622,201.50
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired	2,778,719.69	43,619,177.73	6,372,201.50

2021

	Aonuo (Qingdao) Pharmaceutical Co., Ltd.	Tibet Tiandome Technology Development Co., Ltd.	Beijing Huaco Healthcare Technologies Co., Ltd.	Suzhou Bonsmile Medical Technology Co., Ltd.	Tianjin Jiumijiu Optometry Technology Co., Ltd.
Combination cost					
— Cash	70,000,000.00	112,230,900.60	226,223,228.00	254,634,348.00	300,000,000.00
— Fair value of non-cash assets					
— Fair value of debt issued or assumed					
— Fair value of equity securities issued					
— Fair value of contingent consideration					
— Fair value of equity interests held before purchase date on acquisition date			70,713,656.64		
— Others					
Total consolidation cost	70,000,000.00	112,230,900.60	296,936,884.64	254,634,348.00	300,000,000.00
Less: fair value share of identifiable net assets obtained	-15,693,914.06	112,230,900.60	157,288,131.94	132,080,722.80	146,025,292.78
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired	85,693,914.06		139,648,752.70	122,553,625.20	153,974,707.22

3. Gains or losses arising from the remeasurement of equity interests held prior to the acquisition date at fair value

Name of acquiree	Carrying value at the date of purchase of the original holding before the acquisition date	Fair value at the date of purchase of the original holding before the acquisition date	Gains or losses arising from the re measurement of the original equity held before the acquisition date at the fair value	Determination method and main assumptions to fair value at the date of purchase of the original holding before the acquisition date	Amount of other comprehensive income related to the original equity held before the acquisition date transferred to investment income/retained income
Beijing Huaco Healthcare Technologies Co., Ltd.	26,683,217.79	70,713,656.64	44,030,378.85	Fair market price	
Shaanxi Xingtai Biotechnology Co., Ltd	22,583,259.71	12,258,266.67	-10,324,993.04	Fair market price	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	217,563,293.88	320,000,000.00	102,436,706.12	Fair market price	
Shanghai Yocaly Health Management Co., Ltd.	194,701,702.36	272,911,902.57	78,210,200.21	Fair market price	
Shenzhen Viatom Technology Co., Ltd.	35,438,365.27	44,000,000.00	8,561,634.73	Fair market price	

4. Relevant explanations on the consolidation consideration or the identifiable assets of the acquiree and the fair value of liabilities that cannot be determined with reasonable certainty on the purchase date or at the end of the period of the relevant consolidation

(2) Disposal of subsidiaries

1. Lose control of a subsidiary upon a single disposal of investment

2020

Name of subsidiary	Equity disposal price	Proportion of equity disposal (%)	Method of equity disposal	Time point for loss of control	Basis for determining time point for loss of control	Differences between the disposal price and the share of net assets of the subsidiary at the level of consolidated financial statements corresponding to the disposal of investment	Proportion of remaining equity on the date of loss of control	Carrying value of the remaining equity interest at the date of loss of control	Fair value of the remaining equity interest at the date of loss of control	Gain or loss arising from remeasurement of the remaining equity interest at fair value	Determination method and main assumptions of the fair value of the remaining equity on the date of loss of control	Amount transferred from other comprehensive income related to equity investment of original subsidiaries to investment profit and loss
Hainan MSD Pharmaceutical Co., Ltd. . . .	7,894,750.00	68.65	Disposal	2020/1/19	All rights and obligations relating to the underlying equity interest have been transferred	1,051,515.23	6,843,234.77	7,894,750.00				

(3) Changes in consolidation scope for other reasons

1. On 13 May 2020, the Company made a contribution of RMB20 million to establish Lepu International Holdings (Shenzhen) Co., Ltd. with a 100% shareholding. As at 31 December 2020, the actual contribution was RMB3.5 million.

2. On 27 May 2020, the Company made a capital contribution of RMB117.65 million to establish Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd, with a shareholding ratio of 85%. As at 31 December 2020, the actual contribution was RMB9.5 million.

3. On 1 September 2020, the Company contributed RMB10 million to establish Yinchuan Lepu Internet Hospital Co., Ltd., with a 100% shareholding, and as at 31 December 2020, the actual capital contribution was RMB2 million.

4. On 1 September 2020, the Company made a capital contribution of RMB100 million to establish Lepu Guanzhi Biotechnology Co., Ltd, with a 70% shareholding, which had not been contributed as at 31 December 2020.

5. On 24 November 2020, Lepu Medical (Shenzhen) International Development Center Co., Ltd., a secondary subsidiary of the Company, established Lepu (Hong Kong) Co., Limited with a 100% shareholding, which has not been funded as at 31 December 2020.

6. On 28 June 2020, the Company made a capital contribution of RMB117.65 million to establish Lepu Youkang (Beijing) Pharmaceutical Technology Co., Ltd, with a shareholding ratio of 85%, and as at 31 December 2020, the actual capital contribution was RMB10 million.

7. On 3 June 2021, the Company made a capital contribution of RMB20 million to establish Lepu Qianshi Digital Technology (Shanghai) Co., Ltd, with a 100% shareholding. As at 31 December 2021, the actual capital contribution was RMB20 million.

8. On 12 November 2021, the Company made a capital contribution of RMB5 million to establish Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd, with a 100% shareholding. As at 31 December 2021, the actual capital contribution was RMB300,000.

9. On 21 December 2021, the Company made a capital contribution of RMB20 million to establish Lepu (Beijing) Medical Technology Co., Ltd with a 100% shareholding. As at 31 December 2021, no capital contribution has been made.

VII. Equity in other entities

(1) Equity in subsidiaries

1. Composition of enterprise group

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31 Proportion of shareholding (%)		2020.12.31 Proportion of shareholding (%)		2019.12.31 Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.. .	Hefei	Hefei	Investment	70.00		70.00		70.00		Business combination not under common control
IPE Biotechnology Co., Ltd..	Beijing	Beijing	Manufacturing industry			91.66				Business combination not under common control
Aonuo (Qingdao) Pharmaceutical Co., Ltd..	Qingdao	Qingdao	Manufacturing industry	100.00						Business combination not under common control
Beijing Guoyihui Healthcare Technology Co., Ltd..	Beijing	Beijing	Technology development	100.00		100.00		100.00		Business combination not under common control
Beijing Haihetian Technology Development Co., Ltd..	Beijing	Beijing	Technology development	71.39	5.00	71.39		71.39		Business combination not under common control
Beijing Huaco Healthcare Technologies Co., Ltd..	Beijing	Beijing	Technology development	87.50						Business combination not under common control
Beijing JWJ Science & Technology Development Co., Ltd..	Beijing	Beijing	Manufacturing industry	51.00		51.00		51.00		Business combination not under common control

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31 Proportion of shareholding (%)		2020.12.31 Proportion of shareholding (%)		2019.12.31 Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Beijing Lejian Medical Investment Co., Ltd.	Beijing	Beijing	Medical investments	60.00		60.00		60.00		Business combination not under common control
Beijing Lepu Growth Investment Management Co., Ltd.	Beijing	Beijing	Investment	100.00		100.00		100.00		Establishment
Beijing Lepucare Technology Co., Ltd.	Beijing	Beijing	Trading	100.00		100.00		100.00		Business combination not under common control
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikangtongda Medical Technology Co., Ltd.)	Beijing	Beijing	Manufacturing industry	100.00		100.00				Establishment
Beijing Lepu Tongxin Technology Co., Ltd.	Beijing	Beijing	Trading	70.00		70.00		70.00		Establishment
Beijing Lepu Intelligent Medical Technology Co., Ltd.	Beijing	Beijing	Manufacturing industry					70.00		Establishment
Beijing Lepu Medical Technology Co., Ltd. (used name: Beijing Lepu Medical Technology Co., Ltd)	Beijing	Beijing	Manufacturing industry	93.22	1.09	93.22	1.06	100.00		Establishment
Beijing Ruixiang Taikang Technology Co., Ltd.	Beijing	Beijing	Trading	100.00		100.00		100.00		Establishment
Beijing Star GK Medical Device Co., Ltd.	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control
Beijing Tiandi Hexie Technology Co., Ltd.	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31 Proportion of shareholding (%)		2020.12.31 Proportion of shareholding (%)		2019.12.31 Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Hainan MSD Pharmaceutical Co., Ltd.	Haikou	Haikou	Trading					68.65		Business combination not under common control
Lepu (Beijing) Medical Technology Co., Ltd.	Beijing	Beijing	Technology development	100.00						Establishment
Lepu Medical Equipment (Beijing) Co., Ltd.	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control
Lepu Medical (Europe) Coöperatief U.A.	Holland	Holland	Investment	99.95	0.05	99.95	0.05	99.00	1.00	Establishment
Lepu Medical (Shenzhen) International Development Center Co., Ltd.	Shenzhen	Shenzhen	Manufacturing industry	100.00		100.00		100.00		Establishment
Lepu (Shenzhen) Financial Holding Co., Ltd.	Shenzhen	Shenzhen	Investment	100.00		100.00		100.00		Establishment
Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd.	Shenzhen	Shenzhen	Trading	100.00						Establishment
Lepu (Shenzhen) Medical Technology Co., Ltd.	Shenzhen	Shenzhen	Investment	100.00		100.00		100.00		Establishment
Lepu Guanzhi Biotechnology Co., Ltd.	Beijing	Beijing	Manufacturing industry	70.00		70.00				Establishment
Lepu International Holdings (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Trading	100.00		100.00				Establishment
Lepu Qianshi Digital Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100.00						Establishment
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing industry	85.00		85.00				Establishment
Lepu Scientech (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	85.48	0.86					Establishment

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31 Proportion of shareholding (%)		2020.12.31 Proportion of shareholding (%)		2019.12.31 Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Lepu Pharmaceutical Co., Ltd.	Henan	Henan	Manufacturing industry	99.00	1.00	99.00	1.00	99.00	1.00	Business combination not under common control
Lepu Medical Electronics Technology Co., Ltd.	Baoji	Baoji	Manufacturing industry	98.89		98.89		98.89		Business combination not under common control
Lepuyoukang (Beijing) Pharmaceutical Technology Co., Ltd.	Beijing	Beijing	Manufacturing industry	70.00		70.00				Establishment
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	Benxi	Benxi	Manufacturing industry	55.00		55.00		55.00		Business combination not under common control
Luoyang Lepu Hospital Co., Ltd.	Luoyang	Luoyang	Investment					100.00		Establishment
Ningbo Bingkun Medical Technology Co., Ltd.	Ningbo	Ningbo	Investment	100.00		98.05				Business combination not under common control
Qingdao Minyi Investment Center (Limited Partnership)	Qingdao	Qingdao	Investment	95.00		95.00		95.00		Establishment
Shanghai Shape Memory Alloy Material Co., Ltd.	Shanghai	Shanghai	Manufacturing industry			100.00		100.00		Business combination not under common control
Shaanxi Xingtai Biotechnology Co., Ltd	Shaanxi	Shaanxi	Manufacturing industry	100.00		100.00				Business combination not under common control
Shanghai Lepu CloudMed Co., Ltd (used name: Shanghai Yocaly Health Management Co. Ltd)	Shanghai	Shanghai	Manufacturing industry	45.12	23.35	45.12	23.35			Business combination not under common control
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd.	Shenzhen	Shenzhen	Manufacturing industry	70.00		70.00		70.00		Business combination not under common control

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31 Proportion of shareholding (%) Direct	2021.12.31 Proportion of shareholding (%) Indirect	2020.12.31 Proportion of shareholding (%) Direct	2020.12.31 Proportion of shareholding (%) Indirect	2019.12.31 Proportion of shareholding (%) Direct	2019.12.31 Proportion of shareholding (%) Indirect	Acquisition method
Shenzhen Purwell Medical Technology Co., Ltd..	Beijing	Beijing	Manufacturing industry	70.00		70.00		51.00		Business combination not under common control
Shenzhen Sonolepu Medical Technology Co., Ltd..	Shenzhen	Shenzhen	Manufacturing industry	65.00		65.00		65.00		Establishment
Suzhou Bonsmile Medical Technology Co., Ltd..	Suzhou	Suzhou	Manufacturing	73.43						Business combination not under common control
Tianjin Yuhengjia Medical Technology Co., Ltd..	Tianjin	Tianjin	Investment	100		100		100		Business combination not under common control
Tibet Tiandome Technology Development Co., Ltd..	Lhasa	Lhasa	Investment	100						Business combination not under common control
Xiangcheng Lepu Hospital Management Co., Ltd.	Xiangcheng	Xiangcheng	Investment	100		100		100		Establishment
Yinchuan Lepu Internet Hospital Co., Ltd..	Yinchuan	Yinchuan	Manufacturing industry	100		100				Establishment
Zhejiang Lepu Pharmaceutical Co., Ltd..	Taizhou	Taizhou	Manufacturing industry	98.95		98.95		98.95		Business combination not under common control
Yantai Addcare Bio-Tech Limited Company	Yantai	Yantai	Manufacturing industry			95		77.71		Business combination not under common control

Note:

1. In 2019, the Company acquired Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. and Shanghai Yocaly Health Management Co., Ltd. as its subsidiaries through business combination not under common control, and established its subsidiary Lepu (Shenzhen) Medical Technology Co., Ltd by injecting capital.

2. The Company and its subsidiary Shanghai Shape Memory Alloy Material Material Co., Ltd (hereinafter referred to as "Shanghai Shape") signed the *Equity Transfer Agreement of Ningbo Bingkun Investment Holding Co., Ltd* in December 2020. The Company paid RMB109,800.00 in cash to purchase 98.05% equity of Ningbo Bingkun Investment Holding Co., Ltd. (hereinafter referred to as "Ningbo Bingkun") held by Shanghai Shape. Upon completion of the acquisition, the Company directly holds 98.05% of the equity of Ningbo Bingkun, which has been changed from a tertiary subsidiary of Lepu Medical to a secondary subsidiary.

2. Significant non-wholly owned subsidiaries

31 December 2021

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing Lejian Medical Investment Co., Ltd.	40.00%	15,944,297.89		48,853,253.48
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	45.00%	-4,807,210.64		138,143,250.18
Beijing JWJ Science & Technology Development Co., Ltd.	49.00%	1,687,780.71		22,448,323.56
Beijing Haihetian Technology Development Co., Ltd.	23.61%	3,896,944.32		21,618,205.68

31 December 2020

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing Lejian Medical Investment Co., Ltd.	40.00%	11,003,384.73		32,947,978.46
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	45.00%	-4,083,477.33		142,950,460.82
Beijing JWJ Science & Technology Development Co., Ltd.	49.00%	982,894.45		20,760,542.86
Beijing Haihetian Technology Development Co., Ltd.	28.61%	3,701,327.02		22,299,449.77

31 December 2019

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing JWJ Science & Technology Development Co., Ltd.	49.00%	3,377,103.24	4,900,000.00	24,543,796.45
Beijing Lejian Medical Investment Co., Ltd.	40.00%	-433,148.62		22,067,926.94
Yantai Addcare Bio-Tech Limited Company	22.28%	5,964,577.17		33,602,175.40
Shanghai Yocaly Health Management Co., Ltd.	31.53%	-6,017,909.25		185,398,433.15
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	45.00%	-1,100,729.17		147,033,938.14

3. Key financial information of significant non-wholly owned subsidiaries

31 December 2021

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd.	152,397,218.19	103,955,353.49	256,352,571.68	59,870,547.69	63,733,583.62	123,604,131.31
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	21,064,008.51	531,630,615.35	552,694,623.86	169,673,132.02	76,036,491.43	245,709,623.45
Beijing JWJ Science & Technology Development Co., Ltd..	42,478,240.86	5,678,955.70	48,157,196.56	2,019,834.13	324,457.20	2,344,291.33
Beijing Haihetian Technology Development Co., Ltd.	110,213,993.96	11,335,891.85	121,549,885.81	29,931,445.94	54,671.64	29,986,117.58

31 December 2020

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd.	128,409,229.76	37,028,761.28	165,437,991.04	75,599,482.54	471,517.17	76,070,999.71
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	28,520,333.95	504,818,706.49	533,339,040.44	139,546,093.74	76,125,255.99	215,671,349.73
Beijing JWJ Science & Technology Development Co., Ltd..	39,048,926.99	4,344,833.35	43,393,760.34	1,025,305.53		1,025,305.53
Beijing Haihetian Technology Development Co., Ltd.	85,813,308.44	15,918,280.92	101,731,589.36	23,677,675.04	111,062.97	23,788,738.01

31 December 2019

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd.	88,705,185.66	46,425,637.67	135,130,823.33	74,729,077.63		74,729,077.63
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	33,873,478.24	447,475,662.97	481,349,141.21	83,390,061.30	71,216,995.16	154,607,056.46
Beijing JWJ Science & Technology Development Co., Ltd..	53,000,922.32	3,051,970.85	56,052,893.17	2,855,560.09		2,855,560.09
Shanghai Yocaly Health Management Co., Ltd..	212,636,760.52	481,401,857.93	694,038,618.45	75,331,628.63	30,349,126.28	105,680,754.91
Yantai Addcare Bio-Tech Limited Company	119,753,291.61	80,626,109.66	200,379,401.27	38,914,653.34	7,757,999.93	46,672,653.27

2021

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd.	243,213,918.66	43,536,301.73	43,381,449.04	76,221,122.64
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	12,660.56	-10,682,690.30	-10,682,690.30	5,322,396.86
Beijing JWJ Science & Technology Development Co., Ltd.	13,415,623.91	3,444,450.42	3,444,450.42	5,081,405.99
Beijing Haihetian Technology Development Co., Ltd.	121,403,917.46	13,620,916.88	13,620,916.88	20,013,570.72

2020

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd.	191,767,409.53	29,454,663.12	28,965,245.63	17,426,872.51
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	94,339.62	-9,074,394.04	-9,074,394.04	349,305.20
Beijing JWJ Science & Technology Development Co., Ltd.	10,378,270.41	2,005,907.04	2,005,907.04	-3,137,560.01
Beijing Haihetian Technology Development Co., Ltd.	85,076,197.58	12,937,179.38	12,937,179.38	18,118,956.68

2019

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd.	170,510,080.56	-1,550,995.39	-1,406,120.34	4,282,890.08
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.		-2,446,064.83	-2,446,064.83	-11,242,387.81
Beijing JWJ Science & Technology Development Co., Ltd.	16,960,454.94	6,892,047.42	6,892,047.42	9,238,011.74
Shanghai Yocaly Health Management Co., Ltd.	76,483,272.45	-13,473,711.32	-13,473,711.32	-6,865,163.77
Yantai Addcare Bio-Tech Limited Company	145,316,324.14	27,742,413.10	27,742,413.10	28,071,789.16

(2) Transactions in which the share of ownership interest in a subsidiary changes but the subsidiary remains under control

1. Effect of the transaction on minority interests and profits attributable to shareholders of the Company

2021

	Lepu Scientech Medical Technology (Shanghai) Co., Ltd	Ningbo Xiyue Business Management Partnership (Limited Partnership)	Ningbo Jingran Enterprise Management Partnership (Limited Partnership)	Beijing Lepu Gene Technology Co., Ltd.	Ningbo Bingkun Medical Technology Co., Ltd.	Beijing Haihetian Technology Development Co., Ltd.
Acquisition cost/consideration for disposal						
— Cash	51,284,210.16	-80,920.00	-161,840.00	-42,917,466.66	-21,830,000.00	
Total acquisition cost/consideration for disposal	51,284,210.16	-80,920.00	-161,840.00	-42,917,466.66	-21,830,000.00	-12,119,672.29
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed	14,128,018.14	-102,236.95	-204,961.55	-12,337,520.04	-9,422,519.86	-4,578,096.85
Differences	37,156,192.02	21,316.95	43,121.55	-30,579,946.62	-12,407,480.14	-7,541,575.44
Including: adjustment to capital surplus.	37,156,192.02	21,316.95	43,121.55	-30,579,946.62	-12,407,480.14	-7,541,575.44

Notes:

1) In 2021, Lepu Scientech Medical Technology (Shanghai) Co., Ltd and Ningbo Jiadu and Ningbo Jiacheng signed the *Capital Increase Agreement for Lepu Scientech (Shanghai) Co., Ltd*., agreeing that Ningbo Jiadu and Ningbo Jiacheng will increase the capital of Lepu Scientech Medical Technology (Shanghai) Co., Ltd with RMB31,796,210 million and RMB19,488,000 million respectively. After the completion of the capital increase, the Company directly and indirectly hold a total of 95% equity of Lepu Scientech Medical Technology (Shanghai) Co., Ltd, Ningbo Jiadu and Ningbo Jiacheng respectively hold 3.1% and 1.9% equity of Lepu Scientech Medical Technology (Shanghai) Co., Ltd after the capital increase.

2) In 2021, the Company signed the *Share Transfer Agreement of Beijing Lepu Gene Technology Co., Ltd* with Ningbo Kaisheng and Ningbo Hengsheng Hengrui respectively. It is agreed that the company will acquire 7% equity of Lepu Gene held by Ningbo Kaisheng at RMB30,042,226.65, and 3% equity of LePu Gene held by Ningbo Hengsheng Hengrui at RMB12,875,240.01. After the completion of the acquisition, in addition to the original indirect holding of 90% of the Lepu Gene, the Company directly holds 10% of its equity.

3) In 2021, the Company and Shenzhen Qianhailute Technology Partnership (Limited Partnership) signed the *Share Transfer Agreement of Ningbo Bingkun Medical Technology Co., Ltd*, agreeing that the Company acquired its 1.95% equity of Ningbo Bingkun at RMB21,830,000.00. Upon completion of the acquisition, the Company holds 100% equity of Ningbo Bingkun.

4) In 2021, Lepu Growth and Li Weiqing signed the *Partnership Share Transfer Agreement on Ningbo Xinjingmao Investment Management Center (Limited Partnership)*, agreeing that Lepu Growth will acquire 1% of the partnership share of Ningbo Xinjingmao Investment Management Center (Limited Partnership) held by Lepu Growth at RMB85,691.21, thus indirectly holding 0.05% of the equity of Haihetian; Lepu Pharmaceutical Co., Ltd and Zhang Jianmin signed the *Partnership Share Transfer Agreement on Ningbo Xinjingmao Investment Management Center (Limited Partnership)*, agreeing that Lepu Pharmaceutical co., Ltd. acquired 99% of the partnership share of Ningbo Xinjingmao Investment Management Center (limited partnership) held by him at RMB8,483,430.13, thus indirectly holding 4.95% of the equity of Haihetian. After the completion of the acquisition, in addition to the original direct holding of 71.39% of the equity of Haihetian, the Company indirectly holds 5% of its equity.

2020

	Beijing Lepu Medical Technology Co., Ltd.	Yantai Addcare Bio-Tech Limited Company	Shenzhen Purwell Medical Technology Co., Ltd.	IPE Biotechnology Co., Ltd	Beijing Lepu Intelligent Medical Technology Co., Ltd.
Acquisition cost/consideration for disposal					
— Cash	5,673,290.00	97,927,083.65	5,700,000.00	98,219,508.00	
Total acquisition cost/consideration for disposal	5,673,290.00	97,927,083.65	5,700,000.00	98,219,508.00	
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed	18,751,822.61	26,748,975.22	667,385.65	97,527,386.43	-10,118,007.28
Differences	-13,078,532.61	71,178,108.43	5,032,614.35	692,121.57	10,118,007.28
Including: adjustment to capital surplus	-13,078,532.61			692,121.57	
Adjustment to surplus reserve		71,178,108.43	5,032,614.35		10,118,007.28

Notes:

(1) On 21 April 2020, Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the Company, signed the *Transfer Agreement* with Ningbo Meishan Free Trade Port Zhaohui Investment Management Center (Limited Partnership) and Ningbo Kaisheng Investment Management Center (Limited Partnership) respectively. It is agreed that Ningbo Meishan Free Trade Port Zhaohui Investment Management Center (Limited Partnership)and Ningbo Kaisheng Investment Management Center (limited partnership) will transfer 21.00% and 9.00% of their shares of Beijing Lepu Intelligent Medical Technology Co., Ltd. (hereinafter referred to as "Lepu Intelligent") to Beijing Lepu Medical Technology Co., Ltd. at zero price respectively. Upon completion of the transfer, Beijing Lepu Medical Technology Co., Ltd. holds 100% equity of Lepu Intelligent.

(2) On 14 May 2020, the shareholders' Meeting of Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the company, made a decision and agreed to transfer the 17.2844% equity of Yantai Addcare Bio-Tech Limited Company held by Liu Jie to Beijing Lepu Medical Technology Co., Ltd. On the same day, Beijing Lepu Medical Technology Co., Ltd. and Liu Jie signed the *Equity Transfer Agreement*, agreeing that Liu Jie will transfer its 17.2844% equity of Yantai Addcare Bio-Tech Limited Company to the company, the transfer price is RMB97,927,083.65. On 30 May 2020, the Company and Beijing Lepu Medical Technology Co., Ltd. signed the Equity Transfer Agreement, agreed that Beijing Lepu Medical Technology Co., Ltd. would transfer its 17.2844% equity to the Company with the transfer price of RMB9,79278,365. After the completion of the transfer, the Company holding 95% equity of Yantai Addcare Bio-Tech Limited Company.

(3) On 9 June 2020, the Company and Chen Xugui and Zhang Jian (hereinafter referred to as the "transferor") signed the *Equity Transfer Agreement on Shenzhen Purwell Medical Technology Co., Ltd*, in which the Company acquired 19% of the equity of Shenzhen Purwell Medical Technology Co., Ltd. Upon completion of the acquisition, the company holds 70% equity of Shenzhen Purwell Medical Technology Co., Ltd.

(4) On 29 June 2020, Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the company, held the third interim general meeting of shareholders in 2020 and agreed to increase the capital of Beijing Lepu Medical Technology Co., Ltd. by Ningbo Xiran Investment Management Center (limited partnership) to the Company by RMB25,319,460; Ningbo Shanhai Enterprise Management Partnership (limited partnership) increased the capital of The Company by RMB201,726,000, so the total capital of Beijing Lepu Medical Technology Co., Ltd. increased from RMB365,000,000 to RMB390,542,290,000. After the completion of the capital increase, the equity of Beijing Lepu Medical Technology Co., Ltd.held by Lepu Medical changed from 100% to 94.28%.

(5) On August 2020, the company and Beijing Tianxia Pule Medical Investment Co., Ltd, Beijing Aipu Youlian Investment Management Center (limited Partnership) (hereinafter referred to as the "transferors") signed the *Equity Transfer Agreement of IPE Biotechnology Co.,Ltd.*, the company acquired 34.66% shares of IPE Biotechnology Co., Ltd. from the transferor. Upon completion of the acquisition, the company holds 91.66% of the equity of IPE Biotechnology Co., Ltd.

2019

	Shenzhen Creative Industry Co., Ltd.	Shanghai Yocaly Health Management Co., Ltd.
Acquisition cost/consideration for disposal		
— Cash	58,000,000.00	
— Fair value of non-cash assets		396,159,080.21
Total acquisition cost/consideration for disposal	58,000,000.00	396,159,080.21
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed	31,376,791.45	354,266,841.55
Differences	26,623,208.55	41,892,238.66
Including: Adjustment to capital reserve	26,623,208.55	3,796,606.21
Adjustment to surplus reserve		38,095,632.45

(3) Interests in associates

1. Significant associates

Name of associates	Principal place of operations	Place of registration	Nature of business	2021.12.31 Proportion of shareholding (%)		2020.12.31 Proportion of shareholding (%)		2019.12.31 Proportion of shareholding (%)		Accounting treatment for investment in joint ventures or associates	Whether or not being strategic to the Company's activities
				Direct	Indirect	Direct	Indirect	Direct	Indirect		
Beijing QS Medical Technology Co., Ltd. . .	Beijing	Beijing	Manufacturing industry	18.18		20.20		20.20		Equity method	
Sichuan Rekind Medtec Inc.	Chengdu	Chengdu	Technology development	18.00		18.00		18.00		Equity method	
Lepu Biopharma Co., Ltd.	Shanghai	Shanghai	Technology development	14.71		15.10		20.00		Equity method	
Waterstone Pharmaceuticals Inc . . .	Wuhan	Cayman	Pharmaceutical R&D and Sales					25.00		Equity method	
Beijing Bound-Assegai Technical and Trade Co., Ltd.	Beijing	Beijing	Trading					42.11		Equity method	

Notes:

1) The Company has significant influence on the financial and operational decisions of Beijing QS Medical Technology Co., Ltd. by appointing a director into its board of director.

2) The Company holds 18% equity of Sichuan Rekind Medtec Inc and has significant influence on its financial and operating decisions by appointing a director to Sichuan Rekind Medtec Inc.

3) The Company, as the second largest shareholder of Lepu Biopharma Co., Ltd, has the same actual controller and chairman of the board of directors with Lepu Biopharma Co., Ltd., which has significant influence on its financial and operating decisions.

2. Key financial information on significant associates

31 December 2021/2021

	Beijing QS Medical Technology Co., Ltd.	Lepu Biopharma Co., Ltd.	Sichuan Rekind Medtec Inc.
Current assets	49,357,787.60	314,131,509.98	192,421,150.27
Non-current assets	30,054,128.57	1,767,929,892.67	295,881,745.31
Total assets	79,411,916.17	2,082,061,402.65	488,302,895.58
Current liabilities	10,156,733.43	549,056,793.23	39,389,273.21
Non-current liabilities		685,921,149.20	6,811,494.87
Total liabilities	10,156,733.43	1,234,977,942.43	46,200,768.08
Share of net assets based on percentage of shareholding	12,590,592.22	123,085,543.37	79,996,093.80
Adjustment matters	47,070,110.04		24,345,878.16
— Goodwill	47,070,110.04		24,345,878.16
Carrying value of equity investments in associates	59,660,702.26	123,085,543.37	104,341,971.96
Operating revenue	30,617,640.94	1,138,152.33	258,968,512.07
Net profit	-25,310,190.41	-1,018,365,959.27	68,602,184.95
Other comprehensive income		-11,817.94	
Total comprehensive income	-25,310,190.41	-1,018,377,777.21	68,602,184.95
Dividends received from associates during the period			

31 December 2020/2020

	Beijing QS Medical Technology Co., Ltd.	Lepu Biopharma Co., Ltd.	Sichuan Rekind Medtec Inc.
Current assets	45,192,451.94	843,349,711.38	171,472,733.64
Non-current assets	29,124,918.17	1,534,897,531.20	234,328,045.73
Total assets	74,317,370.11	2,378,247,242.58	405,800,779.37
Current liabilities	8,177,544.93	368,259,758.69	23,060,807.51
Non-current liabilities		506,134,052.83	7,155,555.56
Total liabilities	8,177,544.93	874,393,811.52	30,216,363.07
Share of net assets based on percentage of shareholding	15,535,841.12	222,788,497.20	67,233,712.82
Adjustment matters	52,300,122.27		24,345,878.16
— Goodwill	52,300,122.27		24,345,878.16
Carrying value of equity investments in associates	67,835,963.39	222,788,497.20	91,579,590.98
Operating revenue	29,440,121.81	2,045,860.41	214,254,574.26
Net profit	-20,485,281.58	-579,866,273.39	64,970,551.41
Net profit from discontinued operations			
Other comprehensive income			
Total comprehensive income	-20,485,281.58	-579,866,273.39	64,970,551.41
Dividends received from associates during the period			

31 December 2019/2019

	Beijing Bound-Assegai Technical and Trade Co., Ltd.	Beijing QS Medical Technology Co., Ltd.	Sichuan Rekind Medtec Inc.	Lepu Biopharma Co., Ltd.	Waterstone Pharmaceuticals Inc
Current assets	652,711,244.30	66,940,494.25	126,926,173.15	285,412,172.68	68,730,948.81
Non-current assets	105,239,247.02	25,467,988.18	213,914,300.92	1,152,634,413.07	195,948,641.14
Total assets	757,950,491.32	92,408,482.43	340,840,474.07	1,438,046,585.75	264,679,589.95
Current liabilities	603,870,952.47	7,370,536.94	22,219,942.51	729,270,038.62	56,105,667.60
Non-current liabilities	26,477,316.52		8,006,666.67	175,808,080.64	39,129,850.00
Total liabilities	630,348,268.99	7,370,536.94	30,226,609.18	905,078,119.26	95,235,517.60
Share of net assets based on percentage of shareholding	49,550,128.19	19,696,582.87	55,936,613.68	74,226,861.10	48,413,170.09
Adjustment matters	-49,550,128.19	52,300,122.27	24,345,878.16		49,474,420.43
— Goodwill		52,300,122.27	24,345,878.16		49,474,420.43
— Others	-49,550,128.19				
Carrying value of equity investments in associates		71,996,705.14	80,282,491.84	74,226,861.10	97,887,590.52
Operating revenue	129,778,441.30	47,935,584.64	151,326,739.85	44,905.66	116,341,297.50
Net profit	-22,750,482.13	-7,492,784.95	36,436,741.23	-282,675,331.41	-3,485,398.23
Total comprehensive income	-22,750,482.13	-7,492,784.95	36,436,741.23	-282,675,331.41	-3,485,398.23
Dividends received from associates during the period					

3. Summarized financial information of insignificant joint ventures and associates

	31 December 2021/2021	31 December 2020/2020	31 December 2019/2019
Associates:			
Total carrying value of investments	588,529,866.92	594,238,165.47	190,368,930.83
The following sums calculated in proportion to shareholdings			
— Net profit	-3,592,889.56	-20,688,611.17	-6,876,343.90
— Other comprehensive income		-73,984.58	
— Total comprehensive income	-3,592,889.56	-20,762,595.75	-6,876,343.90

4. Excess losses incurred by joint ventures or associates

31 December 2021

Name of joint ventures or associates	Accumulated unrecognized aggregate losses for prior period	Unrecognized loss for current period (or net profit shared for current period)	Accumulated unrecognized losses at the end of the period
Beijing Elacor Technology Co., Ltd.	-318,630.29	-32,967.59	-351,597.88

VIII. Risks related to financial instruments

The Company faces various financial risks in its daily activities, including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The above-mentioned financial risks and the risk management policies of the Company adopted to reduce those risks are as followings:

The Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes final responsibility for risk management objectives and policies, but the Board has authorized the audit department of the Company to design and implement procedures to ensure the effective implementation of risk management objectives and policies. The Board reviews the effectiveness of the implemented procedures and the rationality of the risk management objectives and policies through monthly reports submitted by the finance department director. The Company's internal auditors will also audit risk management policies and procedures and report the findings to the Audit Committee.

The overall goal of the Company's risk management is to formulate risk management policies to minimize risk without excessively affecting the Company's competitiveness and resilience.

1. Credit risk

Credit risk refers to the risk of financial loss of the Company due to counterparty's failure to fulfill the obligations of the contract.

The Company mainly faces customer credit risks caused by credit sales. Before signing new contract, the Company evaluates the credit risks of new customers, including external credit ratings and bank credit certificates in some cases (when this information is available). The Company sets a credit limit for each customer which is the maximum amount without additional approval.

The Company is through quarterly monitoring of the existing customer credit rating and the monthly reviewing of account receivables aging analysis to ensure that the Company's overall credit risk is within a controllable range. When monitoring customers' credit risks, the Company categorized the credit risks according to the customers' credit characteristics. Customers rated "high risk" are placed on the restricted customer list and can only be sold on credit in the future period with additional approval from the Company, or they must be required to pay in advance.

2. Liquidity risk

Liquidity risk is the capital shortage risk that an enterprise will encounter in meeting obligations that are settled by delivering cash or other financial asset.

It is the company's policy that ensuring sufficient cash is available to meet maturing debt obligations. The liquidity risk is under the central control of the finance department of the Company. The finance department ensures that the Company has sufficient funds to repay the debt under all reasonable projections by monitoring cash balances, marketable securities that can be readily liquidated and rolling forecasts of cash flows over the next 12 months.

3. Market risk

Market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market price, including exchange rate risk, interest rate risk and other price risks.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rate.

The interest rate risks of the Company mainly arise from long-term bank borrowings and bonds payable.

On 31 December 2021, if other variables being constant, the borrowing rate calculated at the floating interest rate decreases or increases by 100 basis points, the Company's net profit will decrease or increase by RMB9,071,300 (31 December 2020: decrease or increase by RMB9,454,100; 31 December 2019: decrease or increase by RMB20,892,800).

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in foreign exchange rate.

To the extent possible, the Company matches foreign currency income with foreign currency expenditure to reduce exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency exchange contracts to avoid exchange rate risks. During the reporting period, the relevant control measures include: considering the risk of exchange rate fluctuations and the objective situation of foreign exchange receipt and payment, the Group launched forward and dual-currency deposits with a total amount of USD13.5 million and EUR2.5 million; On 31 December 2021, the outstanding contract amount amounted to USD1 million. In this year's exchange rate fluctuations in the market environment, such deposits played a good role in foreign exchange settlement risk control.

On 31 December 2021, holding all other variables constant, if the RMB appreciates or depreciates by 1% against the US dollar, the Company's net profit will decrease or increase by RMB1,833,800 (31 December 2020: decrease or increase by RMB2,385,400,31 December 2019: decrease or increase by RMB2,691,700). The management believes that 1% reasonably reflects the reasonable range of possible changes of RMB Yuan against US dollar in the next year.

(3) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market prices other than exchange rate risk and interest rate risk.

The Company holds equity investments in other listed companies, and the management believes that the market price risks of these investment activities are acceptable.

IX. Disclosure of Fair Value

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the asset or liability other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

The level of the measurement result of fair value shall subject to the lowest level which the input that is of great significance to the entire measurement of fair value belongs to.

(1) Fair value of assets and liabilities measured at fair value at the end of period

	Fair value at 31/12/2021			
Item	**Level 1 fair value measurement**	**Level 2 fair value measurement**	**Level 3 fair value measurement**	**Total**
I. Fair value measurement on a recurring basis				
◆ Receivable financing			81,021,515.38	81,021,515.38
◆ Investments in other equity instruments	537,655,969.05		971,984,327.36	1,509,640,296.41
◆ Other non-current financial assets	77,340,000.00		16,500,000.00	93,840,000.00
1. Financial assets at fair value through profit or loss	77,340,000.00		16,500,000.00	93,840,000.00
(1) Equity instrument investment	77,340,000.00		16,500,000.00	93,840,000.00
Total assets measured at fair value on a recurring basis	614,995,969.05		1,069,505,842.74	1,684,501,811.79

	Fair value at 31/12/2020			
Item	**Level 1 fair value measurement**	**Level 2 fair value measurement**	**Level 3 fair value measurement**	**Total**
I. Fair value measurement on a recurring basis				
◆ Trading financial assets		20,628,580.82		20,628,580.82
1. Financial assets designated at fair value through profit or loss		20,628,580.82		20,628,580.82
(1) Bank financing		20,628,580.82		20,628,580.82
◆ Receivable financing			94,902,622.37	94,902,622.37
◆ Investments in other equity instruments			1,652,066,405.57	1,652,066,405.57
◆ Other non-current financial assets	800,538,100.00		6,500,000.00	807,038,100.00
1. Financial assets designated at fair value through profit or loss	800,538,100.00		6,500,000.00	807,038,100.00
(1) Investments in other equity instruments	800,538,100.00		6,500,000.00	807,038,100.00

Item	Fair value at 31/12/2020			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Total assets measured at fair value on a recurring basis	800,538,100.00	20,628,580.82	1,753,469,027.94	2,574,635,708.76
◆ Trading financial liabilities		329,740.12		329,740.12
1. Trading financial liabilities.		329,740.12		329,740.12
(1) Others		329,740.12		329,740.12
Total liabilities measured at fair value on a recurring basis		329,740.12		329,740.12

Item	Fair value at 31/12/2019			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Fair value measurement on a recurring basis				
◆ Investments in other equity instruments	258,756,980.89			258,756,980.89
◆ Other non-current financial assets	349,532,110.00			349,532,110.00
1. Financial assets designated at fair value through profit or loss	349,532,110.00			349,532,110.00
(1) Equity instrument investment	349,532,110.00			349,532,110.00
Total assets measured at fair value on a recurring basis	608,289,090.89			608,289,090.89

(2) Valuation techniques and qualitative and quantitative information of important parameters for recurring and non-recurring level 3 fair value items measurement items

The Company determines the market value of the recurring and non-recurring level 1 fair value measurement items based on the quotations in the active market at the end of the equity instrument held by the Company.

(3) Reconciliation between the carrying value of opening and closing balance, and sensitivity analysis of unobservable parameters for recurring level 3 fair value measurement items

The Company's investment in equity instruments is measured at fair value. However, in limited cases, if the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value within this distribution, the cost may represent its appropriate estimate of fair value within such distribution.

X. Related parties and related-parties transaction

(1) Controlling shareholder and ultimate controller

The ultimate controller of the Company is Mr. Pu Zhongjie.

(2) Subsidiaries of the Company

Please refer to Note "VII. Equity in other entities" for details of the subsidiaries of the Company.

(3) Joint ventures and associates of the Company

For details of significant joint ventures or associates of the Company, please refer to Note "VII. Equity in other entities" under this section.

Other joint ventures and associates that conducted related party transactions with the Company during the reporting period or have balance of related-party transactions with the Company for the previous periods are as follows:

Name of joint ventures and associates	Relationship with the Company
Beijing Qs Medical Technology Co., Ltd	Significantly influenced by the Company
Beijing Purun Medical Instrument Co., Ltd	Significantly influenced by the Company
Aortec Medical Technology Co., Ltd	Significantly influenced by the Company
Beijing Ampel Technology Co., Ltd	Significantly influenced by the Company
Lepu Biopharma Co., Ltd.	Significantly influenced by the Company
Beijing Bound-Assegai Technical and Trade Co., Ltd.	Significantly influenced by the Company
Beijing Elacor Technology Co., Ltd.	Significantly influenced by the Company
Beijing Zhongan Yisheng Medical Technology Co., Ltd	Significantly influenced by the Company
Ningbo Jinyi Investment Management Center (Limited partnership)	Significantly influenced by the Company
Ningbo Hengsheng Hengrui Investment Management Center (Limited partnership)	Significantly influenced by the Company
Ningbo Kaisheng Investment Management Center (Limited partnership)	Significantly influenced by the Company
Ningbo Meitong Investment Management Center (Limited partnership)	Significantly influenced by the Company
Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	Significantly influenced by the Company
Tianjin Walkman Biomaterial Co., Ltd.	Significantly influenced by the Company
Shenzhen Bone Medical Devices Co., Ltd.	Significantly influenced by the Company
Xiaan Chaoqian Intelligent Technology Co., Ltd	Significantly influenced by the Company
Taizhou Hanzhong Biomedical Co., Ltd.	Its parent company significantly influenced by the Company
Taizhou Houdeoke Technology Co., Ltd	Its parent company significantly influenced by the Company
Lepu(Beijing) Biopharma Co., Ltd	Its parent company significantly influenced by the Company

Name of joint ventures and associates	Relationship with the Company
Yinchuan Shenli Science & Trade Co., Ltd	Its parent company significantly influenced by the Company
Beijing Top-Art Biological Technology Co., Ltd.	Its parent company significantly influenced by the Company
Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd	Its parent company significantly influenced by the Company
Xinxiang Ya Shi Jie Medical Laboratory (limited partnership)	Its parent company significantly influenced by the Company
Shenyang Xinya Biotechnology Co., Ltd	Its parent company significantly influenced by the Company
Shenyang Lanya Biotechnology Co., Ltd	Its parent company significantly influenced by the Company
Beijing Ya Lian Ya Shi Jie Trade Co., Ltd	Its parent company significantly influenced by the Company
Chengdu Mudaoer Precision Molding Co., Ltd	Its parent company significantly influenced by the Company
Chengdu OCI Medical Devices Co., Ltd	Its parent company significantly influenced by the Company
Waterstone Pharmaceuticals (Hubei) Co., Ltd.	Its parent company significantly influenced by the Company
Shanghai Miracogen Inc.	Its parent company significantly influenced by the Company
Concept To Medicine Biotech Co., Ltd.	Its parent company significantly influenced by the Company

(4) Other related parties

Name of other related parties	Relationship with the Company
Luoyang Ship Material Research Institute	Shareholder
WP Medical Technologies, Inc	Shareholder
CSIC Science And Technology Investment Development Co., Ltd.	Shareholder
Beijing Pufeng Medical Management Co., Ltd	A company controlled by a close family member of the actual controller
Beijing Zhongjie Tiangong Medical Technology Co. Ltd	A company controlled by a close family member of the actual controller
Beijing Taijie Weiye Technology Co., Ltd	A company controlled by a close family member of the actual controller

(5) Related-party transactions

1) Related-party transactions in relation to purchase and sale of goods and provision and receipt of services

Purchase of goods/receipt of services

Related party	Content of related-party transaction	2021	2020	2019
Beijing Taijie Weiye Technology Co., Ltd. . . .	Purchase of goods	8,313,365.96	5,034,362.52	
Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	Receipt of services	9,197,689.62		
Beijing Purun Medical Technology Co., Ltd. . . .	Receipt of services	4,410,798.85	301,912.00	
Beijing Qs Medical Technology Co., Ltd . . .	Purchase of goods	4,375,713.99	1,462,366.37	15,009,718.54
Aortec Medical Technology Co., Ltd . . .	Purchase of goods	371,238.97	198,756.67	
Tianjin Walkman Biomaterial Co., Ltd . . .	Receipt of services	135,931.09		
Luoyang Ship Material Research Institute	Receipt of services	34,280.00		
Beijing Purun Medical Technology Co., Ltd . . .	Purchase of goods	5,080.00	58,848.66	
Beijing Ampel Technology Co., Ltd	Purchase of goods	833.63	27,029.60	
Tianjin Walkman Biomaterial Co., Ltd . . .	Purchase of goods	784.40		
Beijing Qs Medical Technology Co., Ltd . . .	Receipt of services	371,681.40		
Luoyang Ship Material Research Institute	Purchase of goods	2,716.98		

Sale of goods/provision of services

Related party	Content of related-party transaction	2021	2020	2019
Beijing Taijie Weiye Technology Co., Ltd.	Provision of services	5,664,195.20	674,692.97	
Beijing Taijie Weiye Technology Co., Ltd	Sale of goods	2,097,396.02		
Chengdu Mudaoer Precision Molding Co., Ltd.	Sale of goods	4,162,831.87		
Chengdu OCI Medical Devices Co., Ltd	Sale of goods	453,282.32		
Taizhou Houde Aoke Technology Co., Ltd	Sale of goods	147,430.20		163,187.35
Lepu (Beijing) Biopharma Co., Ltd	Sale of goods	125,733.73		
Lepu (Beijing) Biopharma Co., Ltd	Provision of services		444,830.19	

Related party	Content of related-party transaction	2021	2020	2019
Taizhou Hanzhong Biotechnology Co., Ltd. . .	Sale of goods	107,679.73	84,247.80	2,112,709.49
Tianjin Walkman Biomaterial Co., Ltd	Provision of services	53,882.31		
Waterstone Pharmaceuticals (Hubei) Co., Ltd	Sale of goods	31,415.93		
Lepu Biopharma Co., Ltd. . .	Sale of goods	23,113.63	906,989.97	87,797.35
Yinchuan Shenli Science & Trade Co., Ltd.	Sale of goods	19,646.02		
Beijing Purun Medical Technology Co., Ltd	Sale of goods	15,907.08	1,445,207.58	
Shanghai Miracogen Inc . . .	Sale of goods	12,880.00		
Tianjin Walkman Biomaterial Co., Ltd	Sale of goods	4,905.00		
Lepuchuangyi Biotechnology (Shanghai) Co., Ltd	Sale of goods	1,974.40		
Beijing Top-Art Biological Technology Co., Ltd	Sale of goods		9,476.35	
Beijing Elacor Technology Co., Ltd.	Sale of goods		858,157.78	

2) Related leases

As lessor:

Name of lessee	Type of leased assets	Rental income recognized		
		2021	2020	2019
Lepu (Beijing) Biopharma Co., Ltd.	Equipment Leasing		1,965,339.24	1,745,470.24
Lepu Biopharma Co., Ltd. . .	Property leasing	709,557.90	1,112,504.84	
Yinchuan Shenli Science & Trade Co., Ltd.	Equipment Leasing			2,256.14
Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd. . . .	Property leasing	3,215,850.48	2,262,912.92	

As lessee: (Old lease criteria apply):

Name of lessor	Type of leased assets	Rental fee recognized	
		2020	2019
Beijing Pufeng Medical Management Co., Ltd.	Property leasing	1,192,438.80	
Beijing Zhongjie Tiangong Medical Technology Co. Ltd	Property leasing	1,365,278.23	

As lessee: (New lease criteria apply):

Name of lessor	Type of leased assets	Rental costs of short-term leases and leases of low-value assets under simplified treatment and variable lease payments not included in the measurement of lease liabilities 2021
Beijing Pufeng Medical Management Co., Ltd	Property leasing	455,339.13

Name of lessor	Type of leased assets	Rental paid 2021
Beijing Pufeng Medical Management Co., Ltd	Property leasing	455,339.13

3) Related guarantees

As guarantor:

Entity guaranteed	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Beijing Bound-Assegai Technical and Trade Co., Ltd.	20,000,000.00	07/01/2016	07/01/2019	Yes
Beijing Bound-Assegai Technical and Trade Co., Ltd.	30,000,000.00	15/08/2016	15/08/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	24,000,000.00	19/06/2018	18/06/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	1,736,000.00	25/09/2018	24/03/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	10,000,000.00	25/06/2019	24/06/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	41,600,000.00	18/07/2018	17/07/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	44,657,160.00	19/09/2018	19/09/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	4,368,000.00	15/01/2019	15/07/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	30,000,000.00	16/08/2018	16/08/2019	Yes
Lepu Pharmaceutical Co., Ltd.	100,000,000.00	24/02/2018	23/02/2019	Yes
Lepu Pharmaceutical Co., Ltd.	50,000,000.00	31/05/2018	30/05/2019	Yes
Lepu Pharmaceutical Co., Ltd.	50,000,000.00	15/06/2018	14/06/2019	Yes
Lepu Pharmaceutical Co., Ltd.	50,000,000.00	31/07/2018	30/07/2019	Yes
Lepu Pharmaceutical Co., Ltd.	50,000,000.00	31/07/2018	30/07/2019	Yes
Lepu Pharmaceutical Co., Ltd.	80,000,000.00	13/09/2018	12/09/2019	Yes
Lepu Pharmaceutical Co., Ltd.	50,000,000.00	20/03/2020	19/03/2021	Yes
Lepu Pharmaceutical Co., Ltd.	145,000,000.00	08/06/2020	08/06/2021	Yes
Lepu Pharmaceutical Co., Ltd.	100,000,000.00	26/11/2020	02/10/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	30,000,000.00	14/05/2020	14/05/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	110,000,000.00	10/06/2020	04/06/2021	Yes

Entity guaranteed	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Zhejiang Lepu Pharmaceutical Co., Ltd.	50,000,000.00	25/06/2021	20/12/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	14,000,000.00	25/06/2019	24/06/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	20,000,000.00	20/09/2019	10/09/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	30,000,000.00	08/10/2019	10/09/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd.	10,000,000.00	10/01/2020	14/05/2020	Yes
Lepu Pharmaceutical Co., Ltd.	100,000,000.00	22/04/2019	22/04/2020	Yes
Lepu Pharmaceutical Co., Ltd.	91,908,000.00	09/05/2019	01/04/2020	Yes
Lepu Pharmaceutical Co., Ltd.	100,000,000.00	24/05/2019	24/05/2020	Yes
Lepu Pharmaceutical Co., Ltd.	100,000,000.00	24/09/2019	23/09/2020	Yes

Notes:

1) As of 31 December 2021, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB500 million. The opening guarantee balance was RMB295 million. The actual guarantee amount in 2021 was RMB0.00, and the guarantee amount due in 2021 was RMB295 million. As of 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB0.00.

2) As of 31 December 2021, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB495 million. The opening guarantee balance was RMB140 million, the actual guarantee amount in 2021 was RMB50 million, and the guarantee amount due in 2021 was RMB190 million. As of 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB0.00.

3) As of 31 December 2020, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB510 million. The actual guarantee amount in 2020 was RMB150 million, the guarantee amount due in 2020 was RMB74 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB140 million.

4) As of 31 December 2020, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd. Limited, with the maximum guarantee amount RMB500 million. The actual guarantee amount in 2020 was RMB295 million, and the guarantee amount due in 2020 was RMB391.908 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB295 million.

5) As approved by the shareholders' general meeting, the Company provided joint and several liability guarantee for comprehensive credit with a total amount of no more than RMB150 million to be applied by Beijing Bound-Assegai Technical and Trade Co., Ltd. to commercial banks. Mr. Cao Yongfeng and Mr. Huang Zhiqing, both being the shareholders of Beijing Bound-Assegai Technical and Trade Co., Ltd., provided counter-guarantee for the guarantee provided by the Company by pledging their shares held in Beijing Bound-Assegai Technical and Trade Co., Ltd, with the same guarantee period as the period of the guarantee provided by the Company for Beijing Bound-Assegai Technical and Trade Co., Ltd. The Company had fully performed all guarantee obligations as of 31 December 2019, and repaid the principal and interest of due debts owed by Beijing Bound-Assegai Technical and Trade Co., Ltd. totaling RMB129,805.9 thousand. All the guarantees provided by the Company for Beijing Bound-Assegai Technical and Trade Co., Ltd have been completed. The Company has the right to require Mr. Cao Yongfeng and Mr. Huang Zhiqing to perform their counter-guarantee obligations and may at any time transfer an aggregate of 51.89% equity held by them in Beijing Bound-Assegai Technical and Trade Co., Ltd to itself at nil consideration.

6) As of 31 December 2019, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount of RMB770 million. The actual guarantee amount provided in 2019 was RMB78,368,000.00, and the guarantee amount due in 2019 was RMB156,361,160.00. As of 31 December 2019, the actual guaranteed loan amount under this guarantee was RMB64 million.

7) As of 31 December 2019, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount of RMB900 million. The actual guarantee amount in 2019 was RMB391.908 million, and the guarantee amount due in 2019 was RMB380 million. As of 31 December 2019, the actual guaranteed loan amount under this guarantee was RMB391.908 million.

As guaranteed party:

Name of guarantor	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Lepu Pharmaceutical Co., Ltd . . .	100,000,000.00	2020/5/27	2021/5/27	Yes
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2020/5/28	2021/5/28	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/2/3	2022/2/3	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/3/4	2022/2/3	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/4/7	2022/4/7	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/5/14	2022/3/17	No
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2021/5/14	2022/5/14	No
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2019/5/13	2020/5/13	Yes
Lepu Pharmaceutical Co., Ltd . . .	150,000,000.00	2019/5/16	2020/4/5	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2019/5/16	2020/5/16	Yes
Lepu Pharmaceutical Co., Ltd . . .	125,000,000.00	2019/5/22	2020/4/5	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2019/5/22	2020/4/22	Yes

Notes:

1) On 31 December 2021, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The opening guarantee balance was RMB120 million, the actual guarantee amount in 2021 was RMB220 million, and the guarantee amount due in 2021 was RMB170 million. On 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB170 million.

2) As of 31 December 2020, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The actual guarantee amount in 2020 was RMB120 million, the guarantee amount due in 2020 was RMB375 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB120 million.

3) As of 31 December 2020, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The actual guarantee amount in 2020 was RMB120 million, the guarantee amount due in 2020 was RMB375 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB120 million.

4) Lending to/borrowing from related parties

2021

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to Xi'an Chaoqian Intelligent Technology Co., Ltd.	20,000,000.00	2021/9	2022/9	

2020

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to Beijing Purun Medical Technology Co., Ltd.	600,000.00	2020/4/1	2021/4/1	

2019

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to				
Beijing Bound-Assegai Technical and Trade Co., Ltd.	53,527,071.82	2019/1/4	/	

5) Compensation of key management personnel

Item	2021	2020	2019
Compensation of key management personnel . .	19,951,521.26	18,298,861.12	24,260,292.15

(6) Receivables from and payable to related parties

1) Receivables

		2021.12.31		2020.12.31		2019.12.31	
Item	Related party	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable							
	Beijing Purun Medical Technology Co., Ltd. .	8,215,429.47	1,401,225.65	8,207,207.84	618,630.21		
	Xinxiang Ya Shi Jie Medical Laboratory (limited partnership) . .	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40
	Chengdu Mudaoer Precision Molding Co., Ltd.	1,162,563.04	5,812.82				
	Chengdu OCI Medical Devices Co., Ltd . . .	63,769.00	318.85				
	Waterstone Pharmaceuticals (Hubei) Co., Ltd. . . .	35,500.00	177.50				
	Tianjin Walkman Biomaterial Co., Ltd. .	4,905.00	24.53				
	Lepu (Beijing) Biopharma Co., Ltd . .			32,060.00	160.30		
	Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd.			1,791,618.75	8,958.09		
	Lepu Biopharma Co., Ltd.			464,525.25	2,322.63		
Prepayments							
	Beijing Highthink Pharmaceutical Technology Service Co., Ltd.	5,444,611.00					
	Beijing Qs Medical Technology Co., Ltd. .	930,000.00					
	Chengdu OCI Medical Devices Co., Ltd . . .	895,129.74					

Item	Related party	2021.12.31 Ending balance	2021.12.31 Provision for bad debts	2020.12.31 Ending balance	2020.12.31 Provision for bad debts	2019.12.31 Ending balance	2019.12.31 Provision for bad debts
	Luoyang Ship Material Research Institute	5,540.00					
	Shenzhen Boen Shenzhen Bone Medical Devices Co., Ltd.	2,000.00					
	Beijing Purun Medical Technology Co., Ltd			1,000,000.00			
Non-current assets due within one year							
	Beijing Bound-Assegai Technical and Trade Co., Ltd.	62,173,727.90	62,173,727.90	66,397,867.28	53,906,467.51	84,318,823.52	41,150,385.80
	Beijing Ya Lian Ya Shi Jie trade Co., Ltd	3,270,851.82	3,270,851.82	3,270,851.82	3,270,851.82	4,969,686.82	4,969,686.82
	Beijing Top-Art Biological Technology Co., Ltd.			863,575.87	863,575.87	3,484,743.19	3,484,743.19
	Shenyang Xinya Biological Technology Co. Ltd					7,034,913.05	4,247,893.88
	Shenyang Lanya Biological Technology Co. Ltd					277,339.31	277,339.31
Other receivables							
	Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21
	Xiaan Chaoqian Intelligent Technology Co., Ltd.	20,185,644.00	100,928.22				
	Beijing Ya Lian Ya Shi Jie trade Co., Ltd	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50
	Beijing Elacor Technology Co., Ltd.	648,800.00	648,800.00				
	Beijing Purun Medical Technology Co., Ltd	648,502.52	62,399.68	622,707.00	3,113.54		
	Beijing Qs Medical Technology Co., Ltd	150,000.00	80,000.00	150,000.00	45,000.00	150,000.00	25,000.00
	Lepu Biopharma Co., Ltd.					1,949,766.05	9,748.83
Interest receivable							
	Beijing Bound-Assegai Technical and Trade Co., Ltd.					3,505,967.49	2,070,800.82
	Beijing Tuoya Biotechnology Co., Ltd.					212,173.86	212,173.86

2) Payable

Item	Related party	2021.12.31	2020.12.31	2019.12.31
Accounts payable				
	Chengdu OCI Medical Devices Co., Ltd	8,369,206.20		
	Beijing Taijie Weiye Technology Co., Ltd . . .	1,948,988.79	2,439,116.94	
	Beijing Qs Medical Technology Co., Ltd . . .	432,081.94	521,083.19	3,212,650.00
	Shenzhen Bone Medical Devices Co., Ltd.	217,635.52		
	Tianjin Walkman Biomaterial Co., Ltd . . .	145,591.29		
	Aortec Medical Technology Co., Ltd	100,152.66		
	Beijing Pufeng Medical Management Co., Ltd. . .		631,450.38	
	Beijing Purun Medical Technology Co., Ltd . . .		54,470.78	
Contract liabilities				
	Yinchuan Shenli Science Trade Co., Ltd	7,743.38		
Other payable				
	Tianjin Walkman Biomaterial Co., Ltd . . .	987.50		

XI. Share-based payment

1. General situation of share-based payments

1. In June 2021, Lepu Medical Technology (Beijing) Co., Ltd had implemented equity incentive plan through Ningbo Jiadu and Ningbo Jiacheng, which were established as the employee shareholdings platforms of Lepu Scientech Medical Technology (Shanghai) Co., Ltd. The partnership interest of Ningbo Jiacheng were held by employees of Lepu Medical Technology (Beijing) Co., which conducts accounting treatments of share-based payments as service receiving party; while the partnership interest of Ningbo Jiadu were held by employees of Lepu Scientech Medical Technology (Shanghai) Co., and accounting treatments are conducted by Beijing Lepu Medical Technology Co., Ltd. The *Partnership Agreement of Ningbo Jiadu* and *Partnership Agreement of Ningbo Jiacheng* had made specific agreement about internal circulation, withdrawal mechanism, and shareholding management system. According to Partnership Agreement, the trading restricted period of limited partners' interest started from the date of admission as a partner to the expiration of lock-up period of listed shares (namely within 36 months from the date of IPO) for Lepu Scientech Medical Technology (Shanghai) Co., Ltd; besides, on condition that Lepu Scientech Medical Technology (Shanghai) Co., cannot complete IPO within 2 years from the date of admission as a partner, the trading restricted period becomes 5 years from the date of admission. Based on the current condition, the best estimate of the vesting period run out at 3.83 years. The trading restricted period is regarded as the period of employee service, the share-based payments amount is recognized during the the period of employee service. Employees indirectly obtained the shares of Lepu Scientech Medical Technology (Shanghai) Co., through Ningbo Jiadu and Ningbo Jiacheng at the price of RMB3.48 per share in the form of capital increase.

2. On November 2020, Lepu Medical Technology (Beijing) Co., Ltd. had implemented equity incentive plan through Ningbo Shanhai and Ningbo Xiran, which were established as the employee shareholdings platforms of Beijing Lepu Medical Technology Co., Ltd. The partnership interest of Ningbo Xiran were held by employees of Lepu Medical Technology (Beijing) Co., which conducts accounting treatments of share-based payments as service receiving party as well as other consolidated entity; while the partnership interest of Ningbo Shanhai were held by directors and employees of Beijing Lepu Medical Technology Co., Ltd which conducts accounting treatments of share-based payments as service receiving party. The *Partnership Agreement of Ningbo Shanhai* and *Partnership Agreement of Ningbo Xiran* had made specific agreement about internal circulation, withdrawal mechanism, and shareholding management system. According to Partnership Agreement, the trading restricted period of limited partners' interest started from the date of admission as a partner to the expiration of lock-up period of listed shares (namely within 36 months from the date of IPO) for Beijing Lepu Medical Technology Co., Ltd; besides, on condition that Lepu Scientech Medical Technology (Shanghai) Co., cannot complete IPO within 2 years from the date of admission as a partner, the trading restricted period becomes 5 years from the date of admission. Based on the current condition, the best estimate of the vesting period run out at 4.5 years. The trading restricted period is regarded as the period of employee service, the share-based payments amount is recognized during the the period of employee service. Employees indirectly obtained the shares of Beijing Lepu Medical Technology Co., through Ningbo Xiran and Ningbo Shanhai at the price of RMB1.78 per share in the form of capital increase.

Details of the share-based payments as followed:

Item	2021	2020	2019
The amount of various equity instruments awarded during the year	256,421,050.80	22,358,458.31	
The amount of various equity instruments exercised during the year		22,358,458.31	
The amount of various equity instruments forfeited during the year			
The range of exercise prices of outstanding share options at the end of year and the contract remaining term.			
The range of exercise prices of other equity instruments at the end of year and the contract remaining term	Exercise price: RMB3.48 per share; Contract remaining term: 39 months	Exercise price: RMB1.78 per share; Contract remaining term: 52 months	

2. The conditions of Equity-settled share-based payment

1. Employees indirectly obtained the shares of Lepu Scientech Medical Technology (Shanghai) Co., through Ningbo Jiadu and Ningbo Jiacheng at the price of RMB3.48 per share in the form of capital increase. Lepu Scientech Medical Technology (Shanghai) Co. had engaged Lance Asia (Beijing) Enterprise Management Consulting Co., Ltd to issue *The Valuation report of restricted shares of Lepu Scientech Medical Technology (Shanghai) Co., Ltd* (Lance R2021-1015-BJ), which assessed the interest of restricted shareholding as RMB256,478,105.00 with income method at the base date of 16 June 2021, the fair value after the assessment was RMB17.4 per share. Based on the data above, Lepu Scientech Medical Technology (Shanghai) Co. recognized the share-based payments as followed:

Items	Amount
The fair value recognition method of the equity instruments at grant date	Evaluation report
The recognition method of best available estimate of vesting equity instruments	
The reason of significant variance between current and previous period estimate	
The expenses recognized as equity-settled share-based payment	205,136,840.64
Of which: amount recognized in 2021	40,499,200.15
Amount recognized in 2022	68,051,576.40
Amount recognized in 2023	52,562,535.07
Amount recognized in 2024	38,217,264.65
Amount recognized in 2025	5,806,264.37

2. Employees indirectly obtained the shares of Beijing Lepu Medical Technology Co., through Ningbo Xiran and Ningbo Shanhai at the price of RMB1.78 per share in the form of capital increase. On 10 November 2020, China Tongcheng Asset Appraisal Co., Ltd had issued *The Asset Valuation report of the total shareholders' equity value with the proposed capital increase project* (Tongcheng [2020] 11241), which assessed the interest of shareholders as RMB1,171,654,700.00 with income method at the base date of 30 June 2020, the fair value after the assessment was RMB3.00 per share.

   Based on the data above, Beijing Lepu Medical Technology Co. recognized the share-based payments as followed:

Item	Amount
The fair value recognition method of the equity instruments at grant date	Evaluation report
The recognition method of best available estimate of vesting equity instruments	
The reason of significant variance between current and previous period estimate	
The expenses recognized as equity-settled share-based payment	27,094,969.68
Of which: amount recognized in 2020	1,009,673.35
Amount recognized in 2021	6,014,948.42
Amount recognized in 2022	6,021,104.38
Amount recognized in 2023	6,021,104.38
Amount recognized in 2024	6,021,104.38
Amount recognized in 2025	2,007,034.77

XII. Commitments and contingencies

(1) Significant commitments

1) Significant commitment

The company planned to invest RMB540 million in Bo'ao Bio-pharmaceutical Co., Ltd. by means of project milestone planning, separate transactions of stock right, so as to eventually obtained 75% interest of Bo'ao Bio-pharmaceutical. Until 31 December 2021, the company had completed capital increase and first and second equity transfer, holding 55% interest of Bo'ao Bio-pharmaceutical which concluded RMB340 million as consideration and fully paid. After reaching consensus, third equity transfer for 20% interest will be achieved at the price of RMB200 million.

(2) Contingencies

None.

XIII. Events after the balance sheet date

(1) Significant non-adjusting events after the reporting period

None.

(2) Profit distribution

1. In 2021

   On 17 May 2022, the Company's 2021 profit distribution scheme has been deliberated and approved at 2021 annual general meeting. The scheme proposed to distribute a cash dividends (tax included) of RMB0.275 per share, involving total number of shares at the equity registration date of the implementation of equity distribution, less the number of shares repurchased. Until the date of this report is authorized, the total cash dividends are expected to be RMB490,078.1 thousand (tax included) concerned with 1,782,102,076 number of equity shares.

(3) The offering of Global Depositary Receipts ("GDRs")

In order to meet the needs of the company's business development, and to further enhance the quality of corporate governance and its core competence, the company intends to offer the Global Depositary Receipts(the "GDRs") and apply for the public listing on the Swiss Stock Exchange, the additional issuing of "A share" (RMB common stocks) serves as the fundamental security the offering of GDRs.

On 17 May 2022, the Company's offering of GDRs and listing on the Swiss Stock Exchange scheme has been deliberated and approved at 2021 annual general meeting of the Company. The fundamental security A share of offering GDRs issues 180,458,875 shares at most (including any offering by exercising of over-allotment option), and the total shares issuing will be limited at 10% of the total common stock. The final number of shares to be issued shall be determined based on legal provisions, regulatory agencies and market conditions.

The offering is subject to the approval of China Securities Regulatory Commission ("CSRC"), Swiss Stock Exchange and other domestic and overseas authorities.

XIV. Other material events

(1) On 31 December 2021, Dr. Pu Zhongjie the actual controller of the Company, as well as persons acting in concert, the Actual Controller of the company, held 455,643,349 number of shares with the proportion of 25.25% of total common stock of the Company. Among which, accumulating 154,010,000 shares were under pledge, accounting for 8.53% of the total common stock of the Company and 33.80% of the shares held by Dr. Pu Zhongjie.

(2) On 26 May 2021, the Company's 2020 Annual General Meeting of Shareholders has deliberated and approved *About Lepu Scientech Medical Technology (Shanghai) Co., Ltd overseas listing conforms to the < Notice on standardizing domestic listing companies' affiliated entity apply for public offering overseas >*, *Scheme about Lepu Scientech Medical Technology (Shanghai) Co., Ltd Initial Public Offering on Hong Kong Stock Exchange*, *About submission to General Meeting of Shareholders of authorizing the Board of Directors as well as authorized persons to possess the sole discretion on Lepu Scientech Medical Technology (Shanghai) Co., Ltd Initial Public Offering on Hong Kong Stock Exchange* etc, Lepu Scientech Medical Technology (Shanghai) Co., Ltd., a subsidiary of the Company, intends to Initial Public Offer and list on the main board on the Hong Kong Stock Exchange. Until the date of this report is authorized, equity carve-out project application is received by the China Securities Regulatory Commission ("CSRC"), and had submitted the publication of Application Proof to the Hong Kong Stock Exchange.

In addition to the above events, the Company has no other material events to be disclosed.

XV. Major notes to the company's financial statements

(1) Notes receivables

Notes receivables comprise the following:

Item	2021.12.31	2020.12.31	2019.12.31
Bank acceptance	3,050,820.01		22,074,413.67
Total	3,050,820.01		22,074,413.67

(2) Accounts receivables

1. Ageing analysis of accounts receivables

Aging	2021.12.31	2020.12.31	2019.12.31
Within 1 year	146,780,393.55	261,660,384.64	251,989,680.72
1-2 years	84,443,994.55	136,020,051.74	126,502,167.10
2-3 years	80,132,381.57	98,076,467.29	79,549,897.62
3-4 years	39,786,218.32	21,685,585.70	25,688,632.66
4-5 years	11,974,779.96	15,109,915.58	4,715,987.81
Above 5 years	21,292,102.43	18,912,977.93	22,016,777.20
Subtotal	384,409,870.38	551,465,382.88	510,463,143.11
Less:bad debt provision	41,181,390.73	46,971,574.39	38,731,593.89
Total	343,228,479.65	504,493,808.49	471,731,549.22

2. Accounts receivables by bad debt provision method

31 December 2021

	Ending balance		Bad-debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Provision proportion (%)**	**Book value**
Provision for bad debt by grouping	384,409,870.38	100.00	41,181,390.73	10.71	343,228,479.65
Of which:					
Grouping of expected credit loss	177,563,953.51	46.19	41,181,390.73	23.19	136,382,562.78
Grouping of related parties	206,845,916.87	53.81			206,845,916.87
Total	384,409,870.38	100.00	41,181,390.73		343,228,479.65

31 December 2020

	Ending balance		Bad-debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Provision proportion (%)**	**Book value**
Provision for bad debt on grouping basis	551,465,382.88	100.00	46,971,574.39	8.52	504,493,808.49
Of which:					
Grouping of expected credit loss	299,493,632.07	54.31	46,971,574.39	15.68	252,522,057.68
Grouping of related parties	251,971,750.81	45.69			251,971,750.81
Total	551,465,382.88	100.00	46,971,574.39		504,493,808.49

31 December 2019

	Ending balance		Bad-debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Provision proportion (%)**	**Book value**
Provision for bad debt on grouping basis	510,463,143.11	100.00	38,731,593.89	7.59	471,731,549.22
Of which:					
Grouping of expected credit loss	291,812,431.38	57.17	38,731,593.89	13.27	253,080,837.49
Grouping of related parties	218,650,711.73	42.83			218,650,711.73
Total	510,463,143.11	100.00	38,731,593.89		471,731,549.22

Provision for bad debt on grouping basis:

Items of bad debt provided on grouping basis:

31 December 2021

	Ending balance		
Aging	**Accounts receivables**	**Provision for bad debts**	**Percentage (%)**
Within 1 year	68,154,844.08	340,774.25	0.50
1-2 years	35,954,670.44	3,595,467.05	10.00
2-3 years	20,906,099.78	4,181,219.96	20.00
3-4 years	19,281,456.82	5,784,437.06	30.00
4-5 years	11,974,779.96	5,987,389.98	50.00
Above 5 years	21,292,102.43	21,292,102.43	100.00
Total	177,563,953.51	41,181,390.73	

31 December 2020

	Ending balance		
Aging	**Accounts receivables**	**Provision for bad debts**	**Percentage (%)**
Within 1 year	136,018,330.05	680,091.69	0.50
1-2 years	72,943,034.52	7,294,303.46	10.00
2-3 years	36,000,275.59	7,200,055.10	20.00
3-4 years	21,685,585.70	6,505,675.71	30.00
4-5 years	15,109,915.58	7,554,957.80	50.00
Above 5 years	17,736,490.63	17,736,490.63	100.00
Total	299,493,632.07	46,971,574.39	

31 December 2019

	Ending balance		
Name	**Accounts receivables**	**Provision for bad debts**	**Percentage (%)**
Ageing basis			
Within 1 year	163,683,456.84	818,417.28	0.50
1-2 years	52,712,069.14	5,271,206.91	10.00
2-3 years	31,112,514.13	6,222,502.83	20.00
3-4 years	22,238,857.12	6,671,657.14	30.00
4-5 years	4,635,448.84	2,317,724.42	50.00
Above 5 years	17,430,085.31	17,430,085.31	100.00
Related-party basis	218,650,711.73		
Total	510,463,143.11	38,731,593.89	

3. Provision, reversal or recovery, and offset or written-off of bad debts during the reporting periods

Items	2018.12.31	Changes in accounting policies	2019.1.1	Amount of changes			2019.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss	42,061,982.38	10,854,852.82	52,916,835.20	6,586,701.13		20,771,942.44	38,731,593.89
Total	42,061,982.38	10,854,852.82	52,916,835.20	6,586,701.13		20,771,942.44	38,731,593.89

Items	2019.12.31	Changes in accounting policies	2020.1.1	Amount of changes			2020.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss	38,731,593.89		38,731,593.89	15,238,207.91		6,998,227.41	46,971,574.39
Total	38,731,593.89		38,731,593.89	15,238,207.91		6,998,227.41	46,971,574.39

Items	2020.12.31	Amount of changes			2021.12.31
		Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss	46,971,574.39	-1,651,659.64		4,138,524.02	41,181,390.73
Total	46,971,574.39	-1,651,659.64		4,138,524.02	41,181,390.73

4. Accounts receivables actually written off during reporting periods

Items	2021	2020	2019
Accounts receivables written off	4,138,524.02	6,998,227.41	20,771,942.44

5. Top five accounts receivables by debtors

	2021.12.31			2020.12.31			2019.12.31		
	Accounts receivables	Proportion of total amount (%)	Bad-debt provision	Accounts receivables	Proportion of total amount (%)	Bad-debt provision	Accounts receivables	Proportion of total amount (%)	Bad-debt provision
Total balance of top five debtors	192,524,648.91	50.08	2,497,379.50	272,959,368.52	49.50	3,531,043.86	232,061,809.29	45.46	1,049,746.71

(3) Receivable financing

1. Receivable financing

Item	2021.12.31	2020.12.31	2019.12.31
Notes receivables	4,024,270.06	15,087,148.18	
Total	4,024,270.06	15,087,148.18	

(4) Other receivables

Item	2021.12.31	2020.12.31	2019.12.31
Interest receivables			56,098,054.91
Dividends receivables		8,000,000.00	25,800,000.00
Other receivables	729,429,377.06	684,122,367.48	1,737,740,290.54
Total	729,429,377.06	692,122,367.48	1,819,638,345.45

1. Interest receivables

(1) Interest receivables by category

Item	2021.12.31	2020.12.31	2019.12.31
Fixed Deposit			566,116.94
Lending Funds			55,531,937.97
Subtotal			56,098,054.91
Less: bad debt provision			
Total			56,098,054.91

2. Dividends receivables

(1) Aging analysis of dividends receivables

Item	2021.12.31	2020.12.31	2019.12.31
Within 1 year		8,000,000.00	15,000,000.00
After 1 year			10,800,000.00
Subtotal		8,000,000.00	25,800,000.00
Less: bad debt provision			
Total		8,000,000.00	25,800,000.00

3. Other receivables

(1) Disclosed by aging

Aging	2021.12.31	2020.12.31	2019.12.31
Within 1 year	234,301,260.03	235,882,528.08	900,060,311.78
1-2 years	116,139,124.21	331,090,585.28	461,113,861.97
2-3 years	331,067,485.28	159,537,942.97	107,060,586.80
3-4 years	156,426,345.47	35,836,173.81	275,672,521.22
4-5 years	25,347,364.58	40,997,330.61	119,134,973.78
Above 5 years	484,814.25	11,339,649.83	6,299,726.27
Subtotal	863,766,393.82	814,684,210.58	1,869,341,981.82
Less: bad debt provision	134,337,016.76	130,561,843.10	131,601,691.28
Total	729,429,377.06	684,122,367.48	1,737,740,290.54

(2) Other receivables disclosed by bad debt provision method:

31 December 2021

	Ending balance		Bad-debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Book value**
Provision on individual basis . .	129,805,890.71	15.03	129,805,890.71	100.00	
Provision on grouping basis . . .	733,960,503.11	84.97	4,531,126.05	0.62	729,429,377.06
Of which:					
Grouping of expected credit loss.	95,950,384.83	11.11	4,531,126.05	4.72	91,419,258.78
Grouping of related parties.	638,010,118.28	73.86			638,010,118.28
Total	863,766,393.82	100.00	134,337,016.76		729,429,377.06

31 December 2020

	Ending balance		Bad debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Book value**
Bad debt provision for individuals . . .	129,805,890.71	15.93	129,805,890.71	100.00	
Provision for bad debt on grouping basis.	684,878,319.87	84.07	755,952.39	0.11	684,122,367.48
Of which:					
Grouping of expected credit loss.	47,554,026.87	5.84	755,952.39	1.59	46,798,074.48
Grouping of related parties.	637,324,293.00	78.23			637,324,293.00
Total	814,684,210.58	100.00	130,561,843.10		684,122,367.48

31 December 2019

	Ending balance		Bad debt provision		
Items	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Book value**
Bad debt provision for individuals . . .	129,805,890.71	6.94	129,805,890.71	100.00	
Provision for bad debt on grouping basis.	1,739,536,091.11	93.06	1,795,800.57	0.10	1,737,740,290.54
Of which:					
Grouping of expected credit loss.	26,795,215.61	1.43	1,795,800.57	6.70	24,999,415.04
Grouping of related parties.	1,712,740,875.50	91.62			1,712,740,875.50
Total	1,869,341,981.82	100.00	131,601,691.28		1,737,740,290.54

Bad debt provision for individuals:

	2021.12.31			
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total	129,805,890.71	129,805,890.71		

	2020.12.31			
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total	129,805,890.71	129,805,890.71		

	2019.12.31			
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd.	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd.	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total	129,805,890.71	129,805,890.71		

Provision for bad debt on grouping basis:

Items of bad debt provided on grouping basis:

	2021.12.31			2020.12.31			2019.12.31		
Item	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)
Grouping of expected credit loss	95,950,384.83	4,531,126.05	4.72	47,554,026.87	755,952.39	1.59	26,795,215.61	1,795,800.57	6.70
Grouping of related parties	638,010,118.28			637,324,293.00			1,712,740,875.50		
Total	733,960,503.11	4,531,126.05		684,878,319.87	755,952.39		1,739,536,091.11	1,795,800.57	

(3) Condition of bad debt provision

Bad debt provision	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (No credit impairment occurred)	Stage 3 Lifetime expected credit losses (Credit impairment has occurred)	Total
Balance at 1 January 2019	714,427.66			714,427.66
During period of 2019	-392,685.39		392,685.39	
— Transfer to stage 2				
— Transfer to stage 3	-392,685.39		392,685.39	
— Reverse back stage 2				
— Reverse back stage 1				
Accrual during the period	1,474,058.30		129,413,205.32	130,887,263.62
Reverse during the period				
Write-off during the period				
Cancellation during the period				
Other changes				
Balance at 31 December 2019	1,795,800.57		129,805,890.71	131,601,691.28

Bad debt provision	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (No credit impairment occurred)	Stage 3 Lifetime expected credit losses (Credit impairment has occurred)	Total
Balance at 31 December 2019	1,795,800.57		129,805,890.71	131,601,691.28
During period of 2020				
— Transfer to stage 2				
— Transfer to stage 3				
— Reverse back stage 2				
— Reverse back stage 1				
Accrual during the period				
Reverse during the period	1,039,848.18			1,039,848.18
Write-off during the period				
Cancellation during the period				
Other changes				
Balance at 31 December 2020	755,952.39		129,805,890.71	130,561,843.10

Bad debt provision	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (No credit impairment occurred)	Stage 3 Lifetime expected credit losses (Credit impairment has occurred)	Total
Balance at 31 December 2019	755,952.39		129,805,890.71	130,561,843.10
During period of 2021				
— Transfer to stage 2				
— Transfer to stage 3				
— Reverse back stage 2				
— Reverse back stage 1				
Accrual during the period	3,775,173.66			3,775,173.66
Reverse during the period				
Write-off during the period				
Cancellation during the period				
Other changes				
Balance at 31 December 2021	4,531,126.05		129,805,890.71	134,337,016.76

(4) Bad debt for provision, reverse and recover during reporting period

Items	2018.12.31	Changes in accounting policies	2019.1.1	Amount of changes Accrual	Reverse and recover	Write-off	2019.12.31
Provision on individual basis		392,685.39	392,685.39	129,413,205.32			129,805,890.71
Grouping of expected credit loss	714,427.66	-392,685.39	321,742.27	1,474,058.30			1,795,800.57
Total	714,427.66		714,427.66	130,887,263.62			131,601,691.28

Items	2019.12.31	Amount of changes Accrual	Reverse and recover	Write-off	2020.12.31
Provision on individual basis	129,805,890.71				129,805,890.71
Grouping of expected credit loss	1,795,800.57		1,039,848.18		755,952.39
Total	131,601,691.28		1,039,848.18		130,561,843.10

Items	2020.12.31	Amount of changes Accrual	Reverse and recover	Write-off	2021.12.31
Provision on individual basis	129,805,890.71				129,805,890.71
Grouping of expected credit loss	755,952.39	3,775,173.66			4,531,126.05
Total	130,561,843.10	3,775,173.66			134,337,016.76

(5) Other receivables disclosed by nature of accounts

Nature of accounts	Ending balance 2021.12.31	2020.12.31	2019.12.31
Current accounts	857,228,790.24	809,984,712.18	1,864,797,171.84
Reserve fund	5,322,133.10	3,576,534.18	4,332,358.02
Others	1,215,470.48	1,122,964.22	212,451.96
Total	863,766,393.82	814,684,210.58	1,869,341,981.82

(6) Top five debtors' ending balance of other receivables

	2021.12.31			2020.12.31			2019.12.31		
	Other receivables	Proportion of the total balance (%)	Bad debt provision	Other receivables	Proportion of the total balance (%)	Bad debt provision	Other receivables	Proportion of the total balance (%)	Bad debt provision
Amount of Top five ending balance	687,918,996.37	79.64	130,799,293.21	605,406,039.35	74.31	127,799,293.21	1,536,925,837.99	82.22	127,799,293.21

(5) Long-term equity investments

	2021.12.31			2020.12.31			2019.12.31		
Items	Ending balance	Provision for impairment	Carrying value	Ending balance	Provision for impairment	Carrying value	Ending balance	Provision for impairment	Carrying value
Investments in subsidiaries	8,493,475,819.32		8,493,475,819.32	8,393,743,089.88		8,393,743,089.88	6,987,601,702.26	9,954,800.00	6,977,646,902.26
Investments in Joint venture and associates	907,924,223.93	138,024,410.41	769,899,813.52	773,365,938.27	138,024,410.41	635,341,527.86	460,208,463.68	138,024,410.41	322,184,053.27
Total	9,401,400,043.25	138,024,410.41	9,263,375,632.84	9,167,109,028.15	138,024,410.41	9,029,084,617.74	7,447,810,165.94	147,979,210.41	7,299,830,955.53

1. Investments in subsidiaries

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu (Shenzhen) Medical Technology Co., Ltd.		30,000,000.00		30,000,000.00		
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd..		337,563,293.88		337,563,293.88		
Beijing Lepu Medical Technology Co., Ltd..	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd..	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd. . .	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd..	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd..	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A. . .	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd..	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd..	36,428,571.43			36,428,571.43		
Beijing Lepu Mingshi Technology Co., Ltd..	8,000,000.00		8,000,000.00			
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd..	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd..	1,665,572,597.31			1,665,572,597.31		
Hainan MSD Pharmaceutical Co., Ltd..	17,850,000.00			17,850,000.00	9,954,800.00	9,954,800.00
Yantai Addcare Bio-Tech Limited Company	226,283,826.72			226,283,826.72		

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu (Shenzhen) Financial Holding Co., Ltd.	286,000,000.00			286,000,000.00		
Beijing Lepu Growth Investment Management Co., Ltd..	550,000.00			550,000.00		
Shenzhen Sonolepu Medical Technology Co., Ltd..	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd..	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd..	800,000,000.00			800,000,000.00		
Anhui High Tech Cardiovascular Hospital Management Co., Ltd..	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd..	50,000,000.00			50,000,000.00		
Qingdao Minyi Investment centre LLP	67,955,115.00		67,955,115.00			
Beijing Guoyihui Healthcare Technology Co., Ltd..	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd..	33,000,000.00			33,000,000.00		
Shenzhen Purwell Medical Technology Co., Ltd..	12,000,000.00			12,000,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd..	63,567,691.02			63,567,691.02		
Lepu Medical Electronics Technology Co., Ltd..	230,042,742.25			230,042,742.25		
Shanghai Yocaly Health Management Co., Ltd		475,940,146.36		475,940,146.36		

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd.	30,000,000.00		30,000,000.00			
Tianjin Yuhengjia Medical Technology Co., Ltd.	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd.	56,330,000.00			56,330,000.00		
Total	6,250,053,377.02	843,503,440.24	105,955,115.00	6,987,601,702.26	9,954,800.00	9,954,800.00

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Lepu Medical Electronics Technology Co., Ltd.	230,042,742.25			230,042,742.25		
Lepu (Shenzhen) Medical Technology Co., Ltd.	30,000,000.00			30,000,000.00		
IPE Biotechnology Co., Ltd.		259,746,108.00		259,746,108.00		
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikang Tongda Medical Devices Co., Ltd)		50,000.00		50,000.00		
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd.		9,500,000.00		9,500,000.00		
Yantai Addcare Bio-Tech Limited Company	226,283,826.72	97,927,083.65		324,210,910.37		
Beijing Lepu Growth Investment Management Co., Ltd.	550,000.00	5,800,000.00		6,350,000.00		
Lepu Youkang (Beijing) Pharmaceutical Technology Co., Ltd.		10,000,000.00		10,000,000.00		
Lepu International Holdings (Shenzhen) Co., Ltd.		3,500,000.00		3,500,000.00		

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Yinchuan Lepu Internet Hospital Co., Ltd.. . .		2,000,000.00		2,000,000.00		
Ningbo Bingkun Medical Technology Co., Ltd..		970,410,136.26		970,410,136.26		
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd..	337,563,293.88			337,563,293.88		
Shenzhen Purwell Medical Technology Co., Ltd..	12,000,000.00	5,700,000.00		17,700,000.00		
Beijing Lepu Medical Technology Co., Ltd..	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd..	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd..	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd..	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd..	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A. . .	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd..	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd..	36,428,571.43			36,428,571.43		
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd..	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd..	1,665,572,597.31			1,665,572,597.31		
Hainan MSD Pharmaceutical Co., Ltd..	7,895,200.00		7,895,200.00			
Lepu (Shenzhen) Financial Holding Co., Ltd..	286,000,000.00			286,000,000.00		

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Shenzhen Sonolepu Medical Technology Co., Ltd.	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd..	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd..	800,000,000.00			800,000,000.00		
Anhui High Tech Cardiovascular Hospital Management Co., Ltd..	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd..	50,000,000.00			50,000,000.00		
Beijing Guoyihui Healthcare Technology Co., Ltd..	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd..	33,000,000.00			33,000,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd..	63,567,691.02			63,567,691.02		
Shaanxi Xingtai Biotechnology Co., Ltd..		59,358,059.71		59,358,059.71		
Shanghai Lepu CloudMed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)	475,940,146.36			475,940,146.36		
Tianjin Yuhengjia Medical Technology Co., Ltd..	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd..	56,330,000.00			56,330,000.00		
Total	6,977,646,902.26	1,423,991,387.62	7,895,200.00	8,393,743,089.88		

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Lepu (Shenzhen) Medical Technology Co., Ltd.	30,000,000.00			30,000,000.00		
IPE Biotechnology Co., Ltd..	259,746,108.00		259,746,108.00			
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikang Tongda Medical Devices Co., Ltd)	50,000.00	950,000.00		1,000,000.00		
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd..	9,500,000.00	23,000,000.00		32,500,000.00		
Lepuyoukang (Beijing) Pharmaceutical Technology Co., Ltd..	10,000,000.00	5,500,000.00		15,500,000.00		
Lepu International Holdings (Shenzhen) Co., Ltd..	3,500,000.00			3,500,000.00		
Yinchuan Lepu Internet Hospital Co., Ltd. . .	2,000,000.00			2,000,000.00		
Ningbo Bingkun Medical Technology Co., Ltd..	970,410,136.26	21,830,000.00		992,240,136.26		
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd..	337,563,293.88			337,563,293.88		
Suzhou Bonsmile Medical Technology Co., Ltd..		138,178,603.00		138,178,603.00		
Aonuo (Qingdao) Pharmaceutical Co., Ltd..		70,000,000.00		70,000,000.00		
Tibet Tiandome Technology Development Co., Ltd..		108,107,172.36		108,107,172.36		
Lepu Qianshi Digital Technology (Shanghai) Co., Ltd..		20,000,000.00		20,000,000.00		
Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd..		300,000.00		300,000.00		

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Beijing Lepu Medical Technology Co., Ltd.	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd..	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd. . .	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd..	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd..	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A. . .	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd..	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd..	36,428,571.43			36,428,571.43		
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd..	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd..	1,665,572,597.31			1,665,572,597.31		
Yantai Addcare Bio-Tech Limited Company	324,210,910.37		324,210,910.37			
Lepu (Shenzhen) Financial Holding Co., Ltd..	286,000,000.00			286,000,000.00		
Beijing Lepu Growth Investment Management Co., Ltd..	6,350,000.00			6,350,000.00		
Shenzhen Sonolepu Medical Technology Co., Ltd..	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd..	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd..	800,000,000.00			800,000,000.00		

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd.	50,000,000.00			50,000,000.00		
Beijing Guoyihui Healthcare Technology Co., Ltd.	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd.	33,000,000.00			33,000,000.00		
Shenzhen Purwell Medical Technology Co., Ltd.	17,700,000.00			17,700,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd.	63,567,691.02			63,567,691.02		
Lepu Medical Electronics Technology Co., Ltd.	230,042,742.25			230,042,742.25		
Beijing Huaco Healthcare Technologies Co., Ltd.		252,906,505.79		252,906,505.79		
Shaanxi Xingtai Biotechnology Co., Ltd.	59,358,059.71			59,358,059.71		
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)	475,940,146.36			475,940,146.36		
Tianjin Yuhengjia Medical Technology Co., Ltd.	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd.	56,330,000.00			56,330,000.00		
Beijing Lepu Gene Technology Co., Ltd.		42,917,466.66		42,917,466.66		
Total	8,393,743,089.88	683,689,747.81	583,957,018.37	8,493,475,819.32		

2. Investments in Joint Ventures and Associates

Entities	2018.12.31	Amount of changes								2019.12.31	Provision of impairment at the end of the period
		Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others		
1. Associates											
Beijing Yudingzengcai Manufacturing research Institute Co., Ltd.		70,000,000.00								70,000,000.00	
Beijing Huaco Healthcare Technologies Co., Ltd.	3,688,320.42			-915,550.25						2,772,770.17	
Beijing Bound-Assegai Technical and Trade Co., Ltd. .	148,314,837.31			-10,290,426.90				55,382,668.66		138,024,410.41	138,024,410.41
Shenzhen Viatom Technology Co., Ltd.	33,680,294.15		35,438,365.27	1,758,071.12							
Shaanxi Xingtai Biotechnology Co., Ltd.	24,026,668.49			-1,121,443.47						22,905,225.02	
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd)	206,289,926.40		194,701,702.36	-11,588,224.04							

Entities	2018.12.31	Amount of changes: Additions during the period	Amount of changes: Reductions during the period	Amount of changes: Investment profit and loss recognized through equity-method	Amount of changes: Adjustment for other comprehensive income	Amount of changes: Other changes in equity	Amount of changes: Declaration of cash dividends or profit distributions	Amount of changes: Accrual for provision of impairment	Amount of changes: Others	2019.12.31	Provision of impairment at the end of the period
Beijing Kuaishu'er Medical Technology Co., Ltd.	73,510,247.70			-1,513,542.56						71,996,705.14	
Sichuan Rekind Medtec Inc.	73,723,740.97			6,558,750.87						80,282,491.84	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	219,246,204.70		217,563,293.88	-1,682,910.82							
Lepu Biopharma Co., Ltd.	184,894,508.44			-52,499,169.52		-58,168,477.82				74,226,861.10	
Subtotal	967,374,748.58	70,000,000.00	447,703,361.51	-71,294,445.57		-58,168,477.82		55,382,668.66		460,208,463.68	138,024,410.41
Total	967,374,748.58	70,000,000.00	447,703,361.51	-71,294,445.57		-58,168,477.82		55,382,668.66		460,208,463.68	138,024,410.41

Entities	2019.12.31	Amount of changes: Additions during the period	Amount of changes: Reductions during the period	Amount of changes: Investment profit and loss recognized through equity-method	Amount of changes: Adjustment for other comprehensive income	Amount of changes: Other changes in equity	Amount of changes: Declaration of cash dividends or profit distributions	Amount of changes: Accrual for provision of impairment	Amount of changes: Others	2020.12.31	Provision of impairment at the end of the period
1. Associates											
Beijing Bound-Assegai Technical and Trade Co., Ltd.	138,024,410.41									138,024,410.41	138,024,410.41
Sichuan Rekind Medtec Inc.	80,282,491.84			11,297,099.14						91,579,590.98	
Lepu Biopharma Co., Ltd.	74,226,861.10	90,000,000.00		-138,336,150.85		196,897,786.95				222,788,497.20	

Entities	2019.12.31	Amount of changes								2020.12.31	Provision of impairment at the end of the period
		Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others		
Beijing Kuaishu'er Medical Technology . . .	71,996,705.14			-4,160,741.75						67,835,963.39	
Beijing Yudingzengcai Manufacturing research Institute Co., Ltd.	70,000,000.00			-110,292.28						69,889,707.72	
Shaanxi Xingtai Biotechnology Co., Ltd.	22,905,225.02			-321,965.31					-22,583,259.71		
Beijing Kuaishu'er Medical Technology . . .	2,772,770.17			-1,514,602.38						1,258,167.79	
Xian Chaoqian Intelligent Technology Co., Ltd.		50,000,000.00		-1,745,775.15		143,913.79				48,398,138.64	
Beijing Haijinge Medicine Technology Co., Ltd.		100,000,000.00		-6,666,215.62		5,474,511.35				98,808,295.73	
Xinyushi Baoaotongda Biotechnology Co., Ltd.		25,000,000.00		-1,670.71						24,998,329.29	
Beijing Purun Medical Devices Co., Ltd.		10,235,294.12		-450,457.00						9,784,837.12	
Subtotal	460,208,463.68	275,235,294.12		-142,010,771.91		202,516,212.09			-22,583,259.71	773,365,938.27	138,024,410.41
Total	460,208,463.68	275,235,294.12		-142,010,771.91		202,516,212.09			-22,583,259.71	773,365,938.27	138,024,410.41

Entities	2020.12.31	Amount of changes								2021.12.31	Provision of impairment at the end of the period
		Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others		
1. Associates											
Beijing Yudingzengcai Manufacturing research Institute Co., Ltd.	69,889,707.72			3,287,120.38		-2,573,468.17				70,603,359.93	
Xian Chaoqian Intelligent Technology Co., Ltd.	48,398,138.64			-2,448,769.57						45,949,369.07	
Beijing Haijinge Medicine Technology Co., Ltd.	98,808,295.73			1,974,104.41		10,721,750.60				111,504,150.74	
Xinyushi Baoaotongda Biotechnology Co., Ltd.	24,998,329.29			-2,349.51						24,995,979.78	
Tianjin Walkman Biomaterial Co., Ltd		123,771,825.63		-2,967,218.08						120,804,607.55	
Shenzhen Bone Medical Devices Co. Ltd		44,716,167.55		-1,336,272.60						43,379,894.95	
Hunan Pinxin Bioengineering Co., Ltd.		55,500,000.00		-14,587.85						55,485,412.15	
Beijing Huaco Healthcare Technologies Co., Ltd.	1,258,167.79	26,052,867.38		-627,817.38					-26,683,217.79		

Entities	2020.12.31	Amount of changes								2021.12.31	Provision of impairment at the end of the period
		Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others		
Beijing Bound-Assegai Technical and Trade Co., Ltd.	138,024,410.41									138,024,410.41	138,024,410.41
Beijing Kuaishu'er Medical Technology Co., Ltd.	67,835,963.39			-4,601,392.62		-3,573,868.51				59,660,702.26	
Sichuan Rekind Medtec Inc.	91,579,590.98			12,387,175.71						103,966,766.69	
Lepu Biopharma Co., Ltd.	222,788,497.20			-151,175,742.95	-1,940.44	51,474,729.56				123,085,543.37	
Beijing Purun Medical Devices Co., Ltd.	9,784,837.12			679,189.91						10,464,027.03	
Subtotal	773,365,938.27	250,040,860.56		-144,846,560.15	-1,940.44	56,049,143.48			-26,683,217.79	907,924,223.93	138,024,410.41
Total	773,365,938.27	250,040,860.56		-144,846,560.15	-1,940.44	56,049,143.48			-26,683,217.79	907,924,223.93	138,024,410.41

(6) Operating revenue and operating cost

Breakdown of operating revenue and operating cost

	2021		2020		2019	
Item	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal business	1,076,343,015.13	336,815,308.31	1,076,122,479.35	343,641,170.33	1,568,764,538.40	268,342,849.45
Other businesses	135,101,083.03	96,649,541.97	139,046,952.91	79,791,867.30	36,604,966.89	25,989,391.02
Total	1,211,444,098.16	433,464,850.28	1,215,169,432.26	423,433,037.63	1,605,369,505.29	294,332,240.47

(7) Investment income

Item	2021	2020	2019
Income of investment in long-term equity accounted under cost method	2,254,400,527.88	492,979,609.75	281,946,672.67
Income of investment in long-term equity accounted under equity method	-144,846,560.15	-142,010,771.91	-73,706,711.22
Dividends income acquired during the other equity instruments investment holding period	67,132.09		12,427,783.18
Income of investment from disposal of other non-current financial assets	-297,809,977.57		70,993,008.72
Income of investment from disposal of investment in long-term equity			-1,026,099.62
Total	1,811,811,122.25	350,968,837.84	290,634,653.73

XVI. Supplementary information

(1) Breakdown of non-recurring gains and losses for the year

Item	2021	2020	2019	*Note*
Gain or loss on disposal of non-current assets	20,190,075.88	3,339,844.87	3,616,790.58	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature				
Government grants included in current profit or loss (other than ongoing government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	127,707,522.31	121,025,798.36	127,169,553.07	
Capital occupation fee received from non-financial entities included in current profit or loss				
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures				

Item	2021	2020	2019	*Note*
Gain or loss on exchange of non-monetary assets				
Gain or loss on entrusted investments or assets under management				
Provision for impairment on assets due to force majeure events, such as natural disasters				
Gain or loss on debt restructuring				
Corporate restructuring costs, such as employee redundancy pay and integration costs				
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value				
Net gains or losses of subsidiaries for the current year from the beginning of the period to the date of combination arising from business combination under common control				
Gain or loss on other contingencies which are not related to the Company's normal operations				
Gain or loss on changes in fair value of financial assets held-for-trading derivative financial assets financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities and other debt investments, except for effective hedging transactions that are closely related to the Company's normal operation	-259,326,425.64	451,634,570.82	245,661,353.90	
Reversal of the provision for impairment of receivables which are tested individually for impairment				
Gains or losses from entrusted loans				
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement				
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss				
Entrusted fee income from entrusted operations				
Other non-operating income and expenses apart from the aforesaid items	-55,991,442.48	-23,243,085.91	193,848,569.41	

Item	2021	2020	2019	*Note*
Other gain or loss items meeting the definition of non-recurring gains or losses	36,180,981.07	-76,429,217.32		
Sub-total	-131,239,288.86	476,327,910.82	570,296,266.96	
Effect of income tax	1,458,020.13	-82,604,889.96	-84,133,861.74	
Effect of minority interests (after tax)	-5,835,094.36	-4,681,162.76	-1,638,075.29	
Total	-135,616,363.09	389,041,858.10	484,524,329.93	

(2) Returns on net assets and earnings per share

		Earnings per share (RMB)	
2021	**Weighted average return on equity**	**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to ordinary shareholders of the Company	16.00	0.9596	0.9510
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses	17.27	1.0353	1.0244

		Earnings per share (RMB)	
2020	**Weighted average return on equity**	**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to ordinary shareholders of the Company	21.12	1.0141	1.0141
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses	16.56	0.7951	0.7951

		Earnings per share (RMB)	
2019	**Weighted average return on equity**	**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to ordinary shareholders of the Company	25.03	0.9746	0.9746
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses	18.00	0.7009	0.7009

Lepu Medical Technology (Beijing) Co., Ltd
(Seal)
15 September 2022

Review Report

Xin Kuai Shi Bao Zi [2022] NO.ZG

To the Board of Directors of Lepu Medical Technology (Beijing) Co., Ltd:

We have reviewed the accompanying interim financial statements of Lepu Medical Technology (Beijing) Co., Ltd ("LEPU"), which comprise the consolidated and company's balance sheets as at 30 June 2022, the consolidated and company's income statements, the consolidated and company's statements of cash flows, the consolidated and company's statement of changes in owner's equity for the six months then ended and notes to the interim financial statements.

Management of LEPU is responsible for the preparation of these interim financial statements in accordance with the requirements of *Accounting Standards for Business Enterprises No. 32—Interim Financial Reporting*. Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with the *China Standard on Review Engagement 2101, "Review of Financial Statements"*. This standard requires that we plan and perform the review to obtain limited assurance about whether the interim financial statements as a whole are free from material misstatement. A review is limited primarily to inquiries of personnel from LEPU and analytical procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material repsects, in accordance with the requirement in *Accounting Standards for Business Enterprises—No. 32 The Interim Financial Reporting*.

The comparative information of the interim financial statements, including the consolidated and company's income statements, the consolidated and company's statements of cash flows, the consolidated and company's statements of changes in owner's equity for the six months ended 30 June 2021 and relevant notes, were not audited or reviewed.

This report is intended solely for the Board of Directors of LEPU in connection with the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG and is not to be used for any other purpose.

BDO CHINA Shu Lun Pan
Certified PublicAccountants LLP **Certified Public Accountant of China:**

Shanghai•China **Certified Public Accountant of China:**

15 September 2022

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Balance Sheet
As at 30 June 2022 and 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note*	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand	*V.(1)*	3,492,199,998.44	3,797,546,828.75
Settlement reserve			
Lending funds			
Financial assets held-for-trading	*V.(2)*	31,000,000.00	
Derivative financial assets			
Notes receivable	*V.(3)*	72,021,053.10	53,771,351.46
Accounts receivable	*V.(4)*	1,760,986,601.04	1,661,121,687.38
Receivable financing	*V.(5)*	80,609,173.33	81,021,515.38
Prepayments	*V.(6)*	413,332,395.83	283,134,355.78
Insurance premium receivable			
Reinsurance premium receivable			
Reserves for reassurance contracts receivable			
Other receivables	*V.(7)*	249,097,101.80	178,277,572.38
Financial assets purchased under agreements to resell			
Inventories	*V.(8)*	2,332,292,282.35	1,938,933,788.59
Contract assets			
Assets held for sale			
Non-current assets due within one year	*V.(9)*	6,300,838.01	31,853,472.12
Other current assets	*V.(10)*	122,807,070.29	121,667,039.96
Total current assets		8,560,646,514.19	8,147,327,611.80
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables	*V.(11)*	10,312,070.23	11,129,273.70
Long-term equity investments	*V.(12)*	1,222,059,566.97	1,071,749,553.79
Investments in other equity instruments	*V.(13)*	1,216,464,782.24	1,509,640,296.41
Other non-current financial assets	*V.(14)*	143,660,000.00	93,840,000.00
Investment properties	*V.(15)*	303,401,961.14	317,595,880.00
Fixed assets	*V.(16)*	2,371,928,355.55	2,182,280,171.68
Construction in progress	*V.(17)*	1,358,469,701.11	1,158,461,800.35
Productive biological assets			
Oil and gas assets			
Right-of-use assets	*V.(18)*	239,347,769.72	189,321,935.56
Intangible assets	*V.(19)*	1,379,285,117.12	1,398,639,683.60
Development expenses	*V.(20)*	817,034,293.28	711,493,159.25
Goodwill	*V.(21)*	3,326,724,785.48	3,273,478,338.67
Long-term deferred expenses	*V.(22)*	211,332,886.33	197,778,637.70
Deferred income tax assets	*V.(23)*	142,342,076.84	137,554,855.18
Other non-current assets	*V.(24)*	414,415,723.97	298,371,120.27
Total non-current assets		13,156,779,089.98	12,551,334,706.16
Total assets		21,717,425,604.17	20,698,662,317.96

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Balance Sheet
As at 30 June 2022 and 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	*Note*	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings	*V.(25)*	617,031,472.24	583,919,755.30
Loans from central bank			
Placements from banks and other financial institutions			
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable	*V.(26)*	129,152,537.70	228,532,548.74
Accounts payable	*V.(27)*	1,492,412,355.25	1,134,629,803.32
Advances from customers			
Contract liabilities	*V.(28)*	361,000,858.78	353,961,526.94
Securities sold under agreements to repurchase			
Deposits from customers and interbanks			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employee benefits payable	*V.(29)*	73,416,827.66	199,547,939.45
Taxes payable	*V.(30)*	269,979,522.84	210,761,655.01
Other payables	*V.(31)*	437,848,864.68	327,402,746.63
Fee and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	*V.(32)*	228,845,294.16	249,739,598.07
Other current liabilities	*V.(33)*	48,894,420.05	43,833,317.73
Total current liabilities		3,658,582,153.36	3,332,328,891.19
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	*V.(34)*	1,262,565,824.97	1,209,505,484.75
Bonds payable	*V.(35)*	2,701,500,581.79	2,673,396,874.29
Including: Preference shares			
Perpetual bonds			
Lease liabilities	*V.(36)*	178,935,716.53	125,111,500.56
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	*V.(37)*	149,270,792.78	140,026,782.82
Deferred income tax liabilities	*V.(22)*	227,357,847.13	264,770,701.75
Other non-current liabilities	*V.(38)*	720,860,581.73	679,985,509.35
Total non-current liabilities		5,240,491,344.93	5,092,796,853.52
Total liabilities		8,899,073,498.29	8,425,125,744.71
Owners' equity:			
Share capital	*V.(39)*	1,804,589,657.00	1,804,587,310.00
Other equity instruments	*V.(40)*	214,757,286.34	214,766,365.30
Including: Preference shares			
Perpetual bonds			
Capital reserve	*V.(41)*	1,104,609,533.89	983,705,934.14

Liabilities and owners' equity	*Note*	Ending balance	Beginning balance
Less: Treasury shares	*V.(42)*	599,836,054.49	364,191,936.22
Other comprehensive income	*V.(43)*	-109,594,659.99	128,902,935.45
Special reserve			
Surplus reserve	*V.(44)*	585,170,176.55	585,170,176.55
Provision for general risks			
Retained earnings	*V.(45)*	8,907,082,270.62	8,120,920,265.38
Total equity attributable to shareholders of the Company		11,906,778,209.92	11,473,861,050.60
Non-controlling interests		911,573,895.96	799,675,522.65
Total equity		12,818,352,105.88	12,273,536,573.25
Total liabilities and equity		21,717,425,604.17	20,698,662,317.96

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Balance Sheet
As at 30 June 2022 and 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note*	Ending balance	Beginning balance
Current assets:			
Cash at bank and on hand		965,681,448.31	1,001,509,986.73
Financial assets held-for-trading			
Derivative financial assets			
Notes receivable	*VI.(1)*		3,050,820.01
Accounts receivable	*VI.(2)*	319,668,793.31	343,228,479.65
Receivable financing	*VI.(3)*	3,165,427.44	4,024,270.06
Prepayments		84,014,944.07	60,855,894.42
Other receivables	*VI.(4)*	1,198,255,392.10	729,429,377.06
Inventories		227,850,375.31	240,998,491.74
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		477,558.70	945,122.02
Total current assets		2,799,113,939.24	2,384,042,441.69
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*VI.(5)*	9,638,661,619.20	9,263,375,632.84
Investments in other equity instruments		806,525,286.35	864,934,804.50
Other non-current financial assets		143,660,000.00	93,840,000.00
Investment properties		43,194,248.67	44,221,277.73
Fixed assets		361,404,138.69	355,710,242.41
Construction in progress		13,753,765.83	15,656,621.52
Productive biological assets			
Oil and gas assets			
Right-of-use assets		5,303,912.72	10,833,025.13
Intangible assets		61,491,770.32	71,648,738.95
Development expenses		164,286,451.00	135,087,802.38
Goodwill			
Long-term deferred expenses		72,288,204.61	72,473,109.47
Deferred income tax assets		44,526,729.25	51,889,967.70
Other non-current assets		1,157,803,617.91	1,088,098,155.23
Total non-current assets		12,512,899,744.55	12,067,769,377.86
Total assets		15,312,013,683.79	14,451,811,819.55

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Balance Sheet
As at 30 June 2022 and 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	*Note*	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		533,875,055.58	412,983,794.02
Financial liabilities held-for-trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		100,180,053.43	70,970,087.03
Advances from customers			
Contract liabilities		23,326,677.58	47,482,165.20
Employee benefits payable		6,317,023.12	37,713,780.61
Taxes payable		23,339,453.88	47,548,039.98
Other payables		2,081,560,615.98	785,381,961.21
Liabilities held for sale			
Non-current liabilities due within one year		167,250,000.00	189,681,125.49
Other current liabilities		1,463,540.48	4,799,659.70
Total current liabilities		2,937,312,420.05	1,596,560,613.24
Non-current liabilities:			
Long-term borrowings		1,262,565,824.97	1,209,505,484.75
Bonds payable		2,701,500,581.79	2,673,396,874.29
Including: Preference shares			
Perpetual bonds			
Lease liabilities		7,765,092.93	5,499,073.48
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		13,816,666.67	16,986,345.19
Deferred income tax liabilities		19,707,161.39	27,082,481.39
Other non-current liabilities			
Total non-current liabilities		4,005,355,327.75	3,932,470,259.10
Total liabilities		6,942,667,747.80	5,529,030,872.34
Owners' equity:			
Share capital		1,804,589,657.00	1,804,587,310.00
Other equity instruments		214,757,286.34	214,766,365.30
Including: Preference shares			
Perpetual bonds			
Capital reserve		2,665,612,788.76	2,561,836,944.62
Less: Treasury shares		599,836,054.49	364,191,936.22
Other comprehensive income		26,322,679.12	65,171,925.73
Special reserve			
Surplus reserve		709,594,539.06	709,594,539.06
Retained earnings		3,548,305,040.20	3,931,015,798.72
Total equity		8,369,345,935.99	8,922,780,947.21
Total liabilities and equity		15,312,013,683.79	14,451,811,819.55

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Income Statement
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I. Total operating revenue		5,333,506,938.54	6,520,565,288.78
Including: Operating revenue	*V.(46)*	5,333,506,938.54	6,520,565,288.78
Interest income			
Premium earned			
Income for handling charges and commissions			
II. Total operating costs		3,770,341,813.17	4,290,159,151.86
Including: Operating cost	*V.(46)*	2,021,400,250.06	2,428,023,139.05
Interest expense			
Handling charges and commissions			
Refunded premiums			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend expense			
Reinsured expenses			
Taxes and surcharges	*V.(47)*	55,300,630.81	76,980,908.68
Selling expenses	*V.(48)*	822,978,485.39	958,352,281.58
Administrative expenses	*V.(49)*	365,121,198.11	353,061,531.85
Research and development expenses	*V.(50)*	439,476,755.71	372,977,585.44
Financial expenses	*V.(51)*	66,064,493.09	100,763,705.26
Including: Interest expenses		100,007,986.27	113,989,421.93
Interest income		41,392,335.79	29,725,183.15
Add: Other income	*V.(52)*	20,535,375.96	23,474,623.37
Investment income (loss expressed with "-")	*V.(53)*	-39,941,078.60	-70,517,427.63
Including: Income from investment in associates and joint ventures		-43,519,739.55	-74,048,555.29
Gains from derecognition of financial assets measured at amortised cost			
Exchange gain (loss expressed with "-")			
Net exposure hedging benefits (loss expressed with "-")			
Gain from change in fair value (loss expressed with "-")	*V.(54)*	-180,000.00	1,789,859.93
Loss on impairment of credit (loss expressed with "-")	*V.(55)*	-10,481,040.52	-18,883,450.04
Loss on impairment of assets (loss expressed with "-")	*V.(56)*	-1,981,036.96	
Gains on disposal of asset (loss expressed with "-")	*V.(57)*	367,424.89	56,724.73
III. Operating profit (loss expressed with "-")		1,531,484,770.14	2,166,326,467.28
Add: Non-operating revenue	*V.(58)*	5,776,820.05	15,981,887.87
Less: Non-operating expenses	*V.(59)*	10,185,398.92	10,372,439.22
IV. Total profit before tax (total loss expressed with "-")		1,527,076,191.27	2,171,935,915.93
Less: Income tax expense	*V.(60)*	230,152,884.67	356,198,379.66
V. Net profit (net loss expressed with "-")		1,296,923,306.60	1,815,737,536.27
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss expressed with "-")		1,296,923,306.60	1,815,737,536.27
2. Net profit from discontinued operations (net loss expressed with "-")			

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
(II) Classified by ownership			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		1,268,027,645.71	1,725,814,351.46
2. Gain or loss attributable to non-controlling interests(net loss expressed with "-")		28,895,660.89	89,923,184.81
VI. Net other comprehensive income after tax		-239,445,977.47	156,935,957.97
Net other comprehensive income after tax attributable to shareholders of the Company		-232,377,565.68	157,754,938.50
(I) Other comprehensive income that may not be subsequently reclassified to profit and loss		-253,942,316.31	167,260,803.53
1. Change in remeasurement of defined benefit plans			
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss			
3. Change in fair value of investments in other equity instruments		-253,942,316.31	167,260,803.53
4. Changes in fair value of other equity instrument investments			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		21,564,750.63	-9,505,865.03
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss		18,282.44	-4,652.11
2. Change in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency financial statements		21,546,468.19	-9,501,212.92
7. Others			
Net other comprehensive income attributable to non-controlling interests after tax		-7,068,411.79	-818,980.53
VII. Total comprehensive income		1,057,477,329.13	1,972,673,494.24
Total comprehensive income attributable to shareholders of the Company		1,035,650,080.03	1,883,569,289.96
Total comprehensive income attributable to non-controlling interests		21,827,249.10	89,104,204.28
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.7117	0.9630
(II) Diluted earnings per share (RMB/share)		0.7039	0.9413

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Income Statement
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I. Operating revenue	*VI.(6)*	767,194,609.99	651,614,928.57
Less: Operating cost	*VI.(6)*	255,502,690.32	253,760,739.53
Taxes and surcharges		11,057,402.86	7,996,037.39
Selling expenses		94,615,612.57	98,922,863.80
Administrative expenses		106,270,283.54	101,766,452.08
Research and development expenses		83,046,734.41	71,482,866.63
Financial expenses		70,233,487.26	105,441,004.77
Including: Interest expenses		102,150,220.47	125,511,696.81
Interest income		32,741,950.08	24,366,620.21
Add: Other income		6,234,129.79	3,290,918.02
Investment income (loss expressed with "-")	*VI.(7)*	-39,232,623.78	2,186,730,621.57
Including: Income from investment in associates and joint ventures		-42,303,476.62	-67,480,816.68
Derecognition income of financial assets measured at amortised cost			
Net gain on exposure hedging (loss expressed with "-")			
Gain from change in fair value (loss expressed with "-")		-180,000.00	1,085,810.00
Loss on impairment of credit (loss expressed with "-")		5,807,516.34	-5,340,137.74
Loss on impairment of assets (loss expressed with "-")		-1,505,465.52	
Gains from disposal of asset (loss expressed with "-")			
II. Operating profit (Loss expressed with "-")		117,591,955.86	2,198,012,176.22
Add: Non-operating revenue		470,703.00	1,346,247.74
Less: Non-operating expenses		1,506,714.22	1,477,095.04
III. Total profit before tax (loss expressed with "-")		116,555,944.64	2,197,881,328.92
Less: Income tax expense		17,401,062.69	6,193,201.88
IV. Net profit (Net loss expressed with "-")		99,154,881.95	2,191,688,127.04
(I) Net profit from continuing operations (net loss expressed with "-")		99,154,881.95	2,191,688,127.04
(II) Net profit from discontinued operations (net loss expressed with "-")			
V. Net other comprehensive income after tax attributable to shareholders of the Company		-32,729,216.85	130,864,042.23
(I) Other comprehensive incomes that will not be reclassified into profit or loss		-32,747,499.29	130,868,694.34
1. Change in remeasurement of defined benefit plans			

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss			
3. Change in fair value of investments in other equity instruments		-32,747,499.29	130,868,694.34
4. Change in fair value of credit risks of own credit risks			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		18,282.44	-4,652.11
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss		18,282.44	-4,652.11
2. Change in fair value of other debt investment			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision of credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		66,425,665.10	2,322,552,169.27

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Statements of Cash Flows
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		5,610,237,424.64	6,826,082,487.33
Net increase in deposit from customer and due from bank and other financial institutions			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from premium income from direct insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investments contract liabilities			
Cash received from interests, handling charges and commissions			
Net increase in loans from other banks and other financial institutions			
Net increase in repurchase business			
Net cash received from agency purchases and sales of securities			
Cash received from tax refund		64,701,281.29	112,243,849.57
Cash received relating to other operating activities		95,517,446.44	89,257,381.29
Sub-total of cash inflows from operating activities		5,770,456,152.37	7,027,583,718.19
Cash paid for goods and services		1,956,116,477.03	2,301,865,300.12
Net increase in loans and advances to customers			
Net increase in central bank and interbank deposits			
Cash paid for claims of direct insurance contracts			
Net increase in lending funds			
Cash paid for interests, handling charges and commissions			
Cash paid for the policy dividends			
Cash paid to and on behalf of employees		1,097,096,898.30	969,640,394.18
Payments of taxes and surcharges		595,859,997.82	497,798,585.91
Cash paid relating to other operating activities		943,089,801.48	1,124,472,630.42
Sub-total of cash outflows from operating activities		4,592,163,174.63	4,893,776,910.63
Net cash flows from operating activities		1,178,292,977.74	2,133,806,807.56
II. Cash flows from investing activities:			
Cash received from disposal of investments		38,485,944.75	41,829,227.31
Cash received from investment income		5,984,489.37	3,378,526.06

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,193,256.00	1,746,664.27
Net cash received from the disposal of subsidiaries and other business entities			152,601.59
Cash received relating to other investing activities		26,512,304.82	
Sub-total of cash inflows from investing activities		72,175,994.94	47,107,019.23
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		459,629,168.65	455,366,861.23
Cash paid for investments		211,409,126.64	50,000,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units		21,126,911.42	
Cash paid relating to other investing activities		127,327,936.94	45,059,000.00
Sub-total of cash outflows from investing activities		819,493,143.65	550,425,861.23
Net cash flows from investing activities		-747,317,148.71	-503,318,842.00
III. Cash flows from financing activities:			
Cash received from capital contributions		150,000.00	51,584,210.16
Including: Cash received by subsidiaries from receiving investments made by minority interest		150,000.00	51,584,210.16
Cash received from borrowings obtained		1,164,000,000.00	2,721,258,000.00
Cash received relating to other financing activities		52,950,076.58	613,740,000.00
Sub-total of cash inflows from financing activities		1,217,100,076.58	3,386,582,210.16
Cash repayment of borrowings		1,115,635,360.00	2,496,601,500.00
Cash payments for distribution of dividends profits or interest expenses		562,556,898.04	531,401,741.66
Including: Dividends and profits paid by subsidiaries to non-controlling interests		1,937,837.84	48,998,909.59
Cash payments for other financing activities		376,527,304.65	89,224,062.51
Sub-total of cash outflows from financing activities		2,054,719,562.69	3,117,227,304.17
Net cash flows from financing activities		-837,619,486.11	269,354,905.99
IV. Effect of change in foreign exchange rate on cash and cash equivalents		20,297,853.03	-6,075,501.75
V. Net increase in cash and cash equivalents		-386,345,804.05	1,893,767,369.80
Add: Beginning balance of cash and cash equivalents		3,684,043,645.03	2,391,237,259.98
VI. Ending balance of cash and cash equivalents		3,297,697,840.98	4,285,004,629.78

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Statements of Cash Flows
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		838,092,067.14	660,754,031.50
Cash received from tax refund		757,793.03	
Cash received relating to other operating activities		22,671,556.64	29,733,090.27
Sub-total of cash inflows from operating activities		861,521,416.81	690,487,121.77
Cash paid for goods and services		127,357,800.07	96,154,296.00
Cash paid to and on behalf of employees		278,012,538.49	269,150,195.26
Payments of taxes and surcharges		119,852,724.12	23,841,371.00
Cash paid relating to other operating activities		122,762,896.10	137,520,035.95
Sub-total of cash outflows from operating activities		647,985,958.78	526,665,898.21
Net cash flows from operating activities		213,535,458.03	163,821,223.56
II. Cash flows from investing activities:			
Cash received from disposal of investments		9,420,718.15	9,739,088.23
Cash received from returns on investments		26,730,804.52	1,074,375,508.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,703.77	8,190,545.40
Net cash received from the disposal of subsidiaries and other business entities			259,746,108.00
Cash received relating to other investing activities		15,032,220.83	44,916,666.67
Sub-total of cash inflows from investing activities		51,214,447.27	1,396,967,916.55
Cash paid to acquire fixed assets, intangible assets and other long-term assets		22,803,871.29	43,760,242.43
Cash paid to acquire investments		152,611,914.00	45,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		226,255,745.00	502,759,754.00
Cash paid relating to other investing activities		64,800,000.00	45,000,000.00
Sub-total of cash outflows from investing activities		466,471,530.29	636,519,996.43
Net cash flows from investing activities		-415,257,083.02	760,447,920.12
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		1,080,000,000.00	2,482,258,000.00
Cash received relating to other financing activities		813,657,517.29	
Sub-total of cash inflows from financing activities		1,893,657,517.29	2,482,258,000.00
Cash repayment of borrowings		932,125,000.00	2,028,881,500.00

Item	*Note*	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Cash payments for distribution of dividends profits or interest expenses		558,932,797.84	478,724,346.31
Cash payments for other financing activities		237,090,769.73	34,892,603.86
Sub-total of cash outflows from financing activities		1,728,148,567.57	2,542,498,450.17
Net cash flows from financing activities		165,508,949.72	-60,240,450.17
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-33,582.56	-2,142,544.94
V. Net increase in cash and cash equivalents		-36,246,257.83	861,886,148.57
Add: Beginning balance of cash and cash equivalents		1,001,034,621.83	674,950,280.41
VI. Ending balance of cash and cash equivalents		964,788,364.00	1,536,836,428.98

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:	Chief Financial Officer:	Accounting Manager:
Pu Zhongjie	Wang Yong	Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Statement of Changes in Owners' Equity
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended 30 June 2022													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,804,587,310.00			214,766,365.30	983,705,934.14	364,191,936.22	128,902,935.45		585,170,176.55		8,120,920,265.38	11,473,861,050.60	799,675,522.65	12,273,536,573.25
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,804,587,310.00			214,766,365.30	983,705,934.14	364,191,936.22	128,902,935.45		585,170,176.55		8,120,920,265.38	11,473,861,050.60	799,675,522.65	12,273,536,573.25
III. Increase/decrease for the year (Decrease expressed with "-")	2,347.00			-9,078.96	120,903,599.75	235,644,118.27	-238,497,595.44				786,162,005.24	432,917,159.32	111,898,373.31	544,815,532.63
(I) Total comprehensive income							-232,377,565.68				1,268,027,645.71	1,035,650,080.03	21,827,249.10	1,057,477,329.13
(II) Capital paid in and reduced by shareholders	2,347.00			-9,078.96	32,200,078.21	235,644,118.27						-203,450,772.02	90,071,124.21	-113,379,647.81
1. Ordinary shares paid by shareholders														
2. Capital paid by holders of other equity instruments	2,347.00			-9,078.96	67,154.86							60,422.90		60,422.90
3. Amount of share-based payments recognized in owners' equity					33,710,840.41							33,710,840.41	2,780,594.30	36,491,434.71
4. Others					-1,577,917.06	235,644,118.27						-237,222,035.33	87,290,529.91	-149,931,505.42
(III) Profit distribution											-487,985,670.23	-487,985,670.23		-487,985,670.23
1. Transfer to surplus reserve														

	For the six months ended 30 June 2022													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)											-487,985,670.23	-487,985,670.23		-487,985,670.23
4. Others														
(IV) Transfer within owners' equity							-6,120,029.76				6,120,029.76			
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings							-6,120,029.76				6,120,029.76			
6. Others														
(V) Special reserve														
1. Transfer in the year														
2. Utilisation in the year														
(VI) Others					88,703,521.54							88,703,521.54		88,703,521.54
IV. Ending balance of the year	1,804,589,657.00			214,757,286.34	1,104,609,533.89	599,836,054.49	-109,594,659.99		585,170,176.55		8,907,082,270.62	11,906,778,209.92	911,573,895.96	12,818,352,105.88

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Consolidated Statement of Changes in Owners' Equity
for the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended 30 June 2021													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
I. Ending balance of last year	1,804,581,117.00				959,178,574.08	254,282,089.95	37,457,150.30		402,534,580.65		6,923,321,919.53	9,872,791,251.61	664,635,196.86	10,537,426,448.47
Add: Changes in accounting policies														
Correction of previous errors														
Business combination under common control														
Others														
II. Beginning balance of the year	1,804,581,117.00				959,178,574.08	254,282,089.95	37,457,150.30		402,534,580.65		6,923,321,919.53	9,872,791,251.61	664,635,196.86	10,537,426,448.47
III. Increase/decrease for the year (Decrease expressed with "-")				240,557,700.27	24,105,297.10		159,852,187.52				1,315,100,459.36	1,739,615,644.25	52,072,587.08	1,791,688,231.33
(I) Total comprehensive income							157,754,938.50				1,725,814,351.46	1,883,569,289.96	89,104,204.28	1,972,673,494.24
(II) Capital paid in and reduced by shareholders				240,557,700.27	24,105,297.10							264,662,997.37	11,967,292.39	276,630,289.76
1. Ordinary shares paid by shareholders													51,584,210.16	51,584,210.16
2. Capital paid by holders of other equity instruments				240,557,700.27								240,557,700.27		240,557,700.27
3. Amount of share-based payments recognized in owners' equity					9,030,065.18							9,030,065.18	367,033.96	9,397,099.14
4. Others					15,075,231.92							15,075,231.92	-39,983,951.73	-24,908,719.81
(III) Profit distribution											-408,616,643.08	-408,616,643.08	-48,998,909.59	-457,615,552.67
1. Transfer to surplus reserve														

	For the six months ended 30 June 2021													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
2. Transfer to provision for general risks														
3. Distribution to owners (or shareholders)											-408,616,643.08	-408,616,643.08	-48,998,909.59	-457,615,552.67
4. Others														
(IV) Transfer within owners' equity							2,097,249.02				-2,097,249.02			
1. Capitalization of capital reserve (or share capital)														
2. Capitalization of surplus reserve (or share capital)														
3. Loss offset by surplus reserve														
4. Transfer to retained earnings arising from change in defined benefit plans														
5. Transfer from other comprehensive income to retained earnings							2,097,249.02				-2,097,249.02			
6. Others														
(V) Special reserve														
1. Transfer in the year														
2. Utilisation in the year														
(VI) Others														
IV. Ending balance of the year	1,804,581,117.00			240,557,700.27	983,283,871.18	254,282,089.95	197,309,337.82		402,534,580.65		8,238,422,378.89	11,612,406,895.86	716,707,783.94	12,329,114,679.80

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Statement of Changes in Owners' Equity
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended 30 June 2022										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,804,587,310.00			214,766,365.30	2,561,836,944.62	364,191,936.22	65,171,925.73		709,594,539.06	3,931,015,798.72	8,922,780,947.21
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,804,587,310.00			214,766,365.30	2,561,836,944.62	364,191,936.22	65,171,925.73		709,594,539.06	3,931,015,798.72	8,922,780,947.21
III. Increase/decrease for the year (Decrease expressed with "-")	2,347.00			-9,078.96	103,775,844.14	235,644,118.27	-38,849,246.61			-382,710,758.52	-553,435,011.22
(I) Total comprehensive income							-32,729,216.85			99,154,881.95	66,425,665.10
(II) Capital paid in and reduced by shareholders	2,347.00			-9,078.96	15,072,322.60	235,644,118.27					-220,578,527.63
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments	2,347.00			-9,078.96	67,154.86						60,422.90
3. Amount of share-based payments recognized in owners' equity					15,005,167.74						15,005,167.74
4. Others						235,644,118.27					-235,644,118.27
(III) Profit distribution										-487,985,670.23	-487,985,670.23
1. Transfer to surplus reserve											
2. Distribution to owners (or shareholders)										-487,985,670.23	-487,985,670.23
3. Others											
(IV) Transfer within owners' equity							-6,120,029.76			6,120,029.76	
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											

Item	For the six months ended 30 June 2022										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings							-6,120,029.76			6,120,029.76	
6. Others											
(V) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
(VI) Others					88,703,521.54						88,703,521.54
IV. Ending balance of the year	1,804,589,657.00			214,757,286.34	2,665,612,788.76	599,836,054.49	26,322,679.12		709,594,539.06	3,548,305,040.20	8,369,345,935.99

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Unaudited Company's Statement of Changes in Owners' Equity
For the six months ended 30 June 2022 and 30 June 2021
(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended 30 June 2021										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Ending balance of last year	1,804,581,117.00				2,486,335,584.16	254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
Add: Changes in accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of the year	1,804,581,117.00				2,486,335,584.16	254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
III. Increase/decrease for the year (Decrease expressed with "-")				240,557,700.27	43,205,060.04		130,864,042.23			1,783,071,483.96	2,197,698,286.50
(I) Total comprehensive income							130,864,042.23			2,191,688,127.04	2,322,552,169.27
(II) Capital paid in and reduced by shareholders				240,557,700.27	43,205,060.04						283,762,760.31
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments				240,557,700.27							240,557,700.27
3. Amount of share-based payments recognized in owners' equity					3,583,481.61						3,583,481.61
4. Others					39,621,578.43						39,621,578.43
(III) Profit distribution										-408,616,643.08	-408,616,643.08
1. Transfer to surplus reserve											
2. Distribution to owners (or shareholders)										-408,616,643.08	-408,616,643.08
3. Others											
(IV) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											

Item	For the six months ended 30 June 2021										
		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
3. Loss offset by surplus reserve											
4. Transfer to retained earnings arising from change in defined benefit plans											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Transfer in the year											
2. Utilisation in the year											
(VI) Others											
IV. Ending balance of the year	1,804,581,117.00			240,557,700.27	2,529,540,644.20	254,282,089.95	130,864,042.23		526,958,943.16	4,463,135,794.44	9,441,356,151.35

The following notes to the attached financial statements are an integral part of the financial statements.

Legal Representative: Pu Zhongjie

Chief Financial Officer: Wang Yong

Accounting Manager: Li Yun

Lepu Medical Technology (Beijing) Co., Ltd
Notes to the financial statements for the six months ended 30 June 2022
(All amounts in RMB Yuan unless otherwise stated)

I. Basic Information of the Company

(1) General

Lepu Medical Technology (Beijing) Co., Ltd (the "Company"), formerly known as Beijing Lepu Medical Instrument Co., Ltd, was established in 11 June 1999 approved by Beijing Municipal Administration of Market Supervision. It was founded with a registered capital amounting to RMB12.60 million. Luoyang Ship Material Research Institute contributed capital in cash totally 8.82 million and WP Medical Technologies, Inc (hereinafter referred to as the "US WP") contributed capital in technology totally 3.78 million. Aforementioned capital was verified by Beijing Yanping Accounting Firm LLC in the verification report Yankuaiyanzi (2000) NO. 018.

As at 30 June 2022, the Company has issued shares totally 1,804,589,657.00 and the registered share capital is RMB180,458.1117 thousand.

Social credit code: 911100007000084768

Registered address: Chaoqian Road 37#, Changping District, Beijing

Legal representative: Mr. Pu Zhongjie

Business scope: Production and sales of medical equipment and accessories; technical development of medical instruments and accessories; technical consulting service for self-produced products; import and export of aforementioned products; import and export of technology; commission agency (without auction, and quota license management and commodities with special provisions should be conducted according to the national regulations).

The financial statements have been approved by the Board of Directors of the Company on 15 September 2022.

(2) Scope of the consolidated financial statements

As at 30 June 2022, the Company's secondary subsidiaries within the scope of the consolidated financial statements are as follows:

Subsidiary name
Lepu Qianshi Digital Technology (Shanghai) Co., Ltd
Lepu Medical Equipment (beijing) Co., Ltd.
Beijing Ruixiang Taikang Technology Co., Ltd.
Beijing Tiandi Hexie Technology Co., Ltd.
Lepu Medical Electronics Technology Co., Ltd.
Lepuxintai Medical Technology (Shanghai) Co., Ltd.
Ningbo Bingkun Medical Technology Co., Ltd.
Beijing Lepu Medical Technology Co., Ltd.
Lepu Medical (Europe) Coöperatief U.A.
Beijing Star GK Medical Device Co., Ltd.
Shenzhen Sonolepu Medical Technology Co., Ltd.
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd.
Germany Pharmaceutical Co., Ltd.
Zhejiang Lepu Pharmaceutical Co., Ltd.

Subsidiary name
Beijing Haihetian Technology Development Co., Ltd.
Beijing Lepucare Technology Co., Ltd.
Beijing Lejian Medical Investment Co., Ltd.
Beijing JWJ Science & Technology Development Co., Ltd.
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.
Lepu (Shenzhen) Financial Holding Co., Ltd.
Beijing Guoyihui Healthcare Technology Co., Ltd.
Beijing Lepu Growth Investment Management Co., Ltd.
Lepu Medical (Shenzhen) International Development Center Co., Ltd.
Lepu (Shenzhen) Medical Technology Co., Ltd.
Qingdao Minyi Investment Center (Limited Partnership)
Beijing Lepu Tongxin Technology Co., Ltd.
Shenzhen Purwell Medical Technology Co., Ltd.
Tianjin Yuhengjia Medical Technology Co., Ltd.
Xiangcheng Lepu Hospital Management Co., Ltd.
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.
Shanghai Lepu CloudMed Co., Ltd
Beijing Lepu Precision Medical Technology Co., Ltd.
Lepu International Holdings (Shenzhen) Co., Ltd.
Lepu ruikang (Shanghai) Intelligent Technology Co., Ltd.
Lepu Guanzhi Biotechnology Co., Ltd.
Lepuyoukang (Beijing) Pharmaceutical Technology Co., Ltd.
Yinchuan Lepu Internet Hospital Co., Ltd.
Shaanxi Xingtai Biotechnology Co., Ltd
Aonuo (Qindao) Pharmaceutical Co., Ltd.
Suzhou Bonsmile Medical Technology Co., Ltd.
Tibet Tiandome Technology Development Co., Ltd.
Beijing Huaco Healthcare Technologies Co., Ltd.
Lepu (Beijing) Medical Technology Co., Ltd.
Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd.
Beijing Ledong Pukang Medical Technology Co., Ltd.
Lepruikang (Beijing) Elderly Care Service Management Co., Ltd

II. Basis for Preparation of Financial Statements

(1) Basis for preparation

The interim financial statements for the six months ended 30 June 2022 (the ″Interim Financial Statements") include the consolidated and company's balance sheets as at 30 June 2022, the consolidated and company's income statements, the consolidated and company's statements of cash flows, the consolidated and company's statements of changes in owner's equity for the six months then ended, and notes to the interim financial statements. The consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owner's equity for the six months ended 30 June 2021 and relevant notes have not been audited or reviewed. The Interim Financial Statements have been prepared solely for the purpose of application for the offering of global depository receipts (GDRs) and the listing of the GDRs on SIX Swiss Exchange AG.

The Interim Financial Statements are prepared in accordance with the Accounting Standards for Business Enterprises 32, "Interim Financial Reporting" issued by the Ministry of Finance. Notes to the Interim Financial Statements are simplified compared to notes to the annual financial statements and do not include all the information and disclosures required in the annual financial statements. These interim financial statements should be read in conjunction with the Company's financial statements for each of the years ended 31 December 2019, 2020 and 2021.

The Interim Financial Statements are presented on a going concern basis.

(2) Going concern

There are no significant events affecting the ability of the Company's sustainable operation, and no doubt about the ability of going concern in the next 12 months.

III. The Significant Accounting Policies and Accounting Estimates

(1) Statement of compliance with Accounting Standards for Business Enterprises

The Interim Financial Statements have been prepared by the Company in accordance with the Accounting Standards for Business Enterprises by the Ministry of Finance, and truly and completely reflect the consolidated financial position and the company's financial position as at 30 June 2022, the consolidated and company's financial performance and cash flows for the six months then ended.

(2) Accounting period

The accounting period is from 1 January to 31 December of each calendar year. The accounting period for the Interim Financial Statements is from January 1 to June 30.

(3) Operating cycle

The Company's operating cycle is 12 months.

(4) Reporting currency

The Company adopts RMB as the reporting currency.

(5) Accounting treatment methods for business combinations under and not under common control

Business combination under common control: The assets and liabilities (including the goodwill that formed by the ultimate controller's acquisition of the combined party) that the combining party obtains in a business combination shall be measured at their respective carrying amounts as recorded by the combined party in the consolidated financial statements of the ultimate controller on the combining date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations (or total par value of issued shares) shall be adjusted to capital stock premium in the capital reserve. If the balance of capital stock premium is insufficient, any excess is adjusted to retained earnings.

Business combination that are not under common control: The cost of the combination is the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree at the date of purchase. Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree, the negative balance shall be counted into current profit and loss. For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained from business combination that meet the recognition conditions shall be measured at fair value on the acquisition date.

The relevant direct costs of the combination shall be recorded into the current profit or loss when incurred. The transaction costs of the equity securities or debt securities issued for business combination shall be included in the initially confirmed amount of the equity securities or debt securities.

(6) Methods of Preparation of consolidated financial statements

1. Consolidation scope

The scope of consolidation in the consolidated financial statements is determined on a control basis, including the Company and all subsidiaries. Control means that the Company has the power over the invested entity, can obtain variable returns from its participation in relevant activities of the invested entity, and is capable of affecting the amount of returns by using the power over the invested entity.

2. Consolidation procedure

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow. The impact of internal transactions between the Company and its subsidiaries as well between subsidiaries shall be offset. If the relevant assets are impaired in internal transaction, the loss shall be recognized in full. If the accounting policies and accounting periods adopted by the subsidiaries are different from those of the Company, some necessary adjustments shall be made by following the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The owner's equity of the subsidiary, the share of the current net profit or loss and current comprehensive income attributable to the minority shareholder shall be separately presented under the owner's equity of the consolidated balance sheet, the net profit and the total comprehensive income of the consolidated income statement. If the current loss assumed by the minority shareholders of a subsidiary exceeds the share in the opening owner's equity of the subsidiary, the balance shall be offset against the minority shareholders' equity.

(1) Acquisition of subsidiaries or businesses

During the reporting period, if a subsidiary or businesses are acquired due to the business combination under the common control, the opening balance of the consolidated balance sheet shall be adjusted. Additionally, the opening balance of the financial statements and the relative items in the comparative statements shall be adjusted, as if the reporting entity of the combination always exists since the ultimate controller begins the control.

For control over the invested entity under the common control due to additional investment or the like, the equity investment held prior to obtaining the control over the combined party, the profits or losses, other comprehensive income and other changes in the net assets recognized for the period from the acquisition date or the date when the combining party and the combined party are under the same control, whichever is later, to the combining date, shall be offset against the opening retained earnings or current profit or loss in the period of the comparative statements respectively. During the reporting period, if a subsidiary or businesses are acquired due to the business combinations not under common control, they shall be included in the consolidated financial statements on the basis of the fair value of all identifiable assets, liabilities and contingent liabilities determined from the acquisition date.

For control over the invested entity not under the common control due to additional investment or the like, the equity of the acquiree held before the acquisition date will be re-measured at the fair value on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income. Whereas, the equity of the acquiree held before the acquisition date involving other comprehensive income that can be reclassified into profit or loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income of the period including the acquisition date.

(2) Disposal of subsidiaries

① General approach

When lose the control over the invested party for the disposal of part of equity investments and other reasons, it shall re-measure the remaining equity at the fair value on the date that the control power is lost. The difference between the sum of the consideration derived from the equity disposal and the fair value of the remaining equity shares, and the sum of the net asset share entitled from the acquisition date or combining date continually calculated by the original shareholding ratio in subsidiaries and goodwill, shall be included in the investment income of the current period when the control power is lost. Other comprehensive income related to the original equity investment in the subsidiaries that can be reclassified into profit and loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income when lose the control.

② Disposal of subsidiaries by stages

For the disposal of equity investment in subsidiaries through multiple transactions until lose the power of control, the said transactions shall be accounted as a package deal if the terms, conditions and economic effects of all transactions for the disposal of equity investment in subsidiaries satisfy one or more of the following circumstances:

i. These transactions are concluded at the same time or in consideration of mutual influence.

iii. Only these transactions as a whole can achieve a complete business result.

iii. One transaction depends on at least one other transaction.

iv. One transaction is not economic when considering it alone, but it will be economic when considering it together with other transactions.

If each transaction is a package deal, it shall be treated as a transaction for disposal of subsidiaries and the control over the subsidiaries will be lost; however, before losing control power, the difference between each disposal price and the net asset share of the subsidiary entitled corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements, and then included in profits and losses of the period that the control power is lost.

If each transaction is not a package deal, it shall be treated as the partial disposal of equity investment in the subsidiary without loss of control before losing the power of control; however, it shall follow the general approach to the disposal of subsidiaries in case of loss of control.

(3) Acquisition of non-controlling interests in subsidiaries

The difference between the long-term equity investment newly acquired due to the acquisition of minority interest and the share of net assets of the subsidiary entitled from the acquisition date or combining date continually calculated by the new shareholding ratio shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

(4) Partial disposal of long-term equity investments in subsidiaries without loss of control

The difference between the disposal price and the share of net assets entitled corresponding to the disposal investment continually calculated from the acquisition date or combining date shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

(7) Classification of joint arrangement and accounting method for joint operation

Joint arrangement includes joint operation and joint venture.

A joint venture party shares the related assets and liabilities, which means joint operation. The Company confirms that the following items are related to the share of interests in joint operation:

(1) The assets held by the Company alone, and the jointly held assets by the share of Company.

(2) The liabilities held by the Company alone, and the jointly held liabilities by the share of Company.

(3) The revenue from the sales of shares of co-operation output.

(4) The revenue from the sales according to ratio in co-operation output.

(5) The expenditure arose alone and from co-operation according to the share of the Company.

(8) Recognition criteria for cash and cash equivalents

Cash indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are referred as investment that held in a short term, highly liquid and were readily convertible to known amounts of cash and subject to insignificant risk of value change.

(9) Foreign currency transactions and foreign exchange translation for financial statements

1. Foreign currency transactions

Foreign currency transactions are translated into RMB using the spot exchange rates prevailing on the transaction date.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to special foreign currency borrowings that have been taken out for the acquisition or construction of qualifying assets, which are capitalized according to the principle of borrowing costs.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheets are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on the transaction date. The income and expense items in the income statements are translated at the spot exchange rates of the transaction date.

Upon disposal of a foreign operation, the differences arising from the above translations shall be transferred from the owner's equity item to the current profit or loss of disposal.

(10) Financial instruments

When the Company becomes a party in the financial instrument contract, a financial asset, financial liability or equity instruments will be recognized.

1. Classification of the financial instruments

Based on the business model under which the Company manages assets and the characteristics of contractual cash flows of financial assets, the financial assets are divided into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be financial assets at fair value through profit or loss as assets at amortized cost:

— The business model is in order to collect contractual cash flows.

— Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be measured at fair value through profit and loss as financial assets at fair value through other comprehensive income (debt instruments):

— The business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

— Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

The Company can irrevocably designate equity instruments not held for trading as financial assets at fair value through other comprehensive income (equity instruments) at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instrument from the perspective of the issuer.

Financial assets other than the above financial assets at amortized cost and financial assets at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit or loss. If the accounting mismatch can be eliminated or significantly reduced, at initial confirmation, the Company can irrevocably designate the financial assets that should be classified as measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

Financial liabilities are divided into financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost at initial confirmation.

Financial liabilities that meet any of the following conditions can be designated to financial liabilities at fair value through profit or loss:

1) The designation can eliminate or significantly reduce the accounting mismatches.

2) Manage and take performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis in accordance with the risk management or investment strategy of the enterprise as set out in formal written documentation, and report to the key managers on this basis within the Company.

3) The financial liability contains embedded derivatives that are subject to a separate spin-off.

2. Recognition basis and measure method of financial instruments

(1) Financial assets at amortized cost

Financial assets at amortized cost include notes receivables and accounts receivables, other receivables, long-term receivables, and debt investments, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. However, accounts receivable without major financing components and accounts receivable with financing component less than one year left out by the company are initially measured at the contract transaction price.

The interest calculated by the effective interest rate method is included in profit or loss during the holding period.

The difference between the acquisition price and the carrying value of the financial asset is included in profit or loss upon recovery or disposal.

(2) Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments) include receivables financing, other debt investment, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. The financial asset is subsequently measured at fair value. Except for the interest calculated by the effective interest rate method, impairment losses or gains and exchange gains or losses, changes in fair value are included in other comprehensive income.

Upon de-recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss.

(3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include equity instrument investments, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. Such financial assets subsequently measured at fair value, and the changes in fair value are included in other comprehensive income. As well the dividends obtained are included in current profit or loss.

Upon de-recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value, and the relevant transaction expenses are included in the profits or losses. The financial asset is subsequently measured at fair value, where the changes in fair value are included in the profit or loss.

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities, and derivative financial liabilities, etc., which are initially measured at fair value, and the relevant transaction expenses are included in current profit or loss. The financial liability is subsequently measured at fair value, where the changes in fair value are included in the profit or loss.

Upon de-recognition, the difference between its book value and the paid consideration is included in the profit or loss.

(6) Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term loans, notes payable, accounts payable, other payables, long-term loans, bonds payable, and long-term accounts payable, which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount.

The interest calculated by the effective interest method is included in profit or loss during the holding period.

Upon de-recognition, the difference between the paid consideration and the book value of the financial liability is included in the profit or loss.

3. Derecognition and transfer of financial assets

The Company derecognizes financial assets if any of the following conditions is met:

— The right to receive cash flows from the financial asset expires.

— The financial asset has been transferred and almost all risks and rewards relating to the financial asset have been transferred to the transferee.

— The financial asset has been transferred to the transferee, and the Company has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

When a financial asset is transferred, if almost all risks and rewards relating to the financial asset are retained, the recognition of the financial asset will not be terminated.

When judging whether the transfer of financial assets meets the above conditions for de-recognition of financial assets, the Company adopts the principle of substance over form.

The Company divides the transfer of financial assets into overall transfer and partial transfer. In case the overall transfer of the financial asset meets the criteria for de-recognition, the difference between the following two items will be included in the profit or loss:

(1) The face value of the transferred financial asset;

(2) The sum of the consideration received as a result of the transfer and the accumulated changes in fair value which were previously directly included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income).

In case where the transfer of only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the following two items will be included in the profit or loss:

(1) The face value of the derecognized part;

(2) The sum of the consideration of the derecognized part and the amount corresponding to the derecognized part of the accumulated changes in fair value which were previously included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the conditions for de-recognition, the financial asset shall continue to be recognized, and its consideration shall be recognized as a financial liability.

4. Derecognition of financial liabilities

A financial liability or a part of financial liability is derecognized when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

As for substantive changes made to all or part of the contract terms of the existing financial liabilities, the existing financial liabilities or part of them will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability.

When financial liabilities are derecognized in whole or in part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recognized in profit or loss for the period.

If the Company repurchases partial financial liabilities, the overall book value of the financial liabilities shall be distributed according to the relative fair value of the continuously recognized part and the derecognized part on the repurchase date. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) shall be included in profit or loss for the period.

5. Method for determination of fair values of financial assets and financial liabilities

For financial instruments with an active market, their fair value shall be determined by the quotation in the active market. In case there is no active market, the fair value shall be calculated by valuation technology. During the valuation, the Company adopts the valuation technology which is the most appropriate at that time and with sufficient available data and other information, selects the input value consistent with the characteristics of asset or liability considered by market participants in the relevant transaction, and gives priority to the use of relevant observable input values. Unobservable input values are used only when the relevant observable input values cannot be obtained or it is impractical to obtain them.

6. Test method and accounting method for impairment of financial assets

The Company recognizes loss allowance for financial assets at amortized cost, financial assets measured at fair value through other comprehensive income, and financial guarantee contract, etc. individually or in combination.

The Company considers reasonable and reliable information about past events, current situation and forecast of future economic situation, taking the weight risk of default, calculating the probability weighted amount of the present value of the differences between the cash flow receivable from the contract and the cash flow expected to be received and recognizing the expected credit loss.

If the credit risk of a financial instrument has increased significantly since its initial recognition, the Company shall measure the provision for loss based on the expected credit loss of the instrument over the entire duration. If the credit risk of financial instruments has not increased significantly since the initial recognition, the Company shall measure the provision for loss based on the expected credit loss in the next 12 months. The increase or reversal amount of the provision for loss arising therefrom shall be included in the current profits and losses as impairment losses or gains.

The Company compares the risk of default of a financial instrument on the balance sheet date with the risk on the initial recognition date to determine the relative change of default risk during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. Generally, when it is overdue for more than 30 days, the Company considers that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove the credit risk has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If there is objective evidence indicating that a financial asset has been impaired, the Company shall make provision for impairment of the financial asset individually.

For the receivables and contract assets arising from transactions regulated by the "Accounting Standards for Business Enterprises No. 14 – Revenue Standards" (2017), whether or not they contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

For lease receivables, the Company chooses to always measure their loss allowance at the amount of the expected credit losses for the lifetime.

If the Company no longer reasonably expects that the contractual cash flow of financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down.

(11) Inventories

1. Classification and cost of inventories

The inventories include raw materials, finished goods, and work in progress, etc..

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

2. Valuation method of inventory delivered

When inventories are delivered, the actual cost is determined using the weighted-average method.

3. Basis for determining the net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When its net realizable value is lower than its cost, a provision for decline in value of inventories shall be made. Net realizable value refers to the amount of estimated price deducting estimated completion cost, sale expenses and related sales taxes in daily activities.

In the normal production and operation process, the net realizable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. For the inventory of materials that need to be processed, its net realizable value is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes. For inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated based on the contract price. If the quantity of inventories held is more than the quantity ordered in the sales contract, the net realizable value of excess inventories is calculated based on the general sales price.

After the provision for inventory value decline is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for inventory value decline is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

4. Inventory system

The Company maintains a perpetual inventory system.

5. Amortization method of low-value consumables and packaging materials

(1) Low-value consumables are amortized using the one-time reversal method,

(2) Packaging materials are amortized using the one-time reversal method.

(12) Contract asset

1. Methods and criteria for recognition of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of the Company and the payment by the customer. The right to receive consideration for goods transferred or services provided by the Company to the customer (and where that right is dependent on factors other than the passage of time) is shown as a contract asset. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's unconditional (depending only on the passage of time) rights to receive consideration from customers are shown separately as receivables.

2. Method of expected credit loss of contract assets and accounting treatment

The method of determining expected credit losses on contract assets and the accounting treatment are detailed in note "**III. (10) 6.** Test method and accounting method for impairment of financial assets" in this note.

(13) Held for sale

The carrying amount of a non-current asset or disposal group is classified as held for sale if it is recovered principally through sale (including exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company classifies non-current assets or disposal groups as held for sale when both of the following conditions are met:

(1) The sale is immediate in its present condition, based on the practice of selling such assets or disposal groups in similar transactions.

(2) It is highly probable that the sale will occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before a sale can take place, and such approval has been obtained.

If the carrying amount of a non-current asset (excluding financial assets, deferred income tax assets and assets arising from employee compensation) or disposal group classified as held for sale is higher than its fair value less costs to sell, the carrying amount is written down to its fair value less costs to sell, and the amount of the write-down is recognized as an impairment loss on the asset and charged to current profit or loss, together with a provision for impairment of assets held for sale.

(14) Long-term equity investments

1. Judgement criteria for common control that have significant influence

Joint control refers to the common control over an arrangement according to relevant agreements, whose relevant activities can only be decided after the unanimous consent of the participants sharing control. Where the Company and other joint venture parties jointly control the invested entity and have rights to the net assets of it, the invested entity is the joint venture of the Company.

Significant influence means that the enterprise has the power to participate in the financial and operational decisions of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The invested entity is an associated enterprise of the Company, where the Company can influence the invested entity significantly.

2. Determination of initial investment cost

(1) Long-term equity investments acquired through business combinations

For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. The differences between the initial investment cost of a long-term equity investment and the carrying value of the consideration paid are adjusted against the equity premium in capital reserve; if the equity premium in capital reserve is not sufficient for elimination, retained earnings are adjusted. If additional investments exercise control over an investee under the common control, the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principles and the sum of the carrying amount of the long-term equity investment before it reaches consolidation plus the carrying amount of the consideration paid for the further acquisition of shares at the date of consolidation is adjusted against equity premium, and if the equity premium is not sufficient for elimination, it is reduced against retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination on the purchase date will be treated as the initial investment cost. If the investee not under common control can be controlled due to additional investment and other reasons, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost.

(2) Long-term equity investments acquired by other means

For long-term equity investments acquired by cash payment, the initial cost of investment is the actual amount of cash paid for the purchase.

For long-term equity investments acquired by issuing equity securities, the initial cost of investment is the fair value of the equity securities issued.

3. Subsequent measurement and recognition method of profit or loss

(1) Long-term equity investments accounted for under the cost method

The Company's long-term equity investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions of holding for sale. In addition to the cash dividends or profits declared but not yet distributed included in the price actually paid or consideration when obtaining the investment, the Company recognizes cash dividends or profits declared by the investee as investment income for the period in accordance with the amount to which they are attributable.

(2) Long-term equity investments accounted for under the equity method

The investments in joint ventures and associates are accounted for under the equity method. If the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted. If the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

The investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted. The carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss,other comprehensive income and profit distribution (hereinafter referred to as "other changes in owner's equity"), the carrying value of the long-term equity investment is adjusted and recognized as capital surplus.

The share of net profit or loss of the investee, other comprehensive income and other changes in owner's equity is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Company's accounting policies and accounting periods, and after adjusting the net profit of the investee.

The portion of the unrealized gains or losses from internal transactions with associates and joint ventures that is attributable to the Company in proportion to the shareholding shall be offset, and investment income is recognized on this basis, except where the assets invested or sold constitute a business. Unrealized internal transaction losses incurred with the investee are recognized in full if they belong to asset impairment losses.

In recognizing the share of net loss incurred by the associates and joint ventures, not only the Company has the obligation to bear additional losses, but also the carrying value of long-term equity investments and other long-term interests that substantially constituting a net investment in the investee are written down to zero. If the associates and joint ventures achieve net profit in subsequent periods, the Company resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period.

For partial disposal of long-term equity investment accounted by equity method, if the remaining equity is still accounted by equity method, other comprehensive income recorded in previous equity method shall be transferred in proportion on the same basis as the investee's direct disposal of relevant assets or liabilities, and other changes in owner's equity shall be transferred into the loss or profit in proportion.

For loss of control and significant influence in the investee due to reasons such as disposal of part of the equity investment, other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities. Other changes in owner's equity shall be transferred to the current profit and loss when the equity method is terminated.

For loss of control in the investee due to reasons such as disposal of part of the equity investment, if remaining shareholding can apply common control or impose significant influence to the investee, it shall be accounted for under equity method when preparing individual financial statements, as well as be treated as accounting for under equity method since the shareholding is obtained make adjustment. The other comprehensive income recognized before taking control of the investee shall be carried forward in portion on the same accounting basis as the investee directly disposing related assets or liabilities, and other changes in owner's equity under the equity method shall be carried forward to the current profit and loss in proportion. If the remaining equity cannot exercise joint control or exert significant influence on the investee, it shall be recognized as a financial asset, and the difference between its fair value and book value on the date of loss of control shall be included in the current profits and losses. And other comprehensive income and other changes in owner's equity recognized before obtaining the control of the investee shall be carried forward in full.

If the transactions from the step-by-step disposal of equity to the loss of controlling equity fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognized as other comprehensive income and transferred to profit or loss upon loss of control. If the transaction do not fall under a series of transactions, the Company shall separately carry out accounting treatment for each transaction.

(15) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, which include the leased land use right, the land use right held and ready to be transferred after appreciation and buildings that have been leased out (including the buildings used for leasing after the completion of self-construction or development activities and the buildings used for leasing in the future in the process of construction or development).

Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Otherwise, the expenditures are charged to the current profit or loss as incurred.

The Company uses the cost model to measure the existing investment properties. For "the investment properties- buildings for rent" on the cost model, the same depreciation policy as the fixed assets in the Company is adopted, and the land right for rent is implemented according to the same amortization policy as intangible assets.

(16) Fixed assets

1. Recognition and initial measurement of fixed assets

Fixed assets are tangible assets that held for production of goods or provision of services, leasing to others, or for administrative purposes, which have useful life over one accounting year. Fixed assets are recognized when the following conditions are met at the same time:

(1) It is probable that the related economic benefits of fixed assets will flow to the Company;

(2) The costs of fixed assets can be reliably measured.

Fixed assets are initially measured at cost (taking into account the impact of expected disposal expenses).

Subsequent expenditures related to fixed assets are included in the cost of the fixed assets, if it is probable that the economic benefits associated with the fixed assets will flow and their cost can be measured reliably, and the carrying amount of the replaced part is derecognized. Subsequent expenditures other than these are charged to the current profit or loss as incurred.

2. Method of depreciation

The Company made provision for the fixed assets by using straight-line method, and determined the depreciation ratio according to the category of fixed assets, the estimated useful life and estimated rate of salvage value. For fixed assets with provision for impairment, the depreciation amount shall be determined in the future according to the book value after deducting the provision for impairment and the remaining useful life. If the useful lives of the components of fixed assets are different or they provide economic benefits to the enterprise in different ways, the Company will choose different depreciation rates or depreciation methods for them and depreciate separately.

The depreciation method, useful life, residual value ratio and annual depreciation rate of fixed assets are classified as below:

Type	Depreciation method	Useful life	Estimated residual value ratio	Annual depreciation rate
		(year)	*(%)*	*(%)*
Buildings and structures . . .	Straight-line method	20-40	5	2.38-4.75
Machinery and equipment . .	Straight-line method	6-15	5	6.33-15.83
Transportation equipment . .	Straight-line method	3-12	5	7.92-31.67
Office equipment and others	Straight-line method	2-10	5	9.50-47.50

3. Disposal of fixed assets

Proceeds from the disposal of fixed assets on sale, transfer, retirement or destruction, net of their carrying amount and related taxes, are included in profit or loss for the current period.

(17) Construction in progress

The cost of construction in progress is determined on the basis of actual construction expenditures, including construction costs, installation costs, borrowing costs capitalized and other necessary expenses before the construction reaches its intended usable state. Construction in progress is transferred to the fixed assets when it reaches the intended usable state, and the depreciation shall be accrued from the next month.

(18) Borrowing costs

1. Principles for recognition of capitalized borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the relevant assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss in accordance with the amounts incurred.

Assets eligible for capitalization are assets such as fixed assets, investment properties and inventories that require a substantial time period for their acquisition or production activities to reach their intended use or saleable condition.

2. Period of capitalization of borrowing costs

The capitalization period is the period from the point at which capitalization of borrowing costs commences to the point at which capitalization ceases, excluding the period during which capitalization of borrowing costs is suspended.

Capitalization of borrowing costs commences when both of the following conditions are met:

(1) Expenditure on assets has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization.

(2) Borrowing costs have been incurred.

(3) The construction of assets or production activities necessary to make the assets available or available for sale have commenced.

Borrowing costs cease to be capitalized when the acquisition or production of an asset eligible for capitalization reaches its intended use or saleable condition.

3. Period of suspension of capitalization of borrowing costs

Borrowing costs are suspended when there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization that lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended usable or saleable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the period of interruption are recognized in profit or loss, and the costs continue to be capitalized until construction of assets or production activities resumed.

4. Calculation of the capitalization rate and capitalized amount of borrowing costs

Where funds are borrowed under a specific-purpose borrowing, the capitalized amount of borrowing costs is the actual expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the amount of borrowing costs to be capitalized for general borrowings is calculated by multiplying the weighted average amount of asset expenditure in excess of the portion of accumulated asset expenditure over special borrowings by the capitalization rate of the general borrowings taken up. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Exchange differences on the principal and interest on special borrowings in foreign currencies during the period of capitalization are capitalized and included in the cost of the assets eligible for capitalization. Except the foreign currency special borrowings, the exchange differences arising on the principal of and interest on other foreign currency borrowings are included in profit or loss for the period.

(19) Intangible assets

1. Valuation method of intangible asset

(1) Intangible assets are initially measured at cost when it is acquired by the Company.

The cost of an externally acquired intangible asset comprises the purchase price, related taxes and other expenditures directly attributable to bringing the asset to its intended use.

(2) Subsequent measurement

The useful life of an intangible asset is analyzed at the time of acquisition.

Tangible assets with finite useful lives are amortized over the period in which they will generate economic benefits for the enterprise. Intangible assets with indefinite useful lives are not amortized if it is not foreseeable that they will provide economic benefits to the enterprise.

2. The useful estimation of intangible assets with finite useful lives

The useful life and amortization method of intangible assets with finite useful lives are reviewed at the end of each year.

3. The judgment basis of intangible assets with indefinite useful lives and procedures for reviewing their useful lives

The Company identifies intangible assets with indefinite useful lives when it is not foreseeable that the asset will provide economic benefits to the Company, or when the useful life of the asset is uncertain.

Judgments on the basis of indefinite useful life: ① derived from contractual rights or other legal rights, but there is no clear useful life under the contract or the law; ② the period during which the intangible asset brings economic benefits to the Company still cannot be judged after taking into account the situation in same industries or relevant expert arguments, etc..

At the end of each year, a review of the useful lives of intangible assets with indefinite useful lives is conducted, mainly on a bottom-up basis, by the relevant departments using the intangible assets, to evaluate whether there are changes in the basis for determining indefinite useful lives, etc..

4. Specific criteria for classifying the research and development phases

Expenditure on research and development projects within the Company is divided into research phase expenditure and development phase expenditure.

Research stage: The stage of original and planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Development phase: The stage in which research results or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

5. Specific conditions for capitalization of development stage expenditure

Research stage expenditures are charged to current profit or loss as incurred. Expenditure in the development phase is recognized as an intangible asset if it meets both of the following conditions, otherwise it is charged to current profit or loss:

(1) It is technically feasible to complete the intangible asset so that it can be used or sold.

(2) There is an intention to complete the intangible asset and use or sell it.

(3) The manner in which intangible assets generate economic benefits, including the ability to demonstrate the existence of a market for the product produced using the intangible asset or for the intangible asset itself and, where the intangible asset will be used internally, the ability to demonstrate its usefulness.

(4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset.

(5) The expenditure attributable to the development stage of the intangible asset can be measured reliably.

Where it is impossible to distinguish between research phase expenditure and development phase expenditure, all research and development expenditures incurred are charged to current profit or loss.

(20) Impairment of long-term assets

Long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, oil and gas assets and other long-term assets are tested for impairment if there is an indication of impairment 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 is made for the difference and an impairment loss is recorded. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. Provision for asset impairment is calculated and recognized on an individual asset basis or, if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest combination of assets that can generate cash inflows independently.

Goodwill arising from business combinations, intangible assets with indefinite useful lives and intangible assets that have not yet reached a usable condition are tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

The Company performs goodwill impairment testing and the carrying value of goodwill arising from a business combination is apportioned to the relevant group of assets from the date of purchase in accordance with a reasonable method; if it is difficult to apportion to the relevant group of assets, it is apportioned to the relevant group of an asset combination. A relevant group of assets or a combination of groups of assets can benefit from the synergies of a business combination.

When testing for impairment of a relevant group of assets or a combination of groups of assets that includes goodwill, if there is an impairment, the group of assets or combination of groups of assets that does not include goodwill is first tested, the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. Then carry out impairment test on the asset group or combination of asset groups containing goodwill and compare its book value with the recoverable amount. If the recoverable amount is lower than the book value, the amount of impairment loss shall first offset the book value of goodwill allocated to the asset group or combination of asset groups, and then offset the book value of other assets in proportion according to the proportion of the book value of other assets in the asset group or combination of asset groups except goodwill.

The above impairment losses on assets, once recognized, will not be reversed in subsequent accounting periods.

(21) Long-term deferred expenses

Long-term amortized expenses are expenses that have been incurred but should be borne by the current and future periods and are apportioned over a period of more than one year. The Company's long-term amortization expenses include renovation costs, consulting services and tooling, etc..

1. Amortization method

Long-term deferred expenses are amortized evenly over the benefit period of the expense item.

2. Amortization period

The amortization period is determined based on the period of earnings and if a long-term amortization item does not benefit subsequent accounting periods, the unamortized amortized value of the item is transferred to current profit or loss in full.

(22) Contract liability

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of the Company and the payment by the customer. The Company's obligations to transfer goods or provide services to customers for consideration received or receivable from customers are shown as contractual liabilities. The contract assets and contract liabilities are presented under the same contract on a net basis.

(23) Employee benefits

1. Accounting treatment of short-term employee benefits

During the accounting period when employees provide services, the Company shall recognize the short-term employee compensation actually incurred as liability and record it in the current profits and losses or relevant asset costs.

Employee benefits of the Company include social insurance charges, housing provident funds, labor union expenditures and the personnel education funds. The company shall determine the welfare benefits in accordance with the prescribed allocation base and ratio required by corresponding regulations during the accounting period when the employees provide services.

The employee welfare expenses incurred by the Company shall be recorded in the current profits and losses or relevant asset costs according to the actual amount; where the employee welfare is non-monetary, it shall be measured at the fair value.

2. Accounting treatment for post-employee benefits

(1) Defined contribution plan

According to relevant regulations of the local government, the Company shall pay the basic endowment insurance and unemployment insurance for the employees. During the accounting period when the employees provide services, the payable amount shall be calculated according to the payment base and proportion required by the local regulations. The payable amounts are recognized as liabilities and included in the current profits and losses or relevant asset costs. In addition, the Company also participates in the enterprise annuity plan/supplementary pension fund approved by the relevant national departments.

The Company shall pay to the annuity plan/local social insurance institution in accordance with the prescribed percentage of the total wages, and the corresponding expenditure shall be included in the current profits and losses or related asset costs.

(2) Defined benefit plan

The Company shall determine the welfare obligations generated by the defined benefit plan according to the projected accumulated benefit unit method and include them in the current profits and losses or relevant asset cost.

The deficit or surplus generated from the present value of defined benefit plan less the fair value of the defined is recognized as a net defined benefit liability or net defined benefit asset. When the Company has a surplus in the defined benefit plan, it shall measure the net defined benefit asset at the lower level of:

the surplus in the defined benefit plan; and the asset ceiling.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period for which the employee provides services, are discounted by the market yield of Treasury bonds or quality corporate bonds in the active market of the same term and currency.

Service costs arising from the defined benefit plan and the net defined benefit liability or net defined benefit asset are included in the current profits or losses or relevant asset costs; changes in the remeasurement of the net defined benefit liability or net defined benefit asset are included in other comprehensive income and are not transferred to profits and losses during the subsequent accounting period, and all the parts originally included in other comprehensive income are transferred to undistributed profits within equity at the termination of the original defined benefit plan.

At the timing of settlement of the defined benefit plan, the gain or loss on a settlement is the difference between the present value of the defined benefit plan obligation being settled and the settlement price determined on the settlement date.

3. Accounting treatment of termination benefits

The company shall recognize a liability and expense for termination benefits at the earlier of the following dates:

when the company can no longer withdraw the offer of those benefits; and

when the company recognizes costs for a restructuring and involves the payment of termination benefits.

(24) Estimated liabilities

Any obligations related to contingent matters meet the following conditions, a provision shall be recognized Estimated liabilities:

(1) The Company has a present obligation as a result of a past event;

(2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(3) A reliable estimate can be made of the amount of the obligation.

The provisions are initially measured at the best estimate of the expenditures required to settle the relevant present obligations.

When determining the best estimate, consider factors such as contingent risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the amount of a provision shall be the determined after discounting the relevant future cash flows.

Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used; in other cases, the best estimate is treated separately:

- If the contingent events involve a single project, it shall be determined according to the most likely amount.

- If they involve multiple items, it shall be determined according to various possible results and relevant probabilities.

If all or part of the expenses required to settle the provisions are compensated by a third party, the compensation amount shall be recognized separately as an asset when it is expected to be received, and the recognized compensation amount shall not exceed the book value of the provisions.

The Company reviews the book value of the provisions on each balance sheet date, and if there is conclusive evidence that the book value does not reflect the current best estimate, the book value shall be adjusted to reflect the current optimal estimate.

(25) Share-based payment

The share payment of the Company is a transaction that grants equity instruments or assumes liabilities to obtain services provided by employees or other parties. The share payment of the Company is the payment of the shares settled in equity and shares settled in cash.

1. Share payment and equity instruments settled by equity

Where the share payment of equity settlement is exchanged for the service provided by the employee, it shall be measured at the fair value of the equity instrument granted to the employee. For the share payment transaction with the viable right immediately after the grant, the Company shall recognize relevant costs or expenditures according to the fair value of the equity instrument on the grant date, with a corresponding increase in equity. For the service within the vesting period after the service or share options conditioned upon the achievement of the specified performance conditions, on each balance sheet date of the vesting period, the Company, according to the best estimate of the number of equity instruments, shall account for the current services in the relevant costs or expenditures according to the fair value, with a corresponding increase in equity.

If the terms of the share payment settled by equity are modified, the services obtained are confirmed at least in accordance with the unmodified terms. In addition, any increase in the fair value of the granted equity instrument or any change that is favorable to the employee on the date of modification is confirmed.

During the vesting period, if the granted equity instrument is cancelled, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period into the current profits and losses, with a corresponding increase in equity. However, if a new equity instrument is granted, and on the grant date, the new equity instrument granted is used to replace the cancelled equity instrument, the alternative equity instrument granted is processed in the same way as the terms and conditions of the original equity instrument.

(26) Preferred shares, perpetual bonds and other financial instruments

The Company classifies the financial instrument or its components as a financial asset, financial liability or equity instrument at initial recognition based on the contractual terms of the preferred shares/perpetual bonds issued and the economic substance reflected in them, not solely in legal form.

Financial instruments such as preferred shares/perpetual bonds issued by the Company satisfy one of the following conditions for classifying such financial instruments as a whole or their components as financial liabilities at the initial recognition:

(1) There are contractual obligations that the Company cannot unconditionally avoid to be fulfilled by the delivery of cash or other financial assets;

(2) contains a contractual obligation to deliver a variable amount of its own equity instruments for settlement;

(3) A derivative instrument (such as equity conversion) that is settled in its own equity and does not exchange a fixed amount of its own equity instrument for a fixed amount of cash or other financial assets for settlement;

(4) the existence of contractual provisions that indirectly create contractual obligations;

(5) When the issuer liquidates, the perpetual bonds are in the same liquidation order as the ordinary bonds and other debts issued by the issuer. Financial instruments such as perpetual bonds/preferred shares that do not satisfy any of the above conditions shall be classified as equity instruments as a whole or as parts thereof at the time of initial recognition.

(27) Revenue

1. Accounting policies adopted in revenue recognition and measurement

Revenue is recognized when the Company performs its performance obligations in the contract, namely, when the customer obtains control of the relevant goods or services. To gain control of the relevant goods or services means to dominate the use of the goods or services and obtain almost all the economic benefits from it.

If two or more performance obligations are included in the Contract, the Company shall, on the commencement date of the Contract, allocate the transaction price to each performance obligation in proportion to the standard-alone selling prices of the distinct goods or service. The Company measures revenue at the transaction price apportioned to each performance obligation.

The transaction price is the amount of consideration that the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding payments collected on behalf of a third party and amounts expected to be returned to the Customer. The Company determines the transaction price according to the terms of the contract and in combination with its previous customary practices, and considers the influence of variable consideration, significant financing components existing in the contract, non-cash consideration, consideration payable to a customer and other factors when determining the transaction price. The Company shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If there is a significant financing component in the Contract, the Company shall determine the transaction price that reflect the price a customer would have paid for the promised goods or services if the customer had paid cash for those goods or service when or as they transfer to the customer, and amortize the difference between the transaction price and the contract consideration by the real interest rate method during the contract period.

If one of the following conditions is met, it shall be the performance obligations within a certain period, otherwise, at a certain point:

- The customer shall obtain and consume the economic benefits brought by the Company during the performance of the Company.

- The customer can control the goods under construction during the performance process.

- The commodities produced by the Company during the performance of the contract have irreplaceable purposes, and the Company has the right to collect money for the accumulated part of the contract that has been completed throughout the whole contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income according to the performance progress within that period, except if the performance progress cannot be reasonably determined. Considering the nature of the goods or services, the Company adopts the output method or the input method to determine the performance progress. If the performance progress cannot be reasonably determined, and the cost incurred is expected to be compensated, the Company shall recognize the income according to the cost amount incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Company recognizes revenue at the point when the customer obtains control of the relevant goods or services. In determining whether the Customer has acquired control of the goods or services, the Company shall consider the following indications:

- The Company has the present right to payment collection for the goods or services, that is, the customer has a present payment obligation for the goods or services.

- The Company has transferred legal title to the merchandise to the customer, meaning that the customer already has legal title to the merchandise.

- The Company has transferred the commodity to the customer, namely the customer has physical possession of the commodity.

- The Company has transferred the main risks and reward in the ownership of the commodity to the customer, who has acquired the main risks and reward in the ownership of the commodity.

- The customer has accepted the goods or services, etc.

2. *Specific principles*

1) For the goods sold by distribution, the sales income shall be recognized after confirming that the other party has obtained the goods and signed on the logistics documents. The Company shall provide the buyer with the medical equipment distributed by the company and relevant materials according to the requirements of the contract or agreement, and the sales income is recognized after the acceptance of the buyer;

2) The Company shall recognize revenue from selling goods directly to the hospital after the hospital confirms that the goods are used and the invoice is received;

3) The company sells the goods to the agents on a commission basis, and the sales revenue shall be recognized based on the actual usage confirmed by the hospital with the agents on monthly basis or based on the list issued by the agents according to the contract;

4) For medical equipment sold by means of installment settlement, the amount of commodity sales revenue shall be determined according to the fair value of the receivable contract or agreed price after completing the installation and debugging of the medical equipment and passing the inspection;

5) The company is engaged in the finance lease business. At the start of the lease date, the Company records the value of the finance lease receivable as the sum of the minimum lease collection and the initial direct expenses, and records the unguaranteed residual value. The unearned finance lease income, being the difference between the sum of the finance lease receivable and unguaranteed residual value and its present value, is allocated over the lease term, and the finance lease income for each period during the lease term is recognized accordingly. The Company adopts the real interest rate method to calculate the lease income of the current period. In the case that the unguaranteed residual value decreases and its determined losses are recovered, the interest rate implicit in the lease (real interest rate) shall be recalculated, and the lease income shall be remeasured based on the revised net lease

investment and the revised interest rate implicit in the lease; no adjustment is made when the unguaranteed residual value increases. The contingent rent received by the Company under the finance lease is recognized as the current profits and losses at the time of the actual occurrence. The commission income under the financial lease is recognized when the relevant labor provision is completed and the income can be reasonably estimated.

(28) Contract cost

Contract cost includes contract performance cost and contract acquisition cost.

If the costs incurred by the Company to achieve the performance of the Contract do not fall within the scope of inventory, fixed assets or intangible assets, it shall be recognized as an asset when the following conditions are met:

- This cost is directly related to a current or expected contract.
- This cost increases the resources of the Company to be used to fulfill its future performance obligations.
- The cost is expected to be recovered.

If the Company is expected to recover the incremental cost incurred in obtaining the contract, it shall be included in the contract acquisition cost that is recognized as an asset.

The assets related to the contract cost shall be amortized on the same basis as the income recognition of goods or services related to the assets; However, if the amortization period of the contract acquisition cost does not exceed one year, the Company shall include them in the current profits and losses upon occurrence.

If the book value of the assets related to the contract cost is higher than the difference between the following items, the Company shall make provision for impairment of the excess part and confirm it as an asset impairment loss:

1. Residual consideration expected to be obtained from the transfer of goods or services related to the asset;
2. Estimated costs arising from the transfer of the related goods or services.

If the impairment factors in the previous period change later so that the aforementioned difference is higher than the book value of the asset, the Company shall reverse the previously recognized impairment provision and account into the current profits and losses, but the book value of the asset cannot reverse to higher than where it would have been absent an impairment.

(29) Government subsidies

1. Type

Government subsidy consist of monetary or non-monetary assets obtained from the government, which is divided into asset-related government subsidies and revenue-related government subsidies.

Asset-related government subsidies refer to the government subsidies obtained by the Company and used for the acquisition or construction of long-term assets or obtainment of such assets by other forms. Revenue-related government subsidies refer to those other than asset-related government subsidies.

Government subsidies related to assets are used for the purchase and construction of fixed assets, intangible assets and other long-term assets;

Government subsidies related to revenue are those other than asset-related government subsidies.

2. Confirmation point

Government subsidies shall be recognized when the Company can meet the related conditions stipulated in the financial supporting policies, and it is expected to obtain the financial supporting assets:

(1) The enterprise can meet the conditions attached to the government subsidies;

(2) Enterprises can receive government subsidies.

3. Accounting treatment

Asset-related government subsidies shall offset the book value of the relevant assets or be recognized as deferred income. If recognized as deferred income, the current profits and losses during the service life of relevant assets (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating revenue);

Revenue-related government subsidies used to compensate the Company for related costs or losses of the future period shall be recognized as deferred income, and shall be included in the And in the current profit and loss or offset relevant costs during the period when they are recognized. The government subsidies related to the daily activities of the Company shall be included in other incomes or offset relevant costs based on the substance of business transactions. The government subsidies not related to daily activities shall be included in the non-operating revenues and expenses.

The policy preferential loans obtained by the Company are divided into the following two situations and should be treated separately:

(1) If the government allocates the discount interest funds to the lending bank, and the lending bank provides loans to the Company at the policy preferential interest rate, the Company shall take the actual loan amount received as the entry value of the loan, and calculate the relevant loan expenses according to the loan principal and the policy preferential interest rate.

(2) If the government directly allocates the discount interest funds to the Company, the Company will deduct the relevant loan expenses with the corresponding discount interest.

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

Income tax includes the current income tax and the deferred income tax. Except for the income tax arising from the business merger and the transactions or matters directly included in the owner's equity (including other comprehensive income), the Company includes the current income tax and deferred income tax into the current profits and losses.

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book value.

The deferred income tax assets shall be recognised to the extent that the future taxable income is likely to be obtained for deducting deductible temporary difference, deductible loss, and tax deduction by the Company. For the deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the future taxable income is likely to be used to offset the deductible losses and tax credits. For the taxable temporary differences, the deferred income tax liabilities are recognized, except in special circumstances.

Nonrecognition of deferred income tax assets or deferred income tax liabilities may include:

- Initial recognition of the goodwill;

- It is not a business merger, occurrence and does not affect the accounting profits and taxable income (or deductible losses) transactions or matters.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments of subsidiaries, affiliates and joint ventures, unless the Company can control the timing of the temporary difference and the temporary difference will likely not to be reversed in the foreseeable future. Deferred income tax assets are recognized for the deductible temporary differences related to the investment of subsidiaries, affiliates and joint ventures, when the temporary difference is likely to turn back in the foreseeable future and the taxable income used to deduct the deductible temporary difference is likely to be obtained in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

On the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely that sufficient taxable income is not obtained to offset the deferred income tax assets, the book value of the deferred income tax assets is written down. If there are sufficient taxable income, the written down value is reversed.

When it has the legal right to net settle and intends to net settle or acquire assets and pay off liabilities simultaneously, the current income tax assets and the current income tax liabilities are reported as the net offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are offset in the net amount when:

- The tax payer has the legal right to net settle the current income tax assets and the current income tax liabilities;

- Deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration department of the same tax subject income tax related or related to different tax subject, but in the future period of every important deferred income tax assets and liabilities, involving the tax subject intention to netting current income tax assets and liabilities or assets, liabilities at the same time.

(31) Lease

Accounting Policy from 1 January 2021

Lease refers to a contract in which the lessor gives the use right of the assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration, the contract is a lease or contains a lease.

If the contract also contains a number of separate leases, the Company shall split the contract and treat each lease separately. Where the contract contains both the leased and non-leased parts, the lessee and the lessor shall split the leased and non-leased parts.

For rent reductions and deferred payments on existing lease contracts directly caused by the COVID-19 outbreak, and while meeting the following conditions, the Company will not evaluate any lease changes or reevaluate the classification of lease:

The lease consideration after the concession is reduced or basically unchanged before the concession, among which, the lease consideration is not discounted or discounted at the discount rate before the concession;

- The lease consideration after the concession is reduced or basically unchanged compared with the one before the concession. The lease consideration is either undiscounted or discounted at the discount rate before the concession.

- After considering the qualitative and quantitative factors, the other terms and conditions of the lease have no major changes.

1. The Company acts as the lessee

(1) Right-of-use assets

At the commencement date, the Company recognizes the right-of-use assets for leasing other than short-term leasing and low-value assets. The right-of-use assets are initially measured at costs.

The cost of the right-of-use asset shall comprise:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the lessee; and
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Company shall subsequently adopt the straight line method to depreciate the used assets. For the ownership of the leased assets at the expiration of the lease term, the Company shall draw depreciation within the remaining useful life of the leased assets; otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company shall determine whether the impairment of the use assets has occurred in accordance with the principle of "III, (20) long-term asset impairment" in this note, and account for the recognized impairment losses.

(2) Lease liabilities

At the commencement date, the Company recognizes the lease liabilities for leasing other than short-term leasing and low-value assets. The lease liabilities are initially measured at the present value of the outstanding lease payments.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company adopts the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the company's incremental borrowing interest rate will be used as the discount rate.

The Company calculates the interest expense of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in the current profits and losses or relevant asset costs.

Variable lease payments not included in the measurement of lease liabilities are included into current gains and losses or relevant asset costs upon actual occurrence.

After the commencement date, if the following circumstances occur, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the current profit and loss:

- When the appraisal result of the purchase option, renewal option or termination option changes, or the actual exercise of the foregoing option is inconsistent with the original appraisal result, the Company remeasures the lease liabilities at the present value calculated by the changed lease payment and the revised discount rate;

- In the event of changes in the substantial fixed payment, the expected amount payable of the guarantee allowance, or the index or ratio used to determine the amount of lease payment, the Company shall remeasure the lease liabilities according to the present value of the changed lease payment and the original discount rate. However, if the change in the lease payment comes from the change in the floating rate, the present value is calculated using the revised discount rate.

(3) Short-term lease and low-value asset leasing

The Company chooses not to recognize the right-of-use assets and lease liabilities for the short-term lease and low-value asset lease, and includes the relevant lease payment into the current profits and losses or the relevant asset cost during each period of the lease term. Short-term lease refers to a lease at the commencement of lease, not exceeding 12 months and without the purchase option. Low-value asset lease refers to the lease with low value when a single leased asset is a new asset. If the company sublets or expects to sublet the leased assets, the original lease is not a low-value asset lease.

(4) Lease modifications

If a lease is changed and the following conditions are met, the Group will account for the lease change as a separate lease.

- The lease modification expands the scope of the lease by adding the right to use one or more leased assets;

- The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Group reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Group reduces the carrying value of the right-of-use asset accordingly and recognizes the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Group adjusts the carrying value of the right-of-use asset accordingly.

(5) COVID-19-related rent reductions

For those leases that use the simplified rent reduction method related to COVID-19, the Company does not evaluate whether the lease changes have occurred, and continues to calculate the interest expense of the lease liabilities according to the discount rate consistent with the one before the reduction and include it into the current profits and losses, and continues to depreciate the right-of-use assets in accordance with the same method as the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached to terminate the original rent payment obligation, the company shall offset the relevant asset cost or expense at the prediscounted amount and adjust the lease liabilities accordingly; if the rent payment is delayed, the Company shall offset the previously recognized lease liability upon the actual payment.

For short-term lease and low-value asset lease, the Company continues to include the original contract rent into the relevant asset cost or expenses based on the method used prior to the reduction. In case of rent reduction, the Company shall use the reduced rent as the variable lease payment and offset the relevant asset costs or expenses during the reduction period; if the rent payment is delayed, the Company shall recognize the rent payable during the original payment period and offset the previously recognized amount payable upon the actual payment.

2. The company acts as the lessor

At the commencement date, the company divides the lease into finance lease and operating lease. Finance lease refers to a lease that essentially transfers almost all the risks and rewards of the ownership of the leased assets, regardless of whether the ownership is ultimately transferred or not. Operating lease refers to a lease other than a finance lease. When the Company is the sublease lessor, the transfer lease is classified based on the right-of-use assets generated by the original lease.

(1) Accounting treatment of operating leasing

The lease collection amount of the operating lease is recognized as rental income according to the straight-line method during each period of the lease term. The Company will capitalize the initial direct expenses related to the operating lease and apportion them into the current profits and losses during the lease term on the same basis as the rental income recognition. Variable lease payments not included in lease are recorded in the current profits and losses upon actual occurrence. In case of any change in the operating

lease, the company shall treat it as a new lease from the effective date of the change, and the amount received in advance or lease receivable related to the lease before the change shall be regarded as the amount of the new lease.

(2) Accounting treatment of finance leasing

At the commencement date, the Company recognizes the finance lease receivable and stop the recognition of the finance lease assets. When the Company initially measures the financial lease receivable, the net lease investment is the entry value of the financial lease receivable. The net lease investment is the sum of the present value (discounted based on the interest rate implicit in the lease) of the unguaranteed residual value and the lease amount that is not received at the commencement of the lease.

The Company calculates and recognizes interest income for each period of the lease term at fixed periodic interest rates. The termination of recognition and impairment of finance lease receivables shall be treated in accordance with "III. (10) Financial Instruments" in this Note.

Variable lease payments not included in the net lease investment are recorded into the current profits and losses upon actual occurrence.

If the finance lease is changed and meets the following conditions, the Company shall treat the change as a separate lease:

- This change expands the lease scope by increasing the right to use one or more leased assets;

- The added consideration is equal to the separate price of the extended part of the lease adjusted for the circumstances of the contract.

If the change of finance lease is not treated as a separate lease, the Company shall handle the changed lease under the following circumstances:

- If the change takes effect on the beginning date of the lease and the lease will be classified as operating lease, the company shall account it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the lease assets;

- If the change takes effect on the start date of the lease and the lease will be classified as a finance lease, the Company shall account it in accordance with the policy of this Note "III, (10) Financial Instruments" on the modification or re-agreement of the contract.

(3) COVID-19-related rent reductions

- For operating lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize original contract rent based on the method used prior to the reduction as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount and reduce the rental income during the reduction periods; if the rent payment is delayed, the Company shall recognize original contract rent as lease receivable and reduce the previously recognized lease receivable upon the actual receipt.

- For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize interest income calculated based on previous discount rate as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached, and the original rent payment obligation is waived, the Company shall reduce the previously recognized lease income based on the pre-discounted amount or discounted amount prior to the reduction. The Company records the insufficient offset as investment income and adjusts corresponding lease receivable; if the rent payment is delayed, the Company shall reduce the previously recognized lease receivable upon the actual receipt.

3. Sales and leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale-lease-back transaction is sales according to the principle described in "III. (27) Income" in this note.

(1) As the lessee

If the asset transfer in the sale-lease-back transaction is for sale, the Company shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the asset transfer in the sale-lease-back transaction is not for sale, the Company shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. For accounting treatment of financial liabilities, see "III. (10) Financial Instruments".

(2) As the lessor

If the asset transfer in the sale lease transaction is the sale, the Company as the lessor shall account for the purchase of the asset and for the lease applying the "2. The Company is the lessor" policy; If the asset transfer in the sale-lease-back transaction is not for sale, the Company shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. For accounting treatment of financial assets, please refer to "III. (10) Financial Instruments".

(32) Termination of business operation

Termination is a separate component that meets one of the following conditions and has been disposed of or classified in the category of holding for sale by the Company:

(1) The component represents an independent main business or a separate major operating area;

(2) This component is part of a related plan to dispose of a separate main business or a separate major operating area;

(3) This component is a subsidiary company acquired exclusively for resale.

On-going profit and losses are listed separately in the income statement. Operating gains and losses such as impairment loss and turnover amount and disposal gains shall be reported as termination gains and losses. For the termination of operation reported in the current period, the Company shall report the information previously reported as the profits and losses as the profit and loss of the comparable accounting period.

(33) Changes in important accounting policies and accounting estimates

1. Changes in important accounting policies

(1) Implement "Accounting Standards interpretation for Business Enterprises No. 15"

On 30 December 2021, the Ministry of Finance issued interpretation of *Accounting Standards for Business Enterprises No. 15* (Accounting and Accounting (2021) No. 35, hereinafter referred to as "Interpretation No. 15").

① Accounting treatment of trial run sales

Explanation No. 15 stipulates the accounting treatment and presentation of the products or by-products produced before the fixed assets reach a predetermined state of use or in the research and development process, and stipulates that the net amount of the sales related to trial operation shall not be deducted from the cost of fixed assets or the research and development expenditure. This regulation shall take effect as of 1 January 2022, and shall be retroactively adjusted for trial sales occurring between the beginning of the earliest period and 1 January 2022 in the presentation of financial statements.

② Judgment on loss contract

The "cost of performing the contract" considered by the enterprise in determining whether the contract constitutes a loss contract should include both the incremental cost of performing the contract and the apportion of other costs directly related to the performance of the contract. The provisions shall come into force on 1 January 2022. Enterprises shall implement the provisions for contracts that have not fulfilled all obligations on 1 January 2022. Retained earnings and other relevant financial statement items at the beginning of the current year on the effective date of cumulative impact adjustment shall not adjust the data of the previous comparative financial statements.

(2) Implementation of the Notice on Issues Related to the Application of COVID-19 Related Rent Concession Accounting Treatment Regulations

On 19 May 2022, the Ministry of Finance issued a Notice on Issues related to the Application of the Regulations on Accounting Treatment of COVID-19 epidemic-related Rent Concessions (Accounting and Accounting (2022) No. 13), which again adjusted the scope of application of COVID-19 epidemic-related rent concessions that allow for simplified methods. The original restriction that the simplified method could be applied only to the reduction of lease payments payable prior to 30 June 2022 was removed. Lessee and Lessor may continue to elect to use the simplified accounting method specified in the COVID-19, COVID-19 Related Accounting Treatment Rules for reductions in lease payments payable after 30 June 2022 as a direct result of the COVID-19 pandemic, other applicable conditions unchanged.

Scope before the adjustment of the company conform to the conditions of the lease contract has been simplified method is adopted to improve the accounting choice, the applicable range adjusted in accordance with conditions similar to lease contract also all adopt the simplified method of accounting, is used for the notification prior to the release and changes of lease accounting treatment of the relevant lease contracts for retroactive adjustment, However, it does not adjust the previous comparative financial statement data; The relevant rent concessions that occurred between January 1, 2022 and the effective date of the Notice and have not been accounted for in accordance with the provisions of the Notice shall be adjusted in accordance with the notice.

2. Changes in important accounting estimates

None.

IV. Tax

1. Main taxes and rates

Type	Tax basis	Tax rate
		(%)
Value-added tax	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	1, 3, 5, 6, 9, 13
Urban maintenance and construction tax	Based on value-added tax and consumption taxes paid	5, 7
Enterprise income tax	Based on taxable profits	15, 25

Companies subject to different income tax rates are disclosed as follows:

Name of tax payer	Income tax rates
	(%)
Lepu Medical Technology (Beijing) Co., Ltd.	15
Lepu Medical Equipment (Beijing) Co., Ltd.	15
Beijing Tiandi Hexie Technology Co., Ltd	15
Lepu Medical Electronics Technology Co., Ltd.	15
Shanghai Shape Memory Alloy Material Co., Ltd.	15
Jiangsu Brightness Medical Devices Co., Ltd.	15
Beijing Lepu Medical Technology Co., Ltd.	15
Lepu (Beijing) Diagnostics Co., Ltd	15
Yantai Addcare Bio-Tech Limited Company	15
Shenzhen Sonolepu Medical Technology Co., Ltd.	15
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd.	15
Germany Pharmaceutical Co., Ltd.	15
Lepu Pharmaceutical Technology Co., Ltd.	15
Lepu Hengjiuyuan Pharmaceutical Co., Ltd	15
Beijing Yongzheng Pharmaceutical Co., Ltd.	15
Zhejiang Lepu Pharmaceutical Co., Ltd.	15
Lepu Zhiyao Technology Co., Ltd.	15
Beijing Aipuyi Medical Testing Center Co. Ltd	15

Name of tax payer	Income tax rates
	(%)
Beijing JWJ Science & Technology Development Co., Ltd.	15
Lepu Medical (Shenzhen) International Development Center Co., Ltd.	15
Shanghai Lepu CloudMed Co., Ltd	15
Shenzhen Creative Industry Co., Ltd.	15
Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd.	15
Shenzhen Carewell Electronics Co., Ltd.	15
Shenzhen Viatom Technology Co., Ltd.	15
Sichuan Xingtai Pule Medical Technology Co., Ltd.	15
Suzhou Bonsmile Medical Technology Co., Ltd.	15
Beijing Huaco Healthcare Technologies Co., Ltd.	15

2. Tax incentives

(1) Preferential policies of enterprise income tax

(1) The Company was approved as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service State, Taxation Administration in December 2020. The approval certificate of high-tech enterprise is "GR202011004226", and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% enterprise income tax rate.

(2) Lepu Medical Equipment (Beijing) Co., Ltd was approved as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau, Beijing Municipal Tax Service, State Taxation Administration in October 2020. The approval certificate of high-tech enterprise is "GR202011002701", and the validity period is three years. From January to June 2022, the company enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(3) Beijing Tiandi Hexie Technology Co., Ltd, Inc was approved as high-tech enterprises by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau, Beijing Municipal Tax Service State Taxation Administration in October 2019. The approval certificate of high-tech enterprises is "GR201911002611" and is valid for three years. From January to June 2022, the company prepaid the income tax at preferential tax 15%. As of the report date, it has not applied for the high-tech certificate reexamination.

(4) Lepu Medical Electronics Technology Co., Ltd was approved as a high-tech enterprise by Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Finance Department and Shaanxi Provincial Taxation Bureau of the State Administration of Taxation. The certificate number is "GR202161000568" and valid for three years. From January to June 2022, the company enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(5) Shanghai Shape Memory Alloy Material Co., Ltd was approved as a high-tech enterprise by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Service State, Taxation Administration in November 2020. The approval certificate of the high-tech enterprise is "GR202031005228" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(6) On 30 December, Jiangsu Brightness Medical Devices Co., Ltd was approved as a high-tech enterprise by the Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, Jiangsu Municipal Tax Service State, Taxation Administration on 30 December 2021. The approval certificate of high-tech enterprise is "GR202132006191" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(7) Beijing Lepu Medical Technology Co., Ltd was approved as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration in October 2021. The approval certificate of high-tech enterprise is GR202111000006, and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(8) Lepu (Beijing) Diagnostics Co., Ltd was jointly recognized as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration of State Administration of Taxation in July 2020. The approval certificate of high-tech enterprise is "GR202011001272" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(9) Yantai Addcare Bio-Tech Limited Company was approved as a high-tech enterprise by Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance, Shandong Municipal Tax Service State, Taxation Administration on 17 August 2020. The approval certificate of high-tech enterprise is "GR202037000937" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(10) Shenzhen Sonolepu Medical Technology Co., Ltd was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Municipal Tax Service State, Taxation Administration and Shenzhen Finance Bureau in December 2019. The approval certificate of high-tech enterprise is "GR201944205609" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(11) Shenzhen Lepu Intelligent Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Municipal Tax Service State, Taxation Administration and Shenzhen Finance Bureau in December 2019. The certificate number is "GR201944205802" and valid for three years..From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(12) Germany Pharmaceutical Co., Ltd was issued by the Department of Science and Technology of Henan Province, Department of Finance of Henan Province, Henan Provincial Tax Service, State Taxation Administration. The approval certificate of the high-tech enterprise is "GR202141002247", valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(13) Lepu Pharmaceutical Technology Co., Ltd passed the high-tech enterprise certification in September 2020, and jointly issued the high-tech enterprise certificate by Henan Provincial Technology Department, Henan Provincial Finance Department, Henan Provincial Tax Service, State Taxation Administration. The certificate number is "GR202041000353", valid for three years. From January to June 2022, it will enjoy the preferential tax policy of 15% income tax rate for high-tech enterprises.

(14) Xinxiang Hengjiuyuan Pharmaceutical Co., Ltd which passed the high-tech enterprise certification in September 2020, and jointly issued the high-tech enterprise certificate by Henan Provincial Department of Technology, Henan Provincial Finance Department, Henan Provincial Tax Service, State Taxation Administration. The certificate number is "GR202041000266", valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(15) Beijing Yongzheng Pharmaceutical Co., Ltd passed the high-tech enterprise certification in October 2021, and jointly issued the high-tech enterprise certificate by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service State, Taxation Administration. The certificate number is "GR202111002954", valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(16) Zhejiang Lepu Pharmaceutical Co., Ltd was approved as a high-tech enterprise by Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service State, Taxation Administration in December 2020. The approval certificate of high-tech enterprise is "GR202033005652", and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(17) Lepu Zhiyao Technology Co., Ltd was approved as a high-tech enterprise by Zhejiang Provincial Department of Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service State, Taxation Administration in December 2021. The approval certificate of high-tech enterprise is "GR202133001464" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(18) Beijing aipuyi Medical Testing Center Co. Ltd was recognized as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service State, Taxation Administration in September 2021. The approval certificate of high-tech enterprise is "GR202111004599", which is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(19) Beijing JWJ Science & Technology Development Co., Ltd was recognized as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service State, Taxation Administration in October 2021. The approval certificate number of high-tech enterprise is "GR202111001140", which is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(20) Lepu Medical (Shenzhen) International Development Center Co., Ltd was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Tax Service, State Taxation Administration and Shenzhen Municipal Finance Bureau in December 2020. The approval certificate of high-tech enterprise is "GR202044205359" and is valid for three years.From January to June 2022, it will enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(21) Shanghai Lepu CloudMed Co., Ltd was approved as a high-tech enterprise by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Service State, Taxation Administration in October 2019. The certificate number is "GR201931002663" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(22) Shenzhen Creative Industry Co., Ltd was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Commission and Shenzhen Tax Service, State Taxation Administration in December 2021. The certificate number is "GR202144203071" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(23) Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Tianjin Municipal Science and Technology Bureau, Tianjin Municipal Finance Bureau and Tianjin Municipal Tax Service State, Taxation Administration in December 2020. The certificate number is "GR202012002228" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(24) Shenzhen Carewell Electronics Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Taxation Administration in December 2020. The certificate number is "GR202044206139" and is valid for three years.From January to June 2022, the company enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(25) Shenzhen Viatom Technology Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Taxation Administration in December 2019. The certificate number is "GR201944205028" and is valid for three years.From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(26) Sichuan Xingtai Pule Medical Technology Co., Ltd was approved as a high-tech enterprise by Science and Technology Department of Sichuan Province, Sichuan Provincial Finance Department and Sichuan Provincial Tax Service State, Taxation Administration in December 2021. The certificate number is "GR202151002878" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(27) Suzhou Bonsmile Medical Technology Co., Ltd was approved as a high-tech enterprise by Science and Technology Department of Jiangsu Province, Jiangsu Provincial Finance Department and Jiangsu Provincial Tax Service State, Taxation Administration in December 2019. The certificate number is "GR201932005432" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(28) Beijing Huaco Healthcare Technologies Co., Ltd was approved as a high-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service State, Taxation Administration in December 2021. The approval certificate of high-tech enterprise is "GR202111007086" and valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(29) Shanxi Tiansheng Pharmaceutical Co., Ltd was approved was approved as a high-tech enterprise by Science and Technology Department of Shanxi Province, Shanxi Provincial Finance Department and Shanxi Provincial Tax Service State, Taxation Administration in 7 December 2021. The certificate number is "GR202114000399" and is valid for three years. From January to June 2022, it enjoyed the preferential tax policy of 15% income tax rate for high-tech enterprises.

(2) Other tax incentives

(1) According to the Provisions of the Pilot Transition Policy of Replacing Business Tax to VAT (Taxation [2016] No. 36), the Notice on clarifying the Policies of VAT Exemption for Pension Institutions (Taxation [2019] 20) and the Announcement of the Ministry of Finance and the State Administration of Taxation on extending the Implementation Term of Some Preferential Tax Policies (Taxation [2021] No. 6): the medical services provided by medical institutions are exempted from VAT. Therefore, Beijing Epyi Medical Laboratory Center Co., Ltd. is exempt from VAT, urban construction tax and education surcharge.

(2) According to the Notice of the State Administration of Taxation of the Ministry of Finance on Relevant Tax Policies for Medical and Health Institutions (No.42,2000), the medical service income obtained by non-profit medical institutions at the price stipulated by the state shall be exempted from various taxes. Real estate, land and vehicle-use tax used by non-profit medical institutions will be exempted from property tax, urban land use tax and vehicle and vessel use tax. The part of the non-medical service income obtained directly used to improve the conditions of medical and health services can be deducted from the taxable income after examination and approval by the tax department, and the enterprise income tax shall be levied on the balance. According to the Anhui provincial department of Anhui tax

bureau of taxation about 2020 provincial non-profit organization exemption qualification list notice (Anhui tax law [2020],1280), Hefei high-tech cardiovascular hospital is tax-free non-profit organizations, and from the year, enjoys non-profit tax policies within five years.

V. Notes to the consolidated financial statements

(1) Cash at bank and on hand

Item	Ending balance	Beginning balance
Cash on hand	779,363.12	534,460.52
Bank deposits	3,300,676,783.46	3,666,190,504.74
Other monetary funds	190,743,851.86	130,821,863.49
Total	3,492,199,998.44	3,797,546,828.75

(2) Financial assets held for trading

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	31,000,000.00	
Including: wealth management products	31,000,000.00	
Total	31,000,000.00	

(3) Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	53,693,916.60	34,766,157.96
Commercial acceptance notes	18,327,136.50	19,005,193.50
Total	72,021,053.10	53,771,351.46

(4) Accounts receivable

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Percentage	Carrying Value	Amount	Percentage	Amount	Percentage	Carrying Value
		(%)		(%)			(%)		(%)	
Provision for bad debts made on an individual basis	2,027,715.40	0.11	2,027,715.40	100.00		2,027,715.40	0.11	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis	1,922,304,539.28	99.89	161,317,938.24	8.39	1,760,986,601.04	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Including:										
Expected credit loss of grouping basis	1,922,304,539.28	99.89	161,317,938.24	8.39	1,760,986,601.04	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Total	1,924,332,254.68	100.00	163,345,653.64		1,760,986,601.04	1,822,481,533.11	100.00	161,359,845.73		1,661,121,687.38

(5) Receivable financing

Item	Ending balance	Beginning balance
Notes receivable	80,609,173.33	81,021,515.38
Accounts receivable		
Total	80,609,173.33	81,021,515.38

(6) Prepayments

	Ending balance		Beginning balance	
Item	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
Prepayment for goods	413,332,395.83	100.00	283,134,355.78	100.00
Total	413,332,395.83	100.00	283,134,355.78	100.00

(7) Other receivables

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage	Amount	Percentage	Carrying Value	Amount	Percentage	Amount	Percentage	Carrying Value
		(%)		*(%)*			*(%)*		*(%)*	
Provision for bad debts made on an individual basis	129,805,890.71	31.06	129,805,890.71	100.00		129,805,890.71	37.85	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis	288,137,985.32	68.94	39,040,883.52	13.55	249,097,101.80	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Including:										
Expected credit loss of grouping basis	288,137,985.32	68.94	39,040,883.52	13.55	249,097,101.80	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Total	417,943,876.03	100.00	168,846,774.23		249,097,101.80	342,978,572.66	100.00	164,701,000.28		178,277,572.38

(8) Inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance cost	Carrying value
Raw materials	869,753,700.92	1,320,538.55	868,433,162.37	779,717,096.05	1,386,152.41	778,330,943.64
Work in progress	442,900,348.08	12,078.72	442,888,269.36	351,489,049.94	12,078.72	351,476,971.22
Finished goods	1,030,897,390.76	9,926,540.14	1,020,970,850.62	819,052,548.38	9,926,674.65	809,125,873.73
Total	2,343,551,439.76	11,259,157.41	2,332,292,282.35	1,950,258,694.37	11,324,905.78	1,938,933,788.59

(9) Non-current assets due within one year

Item	Ending balance	Beginning balance
Long-term receivables due within one year	6,300,838.01	16,275,600.92
Finance lease receivables due within one year		697,871.20
Loans and advances due within one year		14,880,000.00
Total	6,300,838.01	31,853,472.12

(10) Other Current Assets

Item	Ending balance	Beginning balance
Advance Payment of Income Tax	118,769,585.14	115,332,786.84
Others	4,037,485.15	6,334,253.12
Total	122,807,070.29	121,667,039.96

(11) Long-term receivables

Item	Ending balance			Beginning balance			Range of discount rate
	Book balance	Provision for bad debts	Carrying Value	Book balance	Provision for bad debts	Carrying Value	
Finance lease payments Receipt in instalments for sale of goods	10,312,070.23		10,312,070.23	11,129,273.70		11,129,273.70	
Total	10,312,070.23		10,312,070.23	11,129,273.70		11,129,273.70	

(12) Long-term equity investments

Investee	Ending balance	Beginning balance
Associates	1,222,059,566.97	1,071,749,553.79
Total	1,222,059,566.97	1,071,749,553.79

(13) Investments in other equity instruments

Item	Ending balance	Beginning balance
Investments in other equity instruments	1,216,464,782.24	1,509,640,296.41
Total	1,216,464,782.24	1,509,640,296.41

(14) Other non-current financial assets

Item	Ending balance	Beginning balance
Guizhou Yizhiying Technology Co., Ltd.	6,500,000.00	6,500,000.00
Suzhou Prius Gene Technology Co., Ltd.	10,000,000.00	10,000,000.00
Shining 3D Technology Co., Ltd.	127,160,000.00	77,340,000.00
Total	143,660,000.00	93,840,000.00

(15) Investment properties

1. Investment properties at cost method

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) Beginning balance	380,764,632.78	2,929,797.60	383,694,430.38
(2) Increase during the period			
(3) Decrease during the period	8,577,828.62		8,577,828.62
(4) Ending balance	372,186,804.16	2,929,797.60	375,116,601.76
2. Accumulated amortisation			
(1) Beginning balance	65,593,595.87	504,954.51	66,098,550.38
(2) Increase during the period	6,853,343.28	39,126.21	6,892,469.49
(3) Decrease during the period	1,276,379.25		1,276,379.25
(4) Ending balance	71,170,559.90	544,080.72	71,714,640.62
3. Provision for impairment			
(1) Beginning balance			
(2) Increase during the period			
(3) Decrease during the period			
(4) Ending balance			
4. Carrying value			
(1) Carrying value at the end of the period	301,016,244.26	2,385,716.88	303,401,961.14
(2) Carrying value at the beginning of the year	315,171,036.91	2,424,843.09	317,595,880.00

(16) Fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) Beginning balance	1,604,341,347.74	1,467,908,682.22	46,083,582.46	498,950,779.71	3,617,284,392.13
(2) Increase during the period	126,612,111.69	186,692,430.70	2,176,882.66	18,114,753.69	333,596,178.74
(3) Decrease during the period	13,061.34	2,811,460.16	569,950.05	5,335,629.47	8,730,101.02
(4) Ending balance	1,730,940,398.09	1,651,789,652.76	47,690,515.07	511,729,903.93	3,942,150,469.85
2. Accumulated amortisation					
(1) Beginning balance	351,635,205.12	744,909,683.32	34,771,253.75	290,323,761.75	1,421,639,903.94
(2) Increase during the period	42,757,561.10	68,029,836.59	2,204,045.57	27,926,162.14	140,917,605.40

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
(3) Decrease during the period . .	4,534.93	2,451,367.13	405,311.13	2,837,573.72	5,698,786.91
(4) Ending balance	394,388,231.29	810,488,152.78	36,569,988.19	315,412,350.17	1,556,858,722.43
3. Provision for impairment					
(1) Beginning balance.	13,275,844.55	56,592.37		31,879.59	13,364,316.51
(2) Increase during the period. . .					
(3) Decrease during the period . .				924.64	924.64
(4) Ending balance	13,275,844.55	56,592.37		30,954.95	13,363,391.87
4. Carrying value					
(1) Carrying value at the end of the period.	1,323,276,322.25	841,244,907.61	11,120,526.88	196,286,598.81	2,371,928,355.55
(2) Carrying value at the beginning of the year.	1,239,430,298.07	722,942,406.53	11,312,328.71	208,595,138.37	2,182,280,171.68

(17) Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	1,358,469,701.11	1,158,461,800.35
Total	1,358,469,701.11	1,158,461,800.35

(18) Right-of-use assets

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance	244,399,504.69	244,399,504.69
(2) Increase during the period	100,698,508.86	100,698,508.86
(3) Decrease during the period.	21,669,133.32	21,669,133.32
(4) Ending balance	323,428,880.23	323,428,880.23
2. Accumulated depreciation		
(1) Beginning balance	55,077,569.13	55,077,569.13
(2) Increase during the period	39,738,507.27	39,738,507.27
(3) Decrease during the period.	10,734,965.89	10,734,965.89
(4) Ending balance	84,081,110.51	84,081,110.51
3. Provision for impairment		
(1) Beginning balance		
(2) Increase during the period		
(3) Decrease during the period.		
(4) Ending balance		
4. Carrying value		
(1) Carrying value at the end of the period.	239,347,769.72	239,347,769.72
(2) Carrying value at the beginning of the year.	189,321,935.56	189,321,935.56

(19) Intangible assets

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) Beginning balance	1,161,441,575.75	490,096,585.25	444,502,995.48	115,786,277.07	2,211,827,433.55
(2) Increase during the period	16,042,138.65	23,461,212.54	17,764,051.64	823,405.30	58,090,808.13
(3) Decrease during the period			500,000.00		500,000.00
(4) Ending balance	1,177,483,714.40	513,557,797.79	461,767,047.12	116,609,682.37	2,269,418,241.68
2. Accumulated amortisation					
(1) Beginning balance	210,752,616.52	329,728,466.62	186,383,356.92	76,579,812.55	803,444,252.61
(2) Increase during the period	19,096,240.80	41,134,389.38	13,156,387.50	4,058,356.93	77,445,374.61
(3) Decrease during the period			500,000.00		500,000.00
(4) Ending balance	229,848,857.32	370,862,856.00	199,039,744.42	80,638,169.48	880,389,627.22
3. Provision for impairment					
(1) Beginning balance		650,811.61	9,092,685.73		9,743,497.34
(2) Increase during the period					
(3) Decrease during the period					
(4) Ending balance		650,811.61	9,092,685.73		9,743,497.34
4. Carrying value					
(1) Carrying value at the end of the period	947,634,857.08	142,044,130.18	253,634,616.97	35,971,512.89	1,379,285,117.12
(2) Carrying value at the beginning of the year	950,688,959.23	159,717,307.02	249,026,952.83	39,206,464.52	1,398,639,683.60

(20) Research and development expenses

Item	Ending balance	Beginning balance
Capitalized expenditure	817,034,293.28	711,493,159.25
Total	817,034,293.28	711,493,159.25

(21) Goodwill

Investee Companies or matters forming goodwill	Ending balance	Beginning balance
Book value	3,489,241,277.59	3,435,994,830.78
Sub-total	3,489,241,277.59	3,435,994,830.78
Provision for impairment	162,516,492.11	162,516,492.11
Sub-total	162,516,492.11	162,516,492.11
Carrying value	3,326,724,785.48	3,273,478,338.67

(22) Long-term deferred expenses

Item	Ending balance	Beginning balance
Long-term deferred expenses	211,332,886.33	197,778,637.70
Total	211,332,886.33	197,778,637.70

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

1. Deferred income tax assets not offset

Item	Ending balance	Beginning balance
Deferred income tax assets	142,342,076.84	137,554,855.18
Total	142,342,076.84	137,554,855.18

2. Deferred income tax liabilities not offset

Item	Ending balance	Beginning balance
Deferred income tax liabilities	227,357,847.13	264,770,701.75
Total	227,357,847.13	264,770,701.75

(24) Other non-current assets

	Ending balance			Beginning balance		
Item	Book balance	Provision of impairment	Carrying value	Book balance	Provision of impairment	Carrying value
Other non-current assets	414,415,723.97		414,415,723.97	298,371,120.27		298,371,120.27
Total	414,415,723.97		414,415,723.97	298,371,120.27		298,371,120.27

(25) Short-term borrowings

Item	Ending balance	Beginning balance
Pledge loans	155,140,138.93	55,058,819.45
Mortgage borrowings		
Guaranteed borrowings		175,236,694.43
Credit loans	461,891,333.31	353,624,241.42
Total	617,031,472.24	583,919,755.30

(26) Notes payable

Types	Ending balance	Beginning balance
Bank acceptance bills	129,152,537.70	228,532,548.74
Commercial acceptance bills		
Total	129,152,537.70	228,532,548.74

(27) Accounts payable

Item	Ending balance	Beginning balance
Payment for goods	1,492,412,355.25	1,134,629,803.32
Total	1,492,412,355.25	1,134,629,803.32

(28) Contract liabilities

Item	Ending balance	Beginning balance
Payment for goods	361,000,858.78	353,961,526.94
Total	361,000,858.78	353,961,526.94

(29) Employee benefits payable

1. Employee benefits payable

Item	Ending balance	Beginning balance
Short-term remuneration	70,980,421.92	198,069,507.22
Post-employment benefits — defined contribution plans	2,436,405.74	1,478,432.23
Total	73,416,827.66	199,547,939.45

(30) Taxes payable

Item	Ending balance	Beginning balance
Value-added tax	100,317,128.34	72,766,315.73
Enterprise income tax	150,591,429.82	119,292,005.74
Individual income tax	4,352,078.21	4,785,780.79
City maintenance and construction tax	6,507,965.21	4,595,179.51
Educational surcharge	5,045,234.28	3,478,057.97
Others	3,165,686.98	5,844,315.27
Total	269,979,522.84	210,761,655.01

(31) Other payables

1. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable	2,355,943.56	4,293,781.40
Total	2,355,943.56	4,293,781.40

2. Other payables

Item	Ending balance	Beginning balance
Other payables	435,492,921.12	323,108,965.23
Total	435,492,921.12	323,108,965.23

(32) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	167,250,000.00	184,250,000.00
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	61,595,294.16	65,489,598.07
Total	228,845,294.16	249,739,598.07

(33) Other current liabilities

Item	Ending balance	Beginning balance
Output value-added tax payable	24,646,745.38	24,039,717.73
Endorsed outstanding notes	24,247,674.67	19,793,600.00
Total	48,894,420.05	43,833,317.73

(34) Long-term borrowings

Item	Ending balance	Beginning balance
Pledge loans	145,190,513.89	245,366,819.44
Mortgage borrowings	621,004,499.96	440,767,666.67
Guaranteed loans		
Credit loans	496,370,811.12	523,370,998.64
Total	1,262,565,824.97	1,209,505,484.75

(35) Bonds payable

Item	Ending balance	Beginning balance
Medium-term notes	1,225,389,940.36	1,222,260,046.39
Convertible bonds	1,476,110,641.43	1,451,136,827.90
Total	2,701,500,581.79	2,673,396,874.29

(36) Lease liability

Item	Ending balance	Beginning balance
Lease liabilities	178,935,716.53	125,111,500.56
Total	178,935,716.53	125,111,500.56

(37) Deferred income

Item	Ending balance	Beginning balance
Government subsidies	149,270,792.78	140,026,782.82
Total	149,270,792.78	140,026,782.82

(38) Other non-current liability

Item	Ending balance	Beginning balance
Financial liabilities measured at amortized cost	720,860,581.73	679,985,509.35
Total	720,860,581.73	679,985,509.35

(39) Share capital

Item	Ending balance	Beginning balance
Total shares	1,804,589,657.00	1,804,587,310.00

(40) Other equity instruments

Financial instruments issued	Ending balance	Beginning balance
Convertible bonds	214,757,286.34	214,766,365.30
Total	214,757,286.34	214,766,365.30

(41) Capital reserve

Item	Ending balance	Beginning balance
Capital premium (Share premium)	660,124,449.21	661,635,211.41
Other capital reserves	444,485,084.68	322,070,722.73
Total	1,104,609,533.89	983,705,934.14

(42) Treasury shares

Item	Ending balance	Beginning balance
Treasury shares	599,836,054.49	364,191,936.22
Total	599,836,054.49	364,191,936.22

(43) Other comprehensive income

Item	Ending balance	Beginning balance
Other comprehensive income	-109,594,659.99	128,902,935.45
Total	-109,594,659.99	128,902,935.45

(44) Surplus reserve

Item	Ending balance	Beginning balance
Statutory surplus reserves	585,170,176.55	585,170,176.55
Total	585,170,176.55	585,170,176.55

(45) Retained Earnings

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Retained Earnings	8,907,082,270.62	8,238,422,378.89
Total	8,907,082,270.62	8,238,422,378.89

(46) Operating revenue and operating cost

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
Item	Revenue	Cost	Revenue	Cost
Principal business	5,306,743,362.24	2,003,359,295.30	6,493,044,791.31	2,413,318,342.47
Other business	26,763,576.30	18,040,954.76	27,520,497.47	14,704,796.58
Total	5,333,506,938.54	2,021,400,250.06	6,520,565,288.78	2,428,023,139.05

(47) Taxes and surcharges

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
City maintenance and construction tax	25,099,712.10	34,228,919.82
Educational surcharge	18,718,710.67	30,798,901.85
Property tax	6,312,035.51	5,093,537.75
Land use tax	1,567,105.07	1,675,226.01
Vehicle usage tax	33,174.22	65,193.92
Stamp duty	2,978,644.56	4,850,384.10
Others	591,248.68	268,745.23
Total	55,300,630.81	76,980,908.68

(48) Selling expense

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Market fee	369,836,219.51	446,412,692.77
Employee benefit expense	280,934,689.61	263,451,890.47
Traveling expense	36,606,726.03	77,258,568.11
Exhibition fee	21,507,436.25	30,465,415.75
Business expenditure	24,927,045.88	31,763,907.77
Advertising publicity fee	30,707,273.36	23,183,500.60
Depreciation expense	24,890,231.98	14,072,670.55
Business fee	6,533,860.83	8,996,464.80
Property rental fee	3,230,169.92	4,673,152.22
Others	23,804,832.02	58,074,018.54
Total	822,978,485.39	958,352,281.58

(49) Administrative expenses

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Employee benefit expense	183,325,079.92	154,871,930.58
Depreciation expense	59,598,527.76	52,323,995.44
Consult service fee	39,357,759.75	60,266,147.07
Traveling expense	7,339,219.10	9,456,258.47
Business fee	10,054,606.97	10,898,428.90
Property rental fee	10,567,191.75	8,849,995.23
Business entertainment expense	6,486,743.31	9,930,355.69
Amortisation fee	15,838,020.45	12,588,200.10
Water, electricity and steam fee	5,166,211.20	4,954,472.26
Others	27,387,837.90	28,921,748.11
Total	365,121,198.11	353,061,531.85

(50) Research and development expenses

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Employee benefit expense	201,031,930.49	162,122,298.17
Materials consumed, energy expense, and testing expense	135,355,857.25	110,527,726.59
Depreciation and amortisation expense	41,638,874.44	36,064,326.35
Design and clinical test fee	28,356,305.73	19,870,142.37
Commissioned external research and development expense	8,966,672.51	12,784,154.59
Others	24,127,115.29	31,608,937.37
Total	439,476,755.71	372,977,585.44

(51) Finance expenses

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Interest expense	100,007,986.27	113,989,421.93
Less: Interest income	41,392,335.79	29,725,183.15
Net exchange losses/gains	4,377,288.78	12,092,464.24
Unrealized financing income	-150,030.82	-411,241.40
Service fee	3,221,584.65	4,818,243.64
Total	66,064,493.09	100,763,705.26

(52) Other income

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Government grants	18,773,658.86	22,702,119.51
Additional deductions for input VAT	211,911.55	500,266.52
Withholding individual income tax commission	1,549,805.55	272,237.34
Total	20,535,375.96	23,474,623.37

(53) Investment income

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Investment income	-39,941,078.60	-70,517,427.63
Total	-39,941,078.60	-70,517,427.63

(54) Gains from change in fair value

Source	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Gain/loss on change in fair value	-180,000.00	1,789,859.93
Total	-180,000.00	1,789,859.93

(55) Loss on impairment of credit

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Loss on bad debts of accounts receivable	9,107,665.68	15,378,875.44
Loss on bad debts of other receivables	3,001,813.70	-171,247.66
Loss on bad debts of long-term receivables (including due within 1 year)	-1,628,438.86	3,675,822.26
Total	10,481,040.52	18,883,450.04

(56) Loss on impairment of assets

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Loss on impairment of inventories/contract performance cost	1,981,036.96	
Total	1,981,036.96	

(57) Gains from disposal of asset

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Gain from disposal of non-current assets	367,424.89	56,724.73
Total	367,424.89	56,724.73

(58) Non-operating revenue

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Government grants	3,626,265.00	14,593,723.72
Others	2,150,555.05	1,388,164.15
Total	5,776,820.05	15,981,887.87

(59) Non-operating expenses

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Donation	6,944,530.04	5,308,223.23
Loss on retirement of damaged non-current assets	307,561.29	510,279.92
Others	2,933,307.59	4,553,936.07
Total	10,185,398.92	10,372,439.22

(60) Income tax expense

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Current income tax expenses	240,183,329.30	338,455,338.40
Deferred tax expenses	-10,030,444.63	17,743,041.26
Total	230,152,884.67	356,198,379.66

(61) Supplementary information on consolidated cash flow statement

1. Supplementary information on consolidated cash flow statement

Supplementary information	For the six months ended 30 June 2022	For the six months ended 30 June 2021
1. Reconciliation of net profit and cash flows from operating activities:		
Net profit	1,296,923,306.60	1,815,737,536.27
Add: Loss on impairment of credit	10,481,040.52	
Loss on impairment of assets	1,981,036.96	18,883,450.04
Depreciation of fixed assets/Investment properties	109,532,311.00	119,710,605.96
Depreciation of use-right assets	39,738,507.27	23,521,400.05
Amortization of intangible assets	60,192,452.03	59,865,234.60
Amortization of long-term deferred expenses	37,836,195.20	34,429,267.11
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	-367,424.89	-56,724.73
Loss on retirement of fixed assets (gain expressed with "-")	307,561.29	510,279.92
Loss on changes in fair value (gain expressed with "-")	180,000.00	-1,789,859.93
Financial expenses (gain expressed with "-")	100,007,986.27	113,989,421.93
Loss on investments (gain expressed with "-")	39,941,078.60	70,517,427.63
Decrease in deferred income tax assets (increase expressed with "-")	-4,787,221.66	19,358,293.99
Increase in deferred income tax liabilities (decrease expressed with "-")	-5,243,222.97	-1,615,252.73
Decrease in inventories (increase expressed with "-")	-338,616,127.27	-472,464,431.01
Decrease in operating receivables (increase expressed with "-")	-384,842,271.88	-449,171,396.48
Increase in operating payables (decrease expressed with "-")	215,027,770.67	782,381,554.94
Others		
Net cash flows from operating activities	1,178,292,977.74	2,133,806,807.56
2. Significant investing and financing activities not involving cash receipts or payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under financing lease arrangement		
3. Net changes in cash and cash equivalents		
Ending balance of cash	3,297,697,840.98	4,285,004,629.78
Less: Beginning balance of cash	3,684,043,645.03	2,391,237,259.98
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-386,345,804.05	1,893,767,369.80

2. Cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	3,297,697,840.98	3,684,043,645.03
Including: Cash on hand.	779,363.12	534,460.52
Bank deposits available for use on demand	3,293,858,370.72	3,665,546,009.77
Other cash at bank and on hand for use on demand	3,060,107.14	17,963,174.74
Deposits with the central bank available for payment		
Interbank deposits		
Interbank lending		
II. Cash equivalents		
Including: Investments in bonds maturing within three months		
III. Cash and cash equivalents at the end of the year	3,297,697,840.98	3,684,043,645.03
Including: Restricted cash and cash equivalents used by the Company or intra-group subsidiaries		

VI. Changes in scope of consolidation

From January to June 2022, the new subsidiaries include Beijing Ledong Pukang Medical Technology Co., Ltd, Qingdao Lishan Eye Nursing Product Co., Ltd., Qingdao Hanrun Eye Care Co., Ltd. And Shanxi Tiansheng Pharmaceutical Co., Ltd.

VII. Related parties transaction

(1) Controlling shareholder and ultimate controller

The ultimate controlling party of the Company is Mr. Pu Zhongjie.

(2) Joint ventures and associates of the Company

Other joint ventures and associates that have related party transactions with the Company during the period or have balance of related party transactions with the Company for the previous period are as follows:

Name of joint ventures and associates	Relationship with the Company
Beijing Qs Medical Technology Co., Ltd	Joint venture
Beijing Purun Medical Equipment Co., Ltd.	Joint venture
Aortec Medical Technology Co., Ltd	Joint venture
Beijing Ampulser Technology Co., Ltd.	Joint venture
Lepu Biopharma Co., Ltd	Joint venture
Beijing Bound-Assegai Technical and Trade Co., Ltd	Joint venture
Beijing Yiliankang Technology Co., Ltd	Joint venture
Beijing Highthinkmed Medicine Technology Co., Ltd	Joint venture
Tianjin Walkman Biomaterial Co., Ltd	Joint venture
Shenzhen Bone Medical Devices Co., Ltd.	Joint venture
Xi'an Chaoqian Intelligent Technology Co., Ltd	Joint venture
Shenzhen Ruihan Medical Technology Co., Ltd.	Joint venture
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd.	Joint venture
Sichuan Rui Jian Medical Technologies Co., Ltd.	Joint venture
Xi'an Medexin Pharmacy Co., Ltd.	A subsidiary of an associated enterprise of the Company

Name of joint ventures and associates	Relationship with the Company
Hangzhou Healsun Biopharm Co., Ltd.	A subsidiary of an associated enterprise of the Company
Taizhou Hanzhong Biomedical Co., Ltd	A subsidiary of an associated enterprise of the Company
Lepu (Beijing) Biopharma Co., Ltd	A subsidiary of an associated enterprise of the Company
Yinchuan Shenli Science Trade Co., Ltd	A subsidiary of an associated enterprise of the Company
Xinxiang Yashijie Medical Laboratory (Limited Partnership)	A subsidiary of an associated enterprise of the Company
Beijing Yalian Yashijie Technology Trade Co., Ltd	A subsidiary of an associated enterprise of the Company
Chengdu Mudaoer Precision Molding Co., Ltd	A subsidiary of an associated enterprise of the Company
Chengdu Oci Medical Devices Co., Ltd	A subsidiary of an associated enterprise of the Company
Waterstone Pharmaceuticals (Hubei) Co., Ltd.	A subsidiary of an associated enterprise of the Company

(3) Other related parties

Name of other related parties	Relationship with the Company
Luoyang Ship Material Research Institute	Shareholder
Beijing Pufeng Medical Management Co., Ltd	The actual controller of a company controlled by a close family member
Beijing Taijie Weiye Technology Co., Ltd.	The actual controller of a company controlled by a close family member

(4) Related party transactions

1. Related party transaction in relation to purchase and sale of goods and provision and receipt of services

Purchase of goods/receipt of service

Related party	Content of related party transaction	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Chengdu Oci Medical Devices Co., Ltd	Purchase of goods	10,188,503.07	
Beijing Haijinge Medicine Technology Co., Ltd	Receipt of services	5,878,301.89	366,213.21
Chengdu Oci Medical Devices Co., Ltd	Receipt of services	5,350,424.18	
Beijing Purun Medical Equipment Co., Ltd	Receipt of services	3,553,545.91	3,645,093.31
Beijing Pufeng Medical Management Co., Ltd	Receipt of services	2,205,179.17	
Tianjin Walkman Biomaterial Co., Ltd	Purchase of goods	2,046,855.59	
Beijing Purun Medical Equipment Co., Ltd	Purchase of goods	1,749,264.05	
Beijing Taijie Weiye Technology Co., Ltd.	Purchase of goods	1,053,796.47	2,809,850.29

Related party	Content of related party transaction	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Beijing Qs Medical Technology Co., Ltd	Purchase of goods	197,506.21	1,006,707.97
Shenzhen Bone Medical Devices Co., Ltd.	Receipt of services	109,975.29	
Shenzhen Bone Medical Devices Co., Ltd.	Purchase of goods	56,077.46	
Beijing Yuhengjia Technology Co., Ltd.	Purchase of goods	51,769.92	395,982.34
Beijing Pufeng Medical Management Co., Ltd	Purchase of goods		189,364.67

Sale of goods/provision of services

Related party	Content of related party transaction	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Chengdu Oci Medical Devices Co., Ltd	Provision of services	655,375.38	
Chengdu Mudaoer Precision Molding Co., Ltd	Sale of goods	429,123.89	
Beijing Purun Medical Equipment Co., Ltd.	Sale of goods	373,336.29	
Lepu (Beijing) Biotech Co., Ltd.	Sale of goods	68,141.59	159,872.59
Shenzhen Ruihan Medical Technology Co., Ltd	Sale of goods	51,189.40	
Chengdu Oci Medical Devices Co., Ltd	Sale of goods	25,944.25	216,637.17
Beijing Taijie Weiye Technology Co., Ltd.	Sale of goods	17,926.55	
Lepu (Beijing) Biopharma Co., Ltd	Sale of goods	20,095.94	72,987.57
Lepu (Beijing) Biopharma Co., Ltd	Provision of services	42,234.00	
Sichuan Rui Jian Medical Technologies Co., Ltd.	Sale of goods		3,210,619.48
Beijing Taijie Weiye Technology Co., Ltd.	Provision of services		3,817.84
Taizhou Hanzhong Biomedical Co., Ltd	Sale of goods		94,623.97

2. Related lease

As lessor:

Name of lessee	Type of leased assets	Leasing income recognized in the current period	Leasing income recognized in the last period
Lepu Biopharma Co., Ltd	Property		1,021,011.11

As lessee:

		For the six months ended 30 June 2022				For the six months ended 30 June 2021			
Name of lessor	Type of leased assets	Simplified treatment of rental costs for short-term leases and leases of low-value assets and variable lease payments not included in the measurement of lease liabilities	Rental paid	Right-of-use asset increased	Interest expenses incurred on lease liabilities	Simplified treatment of rental costs for short-term leases and leases of low-value assets and variable lease payments not included in the measurement of lease liabilities	Rental paid	Right-of-use asset increased	Interest expenses incurred on lease liabilities
Beijing Pufeng Medical Management Co., Ltd	Property	2,171.56				368,082.83			368,082.83

3. Related guarantees

As guarantor:

Entity guaranteed	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Germany Pharmaceutical Co., Ltd.	50,000,000.00	2021/2/3	2022/2/3	yes
Germany Pharmaceutical Co., Ltd	50,000,000.00	2021/3/4	2022/2/3	yes
Germany Pharmaceutical Co., Ltd	50,000,000.00	2021/4/7	2022/4/7	yes
Germany Pharmaceutical Co., Ltd	50,000,000.00	2021/5/14	2022/3/17	yes
Germany Pharmaceutical Co., Ltd	20,000,000.00	2021/5/14	2022/5/14	yes

(5) Receivables and payables from related parties

1. Receivables

		Ending balance		Beginning balance	
Item	Related party	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Beijing Purun Medical Equipment Co., Ltd	6,771,361.05	1,172,812.35	8,215,429.47	1,401,225.65
	Xinxiang Yashijie Medical Laboratory (Limited Partnership)	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40
	Chengdu Mudaoer Precision Molding Co., Ltd	600,300.00	3,001.50	1,162,563.04	5,812.82
	Lepu (Beijing) Biopharma Co., Ltd.	64,942.41	324.71		
	Chengdu Oci Medical Devices Co., Ltd	11,808.00	59.04	63,769.00	318.85
	Waterstone Pharmaceuticals (Hubei) Co., Ltd.			35,500.00	177.50
	Tianjin Walkman Biomaterial Co., Ltd			4,905.00	24.53

Item	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments					
	Beijing Highthinkmed Medicine Technology Co., Ltd	1,994,611.00		5,444,611.00	
	Beijing Pufeng Medical Management Co., Ltd	866,335.96			
	Beijing Qs Medical Technology Co., Ltd	806,400.00		930,000.00	
	Tianjin Walkman Biomaterial Co., Ltd	678,321.79			
	Beijing Yuhengjia Technology Co., Ltd	60,500.00			
	Chengdu Oci Medical Devices Co., Ltd			895,129.74	
	Luoyang Ship Material Research Institute	5,540.00		5,540.00	
	Shenzhen Bone Medical Devices Co., Ltd			2,000.00	
Non-current assets due within one year					
	Beijing Bound-Assegai Technical and Trade Co., Ltd	62,173,727.90	62,173,727.90	62,173,727.90	62,173,727.90
	Beijing Yalian Yashijie Technology Trade Co., Ltd	3,270,851.82	3,270,851.82	3,270,851.82	3,270,851.82
	Beijing Tuoya Biotechnology Co., Ltd				
Other receivables					
	Beijing Bound-Assegai Technical and Trade Co., Ltd	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21
	Xi'an Chaoqian Intelligent Technology Co., Ltd	20,605,663.19	103,028.32	20,185,644.00	100,928.22
	Beijing Yalian Yashijie Technology Trade Co., Ltd	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50
	Chengdu Oci Medical Devices Co., Ltd	692,799.44	3,464.00		
	Beijing Purun Medical Equipment Co., Ltd	660,116.69	63,603.81	648,502.52	62,399.68
	Beijing Yiliankang Technology Co., Ltd	648,800.00	265,056.00	648,800.00	163,166.80
	Beijing Qs Medical Technology Co., Ltd	150,000.00	100,000.00	150,000.00	80,000.00
	Beijing Pufeng Medical Management Co., Ltd	50,000.00	250.00		

2. Payables

Item	Related party	Ending balance	Beginning balance
Accounts payable			
	Chengdu Oci Medical Devices Co., Ltd	24,095,026.81	8,369,206.20
	Beijing Purun Medical Equipment Co., Ltd	3,662,926.44	
	Beijing Taijie Weiye Technology Co., Ltd	1,068,600.64	1,948,988.79
	Tianjin Walkman Biomaterial Co., Ltd	355,252.81	145,591.29
	Hangzhou Healsun Biopharm Co., Ltd	354,690.26	
	Aortec Medical Technology Co., Ltd	165,017.70	100,152.66
	Shenzhen Bone Medical Devices Co., Ltd	95,434.30	217,635.52
	Beijing Qs Medical Technology Co., Ltd	5,309.73	432,081.94
Other payable			
	Tianjin Walkman Biomaterial Co., Ltd		987.50
	Shenzhen Ruihan Medical Technology Co., Ltd	600,000.00	
Contract liabilities			
	Shenzhen Ruihan Medical Technology Co., Ltd	209,677.88	
	Tianjin Walkman Biomaterial Co., Ltd	141,581.85	
	Beijing Taijie Weiye Technology Co., Ltd	24,424.78	
	Yinchuan Shenli Science Trade Co., Ltd		7,743.38

VIII. Major notes to the Company financial statements

(1) Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bills		3,050,820.01
Total		3,050,820.01

(2) Accounts receivable

	Ending balance					Beginning balance				
	Book balance		Bad-debt provision			Book balance		Bad-debt provision		
Items	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad-debt by pooling	347,731,347.94	100.00	28,062,554.63	8.07	319,668,793.31	384,409,870.38	100.00	41,181,390.73	10.71	343,228,479.65
Including:										
Expected credit loss pooling	121,566,838.54	34.96	28,062,554.63	23.08	93,504,283.91	177,563,953.51	46.19	41,181,390.73	10.71	136,382,562.78
Related party pooling	226,164,509.40	65.04			226,164,509.40	206,845,916.87	53.81			206,845,916.87
Total	347,731,347.94	100.00	28,062,554.63		319,668,793.31	384,409,870.38	100.00	41,181,390.73		343,228,479.65

(3) Receivable financing

Item	Ending balance	Beginning balance
Notes receivable	3,165,427.44	4,024,270.06
Accounts receivable		
Total	3,165,427.44	4,024,270.06

(4) Other receivables

	Ending balance					Beginning balance				
	Book balance		Bad-debt provision			Book balance		Bad-debt provision		
Items	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Bad-debt provision for individuals	129,805,890.71	9.74	129,805,890.71	100.00		129,805,890.71	15.03	129,805,890.71	100.00	
Provision for bad-debt by pooling	1,203,390,583.11	90.26	5,135,191.01	0.43	1,198,255,392.10	733,960,503.11	84.97	4,531,126.05	0.62	729,429,377.06
Including:										
Expected credit loss pooling	259,782,551.62	19.48	5,135,191.01	1.98	254,647,360.61	95,950,384.83	11.11	4,531,126.05	4.72	91,419,258.78
Related party pooling	943,608,031.49	70.78			943,608,031.49	638,010,118.28	73.86			638,010,118.28
Total	1,333,196,473.82	100.00	134,941,081.72		1,198,255,392.10	863,766,393.82	100.00	134,337,016.76		729,429,377.06

(5) Long-term equity investments

Item	Ending balance	Beginning balance
Investments in subsidiaries	8,719,731,564.32	8,493,475,819.32
Investments in joint venture and associates	918,930,054.88	769,899,813.52
Total	9,638,661,619.20	9,263,375,632.84

(6) Operating revenue and operating cost

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
Item	Revenue	Cost	Revenue	Cost
Principal business	718,423,944.78	213,557,248.17	581,171,363.56	194,041,484.80
Other business	48,770,665.21	41,945,442.15	70,443,565.01	59,719,254.73
Total	767,194,609.99	255,502,690.32	651,614,928.57	253,760,739.53

(7) Investment income

Item	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Investment income	-39,232,623.78	2,186,730,621.57
Total	-39,232,623.78	2,186,730,621.57

IX. Others

1. Profit distribution

On 17 May 2022, the Company's 2021 profit distribution scheme has been deliberated and approved at 2021 annual general meeting. The scheme proposed to distribute a cash dividends (tax included) of RMB0.275 per share, involving total number of shares at the equity registration date of the implementation of equity distribution, less the number of shares repurchased. Until the date of this report is authorized, the total cash dividends are expected to be RMB487.9857 million (tax included) concerned with 1,774,493,376 number of equity shares. As of the approval date of this report, the Company has completed the above cash dividends.

X. Supplementary information

1. Breakdown of non-recurring gains and losses for the year

Item	Amount	Note
Gain or loss on disposal of non-current assets	367,424.89	
Government grants included in current profit or loss (other than ongoing government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions)	21,679,284.98	
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment income from disposal of financial assets held-for-trading, financial liabilities held-for-trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	3,398,660.95	
Other non-operating revenue and expenses apart from the aforesaid items	-6,273,126.77	
Other items that meet the definition of non-recurring profit and loss	-7,605,290.69	
Less: Effect of income tax	5,680,461.02	
Effect of minority interests (after tax)	1,369,206.59	
Total	4,517,285.75	

Lepu Medical Technology (Beijing) Co., Ltd
15 September 2022