
REVIEW REPORT AND FINANCIAL STATEMENTS

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 respects, 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 Public Accountants LLP**

Certified Public Accountant of China:

Shanghai•China

Certified Public Accountant of China:

15 September 2022

REVIEW REPORT AND FINANCIAL STATEMENTS

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 reinsurance 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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

Liabilities and owners' equity	<i>Note</i>	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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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 “-”)			

REVIEW REPORT AND FINANCIAL STATEMENTS

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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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.			

REVIEW REPORT AND FINANCIAL STATEMENTS

Item	<i>Note</i>	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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

Item	<i>Note</i>	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:
Pu Zhongjie

Chief Financial Officer:
Wang Yong

Accounting Manager:
Li Yun

REVIEW REPORT AND FINANCIAL STATEMENTS

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

Item	Equity attributable to shareholders of the Company										Total equity			
	Share capital	Preference shares	Perpetual bonds	Other equity instruments	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve		Provision for general risks	Retained earnings	Sub-total
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						2,780,594.30	36,491,434.71		
4. Others					-1,577,917.06	235,644,118.27					87,290,529.91	-149,931,505.42		
(III) Profit distribution														
1. Transfer to surplus reserve														

REVIEW REPORT AND FINANCIAL STATEMENTS

For the six months ended 30 June 2022

Equity attributable to shareholders of the Company

Item	Other equity instruments				Less: Treasury shares	Other comprehensive income	Surplus reserve	Provision for general risks	Retained earnings	Sub-total	Minority interests	Total equity
	Share capital	Preference shares	Perpetual bonds	Others								
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. Others												
(V) Special reserve												
1. Transfer in the year												
2. Utilisation in the year												
(VI) Others												
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
					88,703,521.54					88,703,521.54		88,703,521.54

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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

Item	Equity attributable to shareholders of the Company										Total equity		
	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
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	664,633,196.86	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	664,633,196.86	10,537,426,448.47
III. Increase/decrease for the year (Decrease expressed with "-")					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					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
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		-48,998,909.59	-457,615,552.67
1. Transfer to surplus reserve													

REVIEW REPORT AND FINANCIAL STATEMENTS

For the six months ended 30 June 2021

Equity attributable to shareholders of the Company

Item	Other equity instruments			Less: Treasury shares	Other comprehensive income			Retained earnings	Sub-total	Minority interests	Total equity
	Share capital	Preference shares	Perpetual bonds		Others	Capital reserve	Special reserve				
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		
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	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

REVIEW REPORT AND FINANCIAL STATEMENTS

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)

Item	Other equity instruments						Total equity				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares		Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
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			-382,710,738.52	-533,435,011.22
(I) Total comprehensive income										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)											
3. Others											
(IV) Transfer within owners' equity											
1. Capitalization of capital reserve (or share capital)										6,120,029.76	6,120,029.76
2. Capitalization of surplus reserve (or share capital)											

REVIEW REPORT AND FINANCIAL STATEMENTS

For the six months ended 30 June 2022

Item	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
	Share capital	Preference shares	Perpetual bonds							
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.				88,703,521.54						88,703,521.54
2. Utilisation in the year.				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
(VI) Others										
IV. Ending balance of the year	1,804,589,657.00		214,757,286.34							

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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)

Item	Other equity instruments				Share capital	For the six months ended 30 June 2021				Total equity
	Preference shares	Perpetual bonds	Others	Capital reserve		Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	
I. Ending balance of last year				2,486,335,584.16	1,804,581,117.00	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				2,486,335,584.16	1,804,581,117.00	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 “-”)										
(I) Total comprehensive income			240,557,700.27	43,205,060.04					1,783,071,483.96	2,197,698,286.50
(II) Capital paid in and reduced by shareholders			240,557,700.27	43,205,060.04					2,191,688,127.04	2,322,552,169.27
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				3,583,481.61						3,583,481.61
(III) Profit distribution				39,621,578.43						39,621,578.43
1. Transfer to surplus reserve										
2. Distribution to owners (or shareholders)										
3. Others										
(IV) Transfer within owners' equity										
1. Capitalization of capital reserve (or share capital)										
2. Capitalization of surplus reserve (or share capital)										

REVIEW REPORT AND FINANCIAL STATEMENTS

For the six months ended 30 June 2021

Item	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
	Share capital	Preference shares	Perpetual bonds	Others						
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

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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).

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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:

<u>Type</u>	<u>Depreciation method</u>	<u>Useful life</u>	<u>Estimated residual value ratio</u>	<u>Annual depreciation rate</u>
		<i>(year)</i>	<i>(%)</i>	<i>(%)</i>
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

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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..

REVIEW REPORT AND FINANCIAL STATEMENTS

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 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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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;

REVIEW REPORT AND FINANCIAL STATEMENTS

- (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 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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

(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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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 prediscouted 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

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

- 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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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.

REVIEW REPORT AND FINANCIAL STATEMENTS

- (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.

REVIEW REPORT AND FINANCIAL STATEMENTS

- (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.

REVIEW REPORT AND FINANCIAL STATEMENTS

- (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.

REVIEW REPORT AND FINANCIAL STATEMENTS

- (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

REVIEW REPORT AND FINANCIAL STATEMENTS

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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

REVIEW REPORT AND FINANCIAL STATEMENTS

(4) Accounts receivable

Category	Ending balance			Beginning balance		
	Book balance		Provision for bad debts Amount	Book balance		Provision for bad debts Amount
	Amount	Percentage (%)		Amount	Percentage (%)	
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	100.00
Provision for bad debts made on a grouping basis	1,922,304,539.28	99.89	161,317,938.24	8.39	159,332,130.33	8.75
Including:						
Expected credit loss of grouping basis	1,922,304,539.28	99.89	161,317,938.24	8.39	159,332,130.33	8.75
Total	1,924,332,254.68	100.00	163,345,653.64	100.00	161,359,845.73	100.00
			1,760,986,601.04		1,760,986,601.04	
			1,820,453,817.71		1,822,481,533.11	
					1,661,121,687.38	

REVIEW REPORT AND FINANCIAL STATEMENTS

(5) Receivable financing

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Notes receivable	80,609,173.33	81,021,515.38
Accounts receivable		
Total	80,609,173.33	81,021,515.38

(6) Prepayments

<u>Item</u>	<u>Ending balance</u>		<u>Beginning balance</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
		(%)		(%)
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

REVIEW REPORT AND FINANCIAL STATEMENTS

(7) Other receivables

Category	Ending balance			Beginning balance		
	Book balance		Provision for bad debts Amount	Book balance		Provision for bad debts Amount
	Amount	Percentage (%)		Amount	Percentage (%)	
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	100.00
Provision for bad debts made on a grouping basis	288,137,985.32	68.94	39,040,883.52	13.55	34,895,109.57	16.37
Including:						
Expected credit loss of grouping basis	288,137,985.32	68.94	39,040,883.52	13.55	34,895,109.57	16.37
Total	417,943,876.03	100.00	168,846,774.23		164,701,000.28	
			249,097,101.80		178,277,572.38	
			249,097,101.80		178,277,572.38	

REVIEW REPORT AND FINANCIAL STATEMENTS

(8) Inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment of inventories/ provision for impairment of contract performance		Book balance	Provision for impairment of inventories/ provision for impairment of contract performance	
		cost	Carrying value		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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

(23) *Deferred income tax assets and deferred income tax liabilities*

1. *Deferred income tax assets not offset*

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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*

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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*

<u>Item</u>	<u>Ending balance</u>			<u>Beginning balance</u>		
	<u>Book balance</u>	<u>Provision of impairment</u>	<u>Carrying value</u>	<u>Book balance</u>	<u>Provision of impairment</u>	<u>Carrying value</u>
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*

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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*

<u>Types</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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*

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Payment for goods	1,492,412,355.25	1,134,629,803.32
Total	1,492,412,355.25	1,134,629,803.32

REVIEW REPORT AND FINANCIAL STATEMENTS

(28) Contract liabilities

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Dividends payable	2,355,943.56	4,293,781.40
Total	2,355,943.56	4,293,781.40

2. Other payables

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

<u>Item</u>	<u>Ending balance</u>	<u>Beginning balance</u>
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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

Item	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

(50) Research and development expenses

<u>Item</u>	<u>For the six months ended 30 June 2022</u>	<u>For the six months ended 30 June 2021</u>
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

<u>Item</u>	<u>For the six months ended 30 June 2022</u>	<u>For the six months ended 30 June 2021</u>
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

<u>Item</u>	<u>For the six months ended 30 June 2022</u>	<u>For the six months ended 30 June 2021</u>
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

<u>Item</u>	<u>For the six months ended 30 June 2022</u>	<u>For the six months ended 30 June 2021</u>
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

<u>Source</u>	<u>For the six months ended 30 June 2022</u>	<u>For the six months ended 30 June 2021</u>
Gain/loss on change in fair value	-180,000.00	1,789,859.93
Total	-180,000.00	1,789,859.93

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

As lessee:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Type of leased assets Name of lessor	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	Right-of-use asset increased Interest expenses incurred on lease liabilities
Property Beijing Pufeng Medical Management Co., Ltd	2,171.56	368,082.83	368,082.83	368,082.83

REVIEW REPORT AND FINANCIAL STATEMENTS

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

Item	Related party	Ending balance		Beginning balance	
		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

REVIEW REPORT AND FINANCIAL STATEMENTS

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		

REVIEW REPORT AND FINANCIAL STATEMENTS

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

REVIEW REPORT AND FINANCIAL STATEMENTS

(2) Accounts receivable

Items	Ending balance			Beginning balance		
	Book balance		Bad-debt provision	Book balance		Bad-debt provision
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad-debt by pooling	347,731,347.94	100.00	28,062,554.63	8.07	319,668,793.31	100.00
Including:						
Expected credit loss pooling	121,566,838.54	34.96	28,062,554.63	23.08	93,504,283.91	46.19
Related party pooling	226,164,509.40	65.04			226,164,509.40	53.81
Total	347,731,347.94	100.00	28,062,554.63		384,409,870.38	100.00
					384,409,870.38	
					41,181,390.73	10.71
					41,181,390.73	10.71
					206,845,916.87	
					206,845,916.87	
					343,228,479.65	
					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

Items	Ending balance			Beginning balance		
	Book balance		Bad-debt provision	Book balance		Bad-debt provision
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Bad-debt provision for individuals	129,805,890.71	9.74	129,805,890.71	100.00	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	733,960,503.11	84.97
Including:						
Expected credit loss pooling	259,782,551.62	19.48	5,135,191.01	1.98	95,950,384.83	11.11
Related party pooling	943,608,031.49	70.78			943,608,031.49	73.86
Total	1,333,196,473.82	100.00	134,941,081.72		863,766,393.82	100.00
					1,198,255,392.10	
					4,531,126.05	0.62
					4,531,126.05	4.72
					638,010,118.28	
					638,010,118.28	
					729,429,377.06	
					729,429,377.06	

REVIEW REPORT AND FINANCIAL STATEMENTS

(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

Item	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	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.

REVIEW REPORT AND FINANCIAL STATEMENTS

X. Supplementary information

1. Breakdown of non-recurring gains and losses for the year

<u>Item</u>	<u>Amount</u>	<u>Note</u>
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